

CORE OF TRUST



Vision

To be the foremost Finance Company in Sri Lanka

Mission

To provide the most useful and ethical financial services to our customers by creating an experience that builds lasting relationships

Our Values

Lead with Respect
Demonstrate Responsibility and Integrity
Improve and Innovate Passionately
Collaborate for Success
Respond with Agility
Drive Sustainability

CONTENTS

ABOUT THIS REPORT 2	AUDIT COMMITTEE REPORT 148
A SNAPSHOT OF THE COMPANY 4	BOARD NOMINATION COMMITTEE REPORT 150
FINANCIAL HIGHLIGHTS 5	INTEGRATED RISK MANAGEMENT COMMITTEE REPORT 151
CHAIRMAN'S MESSAGE 6	CREDIT COMMITTEE REPORT 152
GROUP CHIEF EXECUTIVE OFFICER'S REVIEW 9	REMUNERATION COMMITTEE REPORT 153
CHIEF EXECUTIVE OFFICER'S REVIEW 12	BOARD RELATED PARTY TRANSACTIONS REVIEW 154
BOARD OF DIRECTORS 16	COMMITTEE REPORT 154
SENIOR MANAGEMENT 20	AUDITOR'S REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING 156
HOW WE GENERATE VALUE 22	DIRECTORS' STATEMENT ON INTERNAL CONTROL 158
MATERIAL TOPICS ASSESSMENT 24	BOARD OF DIRECTORS COMMUNICATION POLICY 160
STAKEHOLDER ENGAGEMENT 25	
ECONOMIC OVERVIEW 39	
FINANCIAL CAPITAL 40	
UTILIZING OUR MANUFACTURED CAPITAL 45	
DEVELOPING OUR HUMAN CAPITAL 47	
FOSTERING OUR SOCIAL AND RELATIONSHIP CAPITAL 52	
ENHANCING OUR INTELLECTUAL CAPITAL 58	
MANAGING OUR NATURAL CAPITAL 63	
INDEPENDENT ASSURANCE REPORT TO INGER FINANCE (LANKA) PLC 66	
CORPORATE GOVERNANCE 69	
RISK MANAGEMENT 134	
GRI CONTEXT INDEX 142	
DISCLOSURE REPORT UNDER FINANCE COMPANIES CORPORATE GOVERNANCE DIRECTION NO. 3 OF 2008 147	
	FINANCIAL STATEMENTS
	ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY 163
	STATEMENT OF DIRECTORS' RESPONSIBILITY 168
	INDEPENDENT AUDITOR'S REPORT 169
	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 172
	STATEMENT OF FINANCIAL POSITION 173
	STATEMENT OF CHANGES IN EQUITY 174
	CASH FLOW STATEMENT 175
	NOTES TO THE FINANCIAL STATEMENTS 176
	TEN YEAR SUMMARY 241
	QUARTERLY FINANCIAL STATEMENTS 242
	VALUE ADDED STATEMENT 244
	SHARE INFORMATION 245
	GLOSSARY OF FINANCIAL TERMS 249
	NOTICE OF ANNUAL GENERAL MEETING 252
	FORM OF PROXY 253
	SHAREHOLDER FEEDBACK FORM 255
	CORPORATE INFORMATION INNER BACK COVER

CORE OF TRUST

The FY 2020/21 tested the soundness of our business model, our resilience and fortitude to navigate a challenging phase. During the year we continued to stay close to our customers, guided by empathy to serve with efficiency. We remain deeply committed to ensuring the highest standards of ethics and governance whilst helping our customers prosper and move to the next level of growth.

The trust that our customers and stakeholders have placed in us remains our strongest anchor, encouraging us to deliver value and improve our products and service proposition every step of the way. Our time-tested fundamentals, Group strength and the abiding trust of all our stakeholders will hold us in good stead to navigate our way through the 'new normal', with confidence and commitment to create lasting value.



ABOUT THIS REPORT

3rd INTEGRATED ANNUAL REPORT

We are pleased to present our third Integrated Annual Report in accordance with the International <IR> Framework of the International Integrated Reporting Council (IIRC).

We strive to provide a comprehensive yet concise review on how Singer Finance (Lanka) PLC (the 'Company') created value for its stakeholders through its financial, social and environmental performance for the year ended 31 March 2021.

Report Structure

The Annual Report of the Company covers the period of twelve - months of our annual reporting cycle from 1st April 2020 to 31st March 2021 and other material events post this reporting period.

The Company creates value through the Business Model, which takes inputs from the six capitals and transforms through its business activities to produce outputs and outcomes that create value over time for its diverse stakeholders.

Scope and Report Boundary

This Report considers the financial performance and non-financial performance of the Company. This Report represents a balanced review of our financial, environmental and social performance, our governance framework and how we manage risks.

Materiality Determination

We apply the principles of materiality in assessing the information that is to be included in the integrated report. Matters which are identified as material are those that affect the value creation capacity. Page 24 of this report covers the material aspects relevant to the Company.

Forward Looking

The Report includes forward-looking statements, which relate to the possible future financial position and results of the Company's operations. These statements involve an element of risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future. However, we do not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise.

Feedback

We welcome your comments on the Annual Report. Please contact our Head of Finance as follows:



Head of Finance,
Singer Finance (Lanka) PLC,
No 498, R A De Mel Mawatha,
Colombo 3.



Hotline:
+94-11-2400400



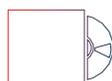
E Mail: erajf@singersl.com

Available Forms

SINGER FINANCE (LANKA) PLC
Annual Report 2020/21



Print
Available on
request



CD-Rom
Posted to all
Shareholders



Online
Available as
PDF

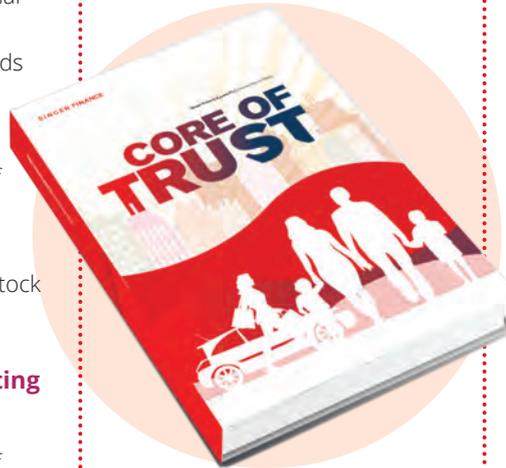
Standards and Principles of Preparation

Reporting Suite Financial Reporting

- 1) Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRSs) and Lanka Accounting Standards (LKASs)
- 2) Companies Act No. 07 of 2007
- 3) Finance Business Act No. 42 of 2011 and amendments thereto Compulsory
- 4) Listing Rules of the Colombo Stock Exchange (CSE).

Corporate Governance Reporting

- 1) Companies Act No. 07 of 2007
- 2) Finance Business Act No. 42 of 2011 and all Directions/ Guidelines issued thereunder Mandatory
- 3) Corporate Governance Direction No. 03 of 2008 (as amended) issued by the Monetary Board of Central bank of Sri Lanka
- 4) The Code of Best Practice on Corporate Governance as published by the Institute of Chartered Accountants of Sri Lanka
- 5) Continuing Listing Requirements of the Colombo Stock Exchange (CSE)
- 6) Finance Leasing Act No.56 of 2000



Mandatory Integrated Reporting and Sustainability Reporting

- 1) International Integrated Reporting council (IIRC) Integrated Reporting <IR> Framework consisting of the six capitals model
- 2) GRI Standards 2020 published by the Global Reporting Initiative, 'In accordance' - Core guidelines

Governance, Risk Management and Operations

Laws and regulations of the Companies Act No 7 of 2007.

The narrative on Corporate Governance (pages 69 to 133) complies with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka and the Central Bank of Sri Lanka. Listing Rules of the Colombo Stock Exchange and subsequent revisions to date.

Navigating Our Report

About Us

A Snapshot of the Company
About this Report
Our Journey

Determining Material Concerns

Engaging with our Stakeholders
Material Matters
Operating Environment

How We Create Value

Performance Highlights Message by CEO
Message by Chairman How we Generate Value
Message by Group CEO

How We Govern

Corporate Governance
Risk Management

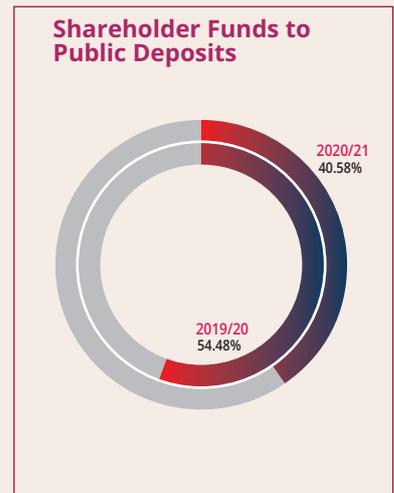
What We Delivered

Capital Reports



www.singerfinance.com

A SNAPSHOT OF THE COMPANY



Branches

2019/20	2020/21
35	39

Employees

2019/20	2020/21
624	701

Net Assets per Share

2019/20	2020/21
19.35	21.37

Fitch Rating

2019/20	2020/21
BBB[LKA]	A+ [LKA]



FINANCIAL HIGHLIGHTS

For the year ended 31 March	2021	2020	Change
Financial Performance (Rs'.000)			
Gross Income	4,713,704	4,598,412	3%
Interest Income	4,428,485	4,310,449	3%
Interest Expense	1,920,500	1,991,392	-4%
Profit before Tax	601,801	630,310	-5%
Income Tax Expense	191,674	241,269	-21%
Profit after Tax	410,127	389,041	5%
Revenue remitted to the Government	448,802	670,645	-33%
Financial position at the year end (Rs'.000)			
Total Equity	4,318,469	3,909,182	10%
Deposits from Customers	10,643,164	7,175,552	48%
Hire Purchase, Leases, Loans & Advances	21,090,544	20,157,566	5%
Total Assets	24,671,211	22,547,442	9%
Growth In Advances (%)	5	13	-8%
Growth In Deposits (%)	48	18	31%
Investor Information			
Earnings per Share (Rs)	2.03	1.93	5%
Net Assets per Share (Rs.)	21.37	19.35	10%
Price Earning Ratio (Times)	6.75	4.47	51%
Ratios			
Gross Non-Performing Advances Ratio (%)	6.92	5.01	
Net Non-Performing Advances Ratio (%)	1.67	1.40	
Non Interest Expense to Gross Income (%)	46.49	42.99	
Gross Interest Margin (%)	56.63	53.80	
Net Interest Margin (NIM) (%)	11.66	11.71	
Return on Assets (%)	1.74	1.85	
Return On Average Shareholder's Fund (%)	9.97	10.44	
Interest Cover (Times)	1.31	1.32	
Equity : Interest Bearing Liabilities (Times)	0.23	0.22	
Debt : Equity Ratio (Times)	4.26	4.46	
Quick Assets Ratio (%)	0.93	0.79	
Fitch Rating	A+[lka]	BBB[lka]	
Statutory Ratios			
Liquid Assets (%)	12.62	11.77	
Core Capital Ratio (%) - Minimum required 6.5%	14.34	13.87	
Regulatory Capital to Risk Weighted Assets (%) (Minimum Requirement 10.5%)	14.34	13.87	
Shareholders Funds : Public Deposits % (Minimum of 10%)	40.58	54.48	

CHAIRMAN'S MESSAGE

Building a future-ready organization



“I envisage the year ahead to see market shares shifting between finance companies. Singer Finance having expertise in the second-hand market is positioned to carve out a greater share from competition.”

Dear Shareholders,

I am pleased to welcome you to the Fourteenth Annual General Meeting of Singer Finance (Lanka) PLC and to present the Annual Report and Audited Financials for FY2020/21. The socio-economic impact of the COVID-19 pandemic has been unprecedented and the performance of the Company during the period under consideration has to be measured in the context of the constraints of operating amidst a global pandemic which has ravaged the Sri Lankan economy that was just recovering after the unfortunate events of 2019.

Operating Environment

Weighed down under the pressure of the Easter Sunday attacks of 2019 and the COVID-19 outbreak in 2020, the Sri Lankan economy contracted by 3.6% in 2020, sliding beyond 2.3% growth recorded in the previous year. The economy experienced a contraction of 16.4% during the second quarter of 2020 due to the nationwide lockdown imposed to contain the spread of COVID-19, which reflects the widespread economic repercussions felt by Sri Lanka and other global economies. All sectors of the economy were

impacted, however, certain subsectors within the Agriculture posted strong growth supported by the government's policy initiatives to promote domestic agricultural production. Within the Industrial sector, manufacturing of food, beverages and tobacco products recorded a growth during the year, and in the Services sector, financial services, auxiliary financial services, telecommunication, wholesale and retail trade activities grew during 2020, thereby lessening the impact of the contraction of other subsectors. Looking ahead, the positive impact of the pro-growth policy agenda of the government and the accommodative monetary policy stance of the Central Bank of Sri Lanka (CBSL) are expected to contribute to the growth of the economy in 2021. The local and international vaccination drive and the return of most economic activities to normalcy are expected to help the economy to achieve a higher growth rate in 2021.

Performance of Licensed Finance Companies (LFCs)

The Licensed Finance Companies (LFCs) recorded a listless performance with a decline in asset base, loans and advances and deposits as well as increasing Non-Performing Loans (NPLs) and declining profitability during the year. Several directions were issued by the Central Bank of Sri Lanka during the year under review with a view to managing the adverse impact on the sector, while implementing extraordinary policy measures to provide relief to businesses and individuals affected by the pandemic. The sector remained stable with capital and liquidity maintained at healthy levels above the minimum regulatory requirements. Total assets of the sector stood at Rs. 1,401.6 billion by end-December 2020, representing 5.9% of Sri Lanka's financial system. The funding mix was dominated by deposits while borrowings of the sector declined

compared to the previous year. The restrictions on import of vehicles severely impacted the sector as vehicle leasing forms the bulk of the lending & profits in the sector. I believe operating conditions in the sector may have never been as challenging as in 2020/21. In line with the government's policy agenda, the fiscal sector is expected to improve over the medium term, underpinned by envisaged revival of economic activity.

Company Performance

I am pleased to report that Your Company recorded a better performance than in the preceding year, with the bottom-line showing a more positive growth in 2020/21, witnessing a major contribution from our newly-introduced gold loans product. Although we would have preferred more favourable operating conditions, we are overall satisfied with Your Company's reasonable portfolio growth and increase in bottom-line.

Despite setting more ambitious targets, the restrictive conditions in the financial year did not allow for achieving budgets. The leasing segment of the business saw a steep decline due to the import ban on vehicles, even though Your Company's reliance on vehicle leasing is not as high as others in the industry. As a result, the import ban coupled with a low interest environment combined to place pressure on margins, further exacerbated by restrictions on repossession which hampered a more strident recovery process. Despite the significantly challenging year, Your Company complied fully with the new regulations introduced by the Central Bank of Sri Lanka.

I am pleased to report that deposit mobilisation showed an upward trend by recording 48% growth in 2020/21. Although the gold loans product was rolled out initially in only a few branches, by year-end most Singer

"I am pleased to report that deposit mobilisation showed an upward trend by recording 48% growth in 2020/21."

Finance branches were offering the product, which saw an upsurge in demand due to the nature of challenges people faced during the period such as income losses due to lockdowns and mobility restrictions, and the need for cash in hand. At such a critical time, Singer Finance was able to support them by safeguarding their gold assets.

In the past, Singer Finance has been reliant on borrowings but has now reduced dependency on borrowings from the banks and the parent company, Singer Sri Lanka, quite significantly. Simultaneously, Your Company moved out of Singer Sri Lanka premises to occupy its own building space to drive its own distinctive identity. During the year, Your Company opened 4 new branches and relocated 3 others as independent branches successfully amidst the disruption caused by the pandemic. The branch expansion has necessitated more staff and new talent was on-boarded during the year, especially in deposit mobilisation and lending with the intention to enhance the ticket size of transactions.

Future Outlook

The year ahead promises to be challenging as the spectre of COVID-19 still looms and we have still to see the extent of the impact on the economy. In my view there will be no relief to the leasing sector and the tough external operating condition may not allow for lifting the ban on importation of vehicles anytime soon. As a result, the LFC sector will continue to see

CHAIRMAN'S MESSAGE

greater competition in the segment, with leasing companies specializing in imported vehicles fighting for a share of the second-hand vehicle market. I envisage the year ahead to see market shares shifting between finance companies. Singer Finance having expertise in the second-hand market is positioned to carve out a greater share from competition.

As our branch expansion during the year shows, we have ambitious plans to further expand our geographical footprint and widen our product portfolio to keep expanding and growing as a dynamic entity. Singer Finance has strong brand recognition, backed by Singer Sri Lanka and ultimate parent Hayley's PLC going ahead, we will be leveraging on group synergies to grow organically. There is no doubt that we continue to lend with caution as many of our customers are SMEs in the agriculture sector some of whom have performed well while some have been severely affected. The on-going impact of the pandemic makes it difficult to predict what the 2021/22 financial year holds in store.

Your Company had to comply with many new governance regulations during the year under review. With regards the regulator's desire for greater consolidation in the financial services sector, a decision will be taken in the 2021/22 year as to whether Singer Finance should opt for organic expansion or merger/acquisition route. Your Company has unutilized and underutilized credit lines from banks and going ahead we will decide the optimal manner to utilize these funds. Deposit mobilisation will be a key pillar of growth in the year ahead.

The sector as a whole remained resilient with capital maintained above the minimum capital requirements during the year. Upon reaching the deadline, an extension of 12 months was granted to LFCs to comply with minimum core capital requirements considering the economic impact of the COVID-19 outbreak. The new target for the sector is to reach Rs. 2.5 billion by 1st January 2022.

During the year under review, the recovery process for non-performing leases was hampered but we are abiding by the regulations although margins are low due to the low interest regime.

Appreciation

I would like to thank my colleagues on the board of both parent groups, led by Singer (Sri Lanka) Chairman Mr. Mohan Pandithage and Group Co-Chairman Mr. Dhammika Perera, for their unwavering support. The entire team at Singer Finance has spared no effort to help steer the company to safe water amidst the storm caused by the pandemic.

I would like to thank the outgoing Director, Mr. J A Setukavalar, for his valued service to the company for nine long years. His guidance and vision to shape Singer Finance's growth trajectory has been a critical factor in our success.

All our key stakeholders including shareholder, customers, suppliers and business partners have been a pillar of support and inspiration for us to raise the bar across all our operations.

I take this opportunity 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 ensuring the resilience of the sector and a fruitful engagement with Singer Finance.

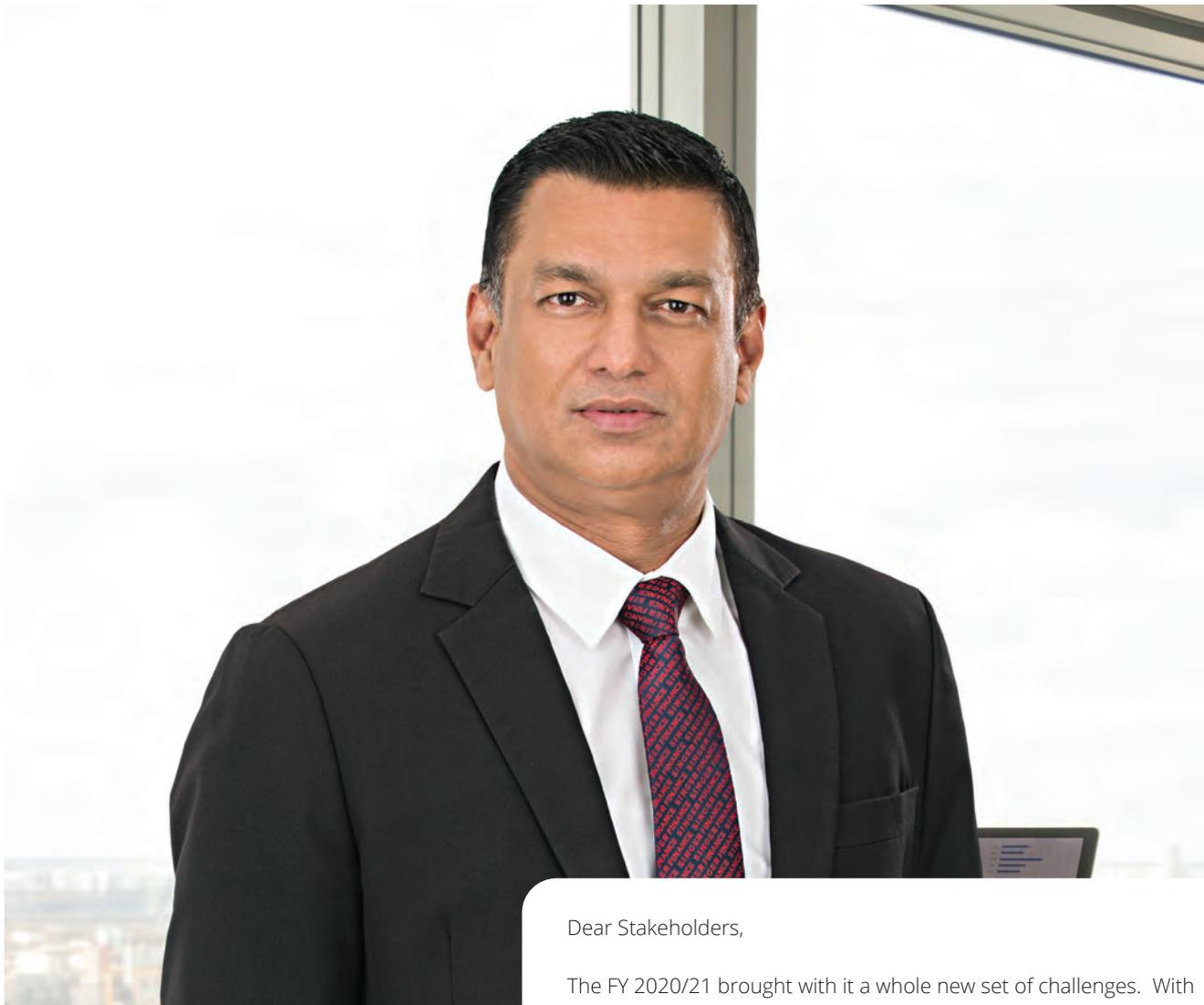


Aravinda Perera
Chairman
Singer Finance (Lanka) PLC

Colombo
06th May 2021

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Navigating amidst challenges to deliver value



“Singer Finance is being positioned as a future-ready organization with advanced IT platforms. We are in the process of identifying ways in which we could accelerate digitalisation and modernize the brand to appeal to both urban and rural markets.”

Dear Stakeholders,

The FY 2020/21 brought with it a whole new set of challenges. With the COVID-19 global pandemic affecting the economic wellbeing of the nation, Almost overnight, organizations and employees had to adapt to what is now termed as the ‘new normal’ – making a shift to working remotely. It was surely a year where humankind was tested to the limit of their capabilities, tolerance, innovation, adaptability and much more. The green shoots of recovery seen in the local economy at the beginning of the 2020 year were crushed by the first wave of the pandemic and the lockdowns that followed. With the second wave further stifling key sectors to which Singer Finance lends, such as SMEs engaged in tourism and entrepreneurs involved in vehicle imports, the year proved challenging in more ways than one.

Singer Finance had to adapt quickly to the evolving situation, ensuring staff were safe whilst still motivating them to work in difficult and unfamiliar conditions. The business model had to be reviewed and amended to suit the dynamic environment, while complying with a slew of government directives released during

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

“The Company further consolidated its fixed deposit portfolio which surpassed the Rs. 10 Bn milestone. This solidified the trust and confidence of the Singer Finance brand.”

the year under review to stabilize the financial services sector. Gradually, we were able to infuse normalcy to the businesses, but unfortunately, due to the overall uncertainty and slowdown in the sector, the Company was unable to grow to the extent envisaged.

Financial Performance

Amidst unprecedented challenges, the Company recorded growth in top line and bottom-line in the financial year 2020/21. Planned robust portfolio growth was hampered due to COVID-19 in the first half of the year while collections were an issue due to mobility restrictions and new rules introduced for repossession until the end of the moratorium, which were extended until end-September 2021.

Gross income increased to Rs. 4.7 Bn from Rs. 4.6 Bn reported in the previous year, a growth of 3.0%. Meanwhile, Net Interest Income grew by Rs. 189 Mn during the year to reach Rs. 2.5 Bn for the year ended 31st March 2021. Total impairment charges against loans and advances rose as a natural corollary to the extenuating circumstances to Rs. 483 Mn, an increase of Rs. 124 Mn. This represents a 35% growth over the previous year. The total asset base and the deposit base saw a Y-o-Y growth by 9.4% and 48.3% respectively.

The government's decision to restrict import of vehicles had a direct impact on the performance and growth of lending levels of finance companies since leasing forms a

sizeable component of their business. Fortunately, not many of our customers were engaged in tourism and vehicle imports. Hence, this had a low impact on our business. Nevertheless, the Company fully complied with the regulations and extended moratoriums while supporting affected customers through this crisis period. The shortage of three-wheeler and two-wheeler imports impacted Singer Finance as it had garnered a large share of the leasing market in this segment. Overall, we are satisfied with our performance in the year under review but are keen to realize the latent potential of the Company. The Company further consolidated its fixed deposit portfolio which surpassed the Rs. 10 Bn milestone. This solidified the trust and confidence of the Singer Finance brand. We observed an improvement in the second half of the FY 2020/21 with collections and the loan book being expanded.

Strategic Outlook

As a medium-sized company with a Rs. 20 Bn plus asset base and 39 branches, Singer Finance has many opportunities to grow. The Company has an ambitious plan to expand its network to 75 branches in the medium term while undertaking portfolio expansion with a greater emphasis on doubling our asset base in three years with expansion of gold loans and vehicle leasing.

We remain optimistic that with the vaccination drive and revival in tourism elsewhere in the region, it won't be long before the local economy picks up and we can leverage on the strong group synergies too. Given Singer Sri Lanka's ambitious plans for brand building and renovating showrooms etc., the Singer brand will be more visible in future with a rub-off effect on Singer Finance.

Despite the volatile operating environment, Singer Finance remained stable as it has a robust governance

framework and the strategic direction of an experienced Board of Directors. Both parent companies performed exceptionally well during the period under review which is a positive factor that directly impacts our brand value as well as lends stability, trust and confidence in our financial services operation. Continuing our growth and evolution, Singer Finance was awarded the 'Great Place to Work' certification and ranked amongst the Top 25 Great Places to Work in Sri Lanka in the last two years.

There were no changes to the framework, however, we bid farewell to Mr. J A Setukavalar after his longstanding service to the company of 9 years completing his term as Senior Independent Director on the Board. His contribution as Chairman of the Audit Committee was invaluable. I would like to welcome Mr. Ranil de Silva to the Board, who we believe will add a valuable dimension.

Looking ahead, it is likely that import restrictions will remain in place through the next financial year and we fervently hope the import ban will not extend to more product categories. On the agricultural side, we are closely following the development related to the proposed ban on agro chemicals and chemical fertilizer in order to assess possible impact on agriculture output in the near term. This segment forms a sizeable customer base for the Company and is economically significant since over 30% of the population is engaged in agriculture and related businesses. We are hopeful that prevailing low interest environment could stimulate the economy- that the borrowings will increase when the economic activities takes off.

Singer Finance is being positioned as a future-ready organization with advanced IT platforms. We are in the process of identifying ways in which

we could accelerate digitalisation and modernize the brand to appeal to both urban and rural markets.

Acknowledgement

Our ability to carve growth despite challenging externalities reflects the experience and expertise of our Chairman Aravinda Perera and Board of Directors who guided our operations with foresight. The contribution of Singer Finance employees needs to be lauded under the able hand of the CEO Thushan Amarasuriya for driving growth amidst uncertainty.

I wish to thank the Group Chairman Mr. Mohan Pandithage and Group Co-Chairman Mr. Dhammika Perera for their guidance. Our shareholder and stakeholders including customers, suppliers and business partners are the cornerstone of our success.

We remain 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 their cooperation.

Strengthened with the support and confidence of all our stakeholders, Singer Finance is poised to grow and expand in the year ahead.



Mahesh Wijewardene
Group Chief Executive Officer

Colombo
06th May 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

Strides of progress



“Despite the tough external environment, the staff rallied around to make the best out of a bleak year and their contributions led to a very satisfactory outcome.”

Dear Shareholders,

It's my pleasure to present a review of your company's performance for the financial year ended on 31st March 2021. The year under review will go down in history as one of the most challenging years in the 21st century due to uncertainties and hardships caused by the outbreak of COVID-19. Despite the extraordinary difficulties encountered during the year, the company posted solid financial results demonstrating its strength and resilience overcoming to the best of its ability, the external factors that were weighing down on the Finance Industry. Comparison of Singer Finance with the industry would indicate fluctuating fortunes and results, according to income earning portfolio variables such as, type of loans, credit quality and predominant sectors of each Company. Finance Companies (Fin Co's) with a higher mix of gold loans in their portfolios enjoyed superior results compared to companies with lesser portfolios in gold or none at all, whilst, Fin Co's that had portfolios skewed towards transportation and tourism had more challenging results due to multiple moratoriums having to be offered to these sectors.

Singer Finance is a subsidiary of two iconic business entities counting over 140 years of rich heritage. We have maintained the highest standards of governance and transparency throughout our 17-year journey, a proud culture inculcated by our Parent Company Singer (Sri Lanka) PLC and further consolidated by our ultimate parent, Hayleys PLC. In furthering the appetite for aggressive business growth, with the backing of the strong parent companies, Singer Finance invested in expanding the branch network and the core business structure with the objective of capturing a higher market share that the Company has the potential to acquire. In the backdrop of a historically high financial performance of our Parent Company Singer, Fitch Ratings upgraded the support driven rating of Singer Finance to A+ (lka) with a stable outlook.

The present year's performance has to be read with forbearance to the inimical operating conditions of FY 2019/20 in which the unprecedented events of April 2019 resulted in a contraction of the economy, thereafter, just as a semblance of normalcy was felt, the pandemic set in, causing prolonged periods of economic stagnation over the past year, with short, boom bust cycles of business growth and deceleration being experienced along the way during the year. I am confident that the present challenges are ephemeral and there would be economic resurgence with pent up demand being realized no sooner the country and the world recovers from the pandemic.

Outlook of the Industry

Restrictions imposed on import of vehicles impacted the industry which is traditionally dependent on Leasing of vehicles as its core profit generating financial product. The continuous deceleration of income earning portfolios experienced during the financial year was a fallback

resulting from import restrictions. The intermittent increase in price of Gold was a blessing in disguise and made up to a large extent by contributing to the bottom lines of companies that offered the product. Contribution from Gold Loans on retaining the balance sheet portfolios was less due to the short-term nature of the product. It was unfortunate that the Finance and Leasing industry which was steadily recovering from the fallback of the Easter attacks of April 2019 had to contend with many external negativities, macro-economic control measures and a glut of new regulations whilst navigating under very stressful market conditions.

In the calendar year of 2020 the Finance and Leasing sector saw a 5.7% contraction in their loans and advances closing the year at Rs 1,040 billion, net interest income decelerated by 5.6% to close at Rs 111.2 billion, loan loss provisions grew by 26.5% to close at Rs 38.2 billion (3.67% of the total loans and advances of the sector) and the net profits decelerated by 5.52% to Rs 13.7 billion. The industry provides services to a very important sector of the economy and most of the first-time customers are subprime customers who are generally ignored by the banks, therefore, the contribution towards financial inclusion and SMEs by the sector should be highly valued and given due credit and recognition specially at the time of deliberating new regulations pertaining to the industry.

A Synopsis of the Financial and Operational Performance

Despite the tough external environment, the staff rallied around to make the best out of a bleak year and their contributions led to a very satisfactory outcome. It is noteworthy to mention that the Company's key KPIs were superior to that of the industry. Some of the noteworthy achievements are listed below;

- Profit After Tax (PAT) of Rs.410.1million (Mn) grew by 5% year on year (YoY)

- Total Assets base grew by 9.5% YoY to reach Rs.24.7 billion
- Total loan portfolio returned a growth of 4.6% and closed at Rs 21.1 billion
- Customer deposits crossed the Rs.10 billion resulting in an impressive year on year growth of 48.3%
- Business volumes grew by 5.8% YoY and the company lent Rs 17.1billion
- Converted the dependency on interest bearing loans and borrowings to deposits, (deposits to loans was 58% in 31st Mar 2021 as against 42% in 31st Mar 2020)
- Total administration and selling expenses, amounting to Rs.812.3million in 2019/20, declined to Rs.780.4million

The Company's cost to income ratio increased to 53.6% in 2020/21 from 52.1% in 2019/20. This was primarily due to the increase in staff cost, mainly driven by the increase in the staff base by 77 to 701, to support the growing business. There was also a reflection from the investments made for expanding the branch network.

Although, the period under review posed many challenges, the Management pursued the Board strategy of continuing with the branch expansion program, a wise decision, given that branch locations began to fall vacant in key town areas due to the economic situation and were available at rents that were reasonable compared to normal operating conditions. The Company relocated its window locations in Kiribathgoda, Wattala and Nugegoda to fully fledged branches and opened new branches at Nuwara Eliya, Maradana, Kotahena and Kohuwala.

Expenditure on brand building and marketing was rationalised. However, we expanded our presence in the digital space which was more effective as well as economical given that digital usage

CHIEF EXECUTIVE OFFICER'S REVIEW

“For the third consecutive year Singer Finance was recognized as a ‘Great Place to Work’ and both in 2019/20 and 2020/21 we were recognized as one of the top 25 best places to work.”

increased in large numbers as a result of the new normal. These efforts have resulted in the Company increasing their lending through digital means to a consistent level.

Group Synergies

The current income earning portfolio built up by way of group synergies is less than 10%, as the Company pursues market share independently and focuses more on the core products such as Leases, Gold Loans and vehicle backed speed loans, a new team of marketeers dedicated to scout for business opportunities within the group are focused and expected to increase the contribution from such opportunities. The main contribution from group synergies are from consumer group sales financing, agricultural equipment financing and personal loans to staff. The consumer group sales product experienced a major setback as the portfolio decelerated by 60% to Rs 194Mn as a direct result of the pandemic. Physical presence of both the financier and supplier at the respective institutions is a must for group sale financing to succeed. As movements were severely restricted and operations of these institutions were severely impacted, attempts to finance in a limited capacity too was disrupted many times. With the weather patterns expected to be predictable, signaling a recovery for the life blood of the nation, the agriculture sector, we expanded financing of agricultural equipment and tractors with two strong brands in John Deer and Kubota sold by Singer and Hayleys

respectively being a readily accessible market segment for us. Financing to the agricultural sector grew phenomenally by 161% to Rs 448Mn during the financial year and more than 90% of these business volumes constituted John Deer and Kubota tractors. Singer Finance will continue to carve a niche on both consumer durables and agriculture sector financing, in both of these segments the opportunity to maximize financing the top brands offered by our group companies will be relentlessly pursued.

Salary loans to group staff was pursued in the financial year as a commercial product and we were able to surpass the Rs 50 million mark in the portfolio from this product. With Singer Finance expanding its digital capabilities, customers have the convenience of viewing and settling their facilities using the internet banking platform introduced during the year if they qualify for non-salary deduction repayments.

A Team That We Can Depend on

Singer Finance has always been a trusted and empathic employer, the entire Management team understands that employee's health and safety is a priority over everything else. With the pandemic causing many uncertainties, the unknown factors were many and still remain so. Health and safety protocols were implemented as advised by the Ministry of Health at Head office and all our branches. Human Resources played a pivotal role by constantly reminding the staff of the need to ensure that the basic safety precautions are followed, constant engagement included town hall meetings by the CEO and the top management teams engaging and alleviating anxiety of the staff. We also engaged staff working from home on a consistent basis via online platforms in order to keep their morals high and to disengage any undue worries by way of constant interaction.

I am very proud of how my staff embraced the new normal, all of them braved the unknown, specially the front-end staff who were more widely exposed than the rest, they were bold and agile in their decision making and the team worked together and quickly adapted to the 'new normal'. The resolute performance recorded in this financial year is a result of their contributions. As the pandemic continues to evolve with a lot of uncertainties our top priority is to ensure that our staff are safe from the perils of the pandemic and the message to them is to ensure that the basic safety precautions are adhered at all times and for each staff member to consciously try to reduce the probability of contacting the virus by being extremely mindful of their actions and social distancing requirements. It is also heartening to note that no salary cuts were affected and the staff were given reasonable increments and a bonus commensurate with the market conditions, despite the challenging conditions that the Company had to contend with during the year under review. We are grateful to the leadership of our ultimate Parent Company, Chairman of the Board and the Board of Directors for standing by the employees in the most decisive moments where anxiety was lurking all over.

In the year under review we increased our staff to 701 from 624 as of March 2020. The gender mix remained the same at 23% female and 77% male. I am happy to note that we have provided more leadership opportunities for females during the year and the highlight of them all was the handing over of the reins of one of our branches to a Manageress for the first time in our history a move that is not that common in a male dominated industry specially in the front-end staff category. During the year under review HR Division conducted 24 training programs and improved the induction program to enable new recruits to integrate to our culture with ease. The average

age of our staff is 31 years, and we have with us, a good blend of youth and experience who are capable of navigating your Company to the next level.

For the third consecutive year Singer Finance was recognized as a 'Great Place to Work' and both in 2019/20 and 2020/21 we were recognized as one of the Top 25 Best Places to Work, this I consider as a great achievement and speaks volumes of the Leadership skills of every Manager of the Company and of the Human Resources division which is constantly proving that they are a forward thinking and a business enabling department which is therapeutic news for an organization that is striving to evolve to the status of one of the best finance companies in the country. As this report goes to print we eagerly await the results of the 'Great Place to Work' top 25 qualifiers for 2021/22.

The Way Forward

As we forge ahead with our new mission "To provide the most useful and ethical financial services to our customers by creating an experience that builds lasting relationships", we plan to enhance the skills of our staff by identifying individual training needs. Training and development of skills specially of the front-end staff have been identified as a key emphasis in our effort to reach greater heights. A major initiative in this regard would be the introduction of a Learning Management Software that will be in place from the 2nd quarter of the new financial year.

Also, on the cards are a suit of new software which will provide futuristic operational capabilities. Having already evaluated the capabilities of these new software, I have no doubt that implementation of them will provide customers with a more convenient experience in their customer journey with Singer Finance and our staff will be given more informative analytics, so that they could take value driven and informed decisions.

Although, there are many deliberations on the advantages of offering digital solutions vis-a-vis brick and mortar branches, there is a limitation as to how much all financial needs could be satisfied via digital means, mainly due to the nature of the lending products that the industry offers. On a further note, more expeditious regulatory changes are required to step up to more enhanced digital solutions both for the borrower and the lender. The Board of Directors have given their blessings to expand the branch network of the Company and we hope to expand our footprint from 39 to 50 by 31st March 2022. We have identified strategic locations in line with our core strategy, the execution of this plan in full, will depend on the prevailing economic situation as we seek solutions to move beyond the negative impacts of the pandemic.

Appreciation

My sincere thanks to our loyal customers for their continued patronage and loyalty towards Singer Finance. I can assure you that my colleagues did their best to serve you with dedication and empathy in a very difficult year.

I would like to thank the Group Chief Executive Officer Mr. Mahesh Wijewardene, Board Chairman Mr. Aravinda Perera, Group Chairman Mr. Mohan Pandithage, Group Co-Chairman Mr. Dhammika Perera and the members of the Board for their unwavering support to Singer Finance.

Senior Independent Director, Mr. J.A Setukavalar retired after completing his tenure of nine years. His guidance and contributions to the Audit Committee ensured that that Management was focused on constantly reviewing and establishing controls for key areas of risk. Mr. Setukavalar also actively contributed in the Board's deliberations during his tenure. My sincere appreciation goes to Mr. Setukavalar for his contributions and hard work. I wish

to warmly welcome Mr. Ranil De Silva who joined the Board in place of Mr. Setukavalar.

I take this opportunity to thank the Governor of 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 their unwavering contributions to the sector and the support extended to Singer Finance.

A sincere appreciation to the loyal shareholders of the Company for reposing your faith in us. You can be assured that we have a purpose-driven team committed towards taking your company to the next level.

Last but not least I would like to extend my heartfelt appreciation to the Senior Management team and all my colleagues at Singer Finance for their untiring efforts and for braving the many unknown variables of the pandemic to serve our customers in person. Your contributions no doubt was the major contributory factor for this year's solid performance, I am truly privileged to lead a talented team.



Thushan Amarasuriya
Chief Executive Officer

Colombo
06th May 2021

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, Mr. Ranil De Silva, Ms. Darshini Talpahewa

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 the Deputy Chairman of Pan Asia Banking Corporation PLC and also a Director of Hayleys PLC, Hayleys Aventura (Pvt) Ltd, Hayleys Advantis Ltd, Fentons Ltd. Rocell Bathware Ltd and SNAPS Residencies (Pvt) 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. Jayanth Perera

Senior 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, Tourism. Sri Lanka Airlines Ltd, Healthy Life (Pvt) Ltd. and Sri Lankan Catering Serivices Ltd.

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. Sri Lankan Airlines Ltd, Healthy Life (Pvt) Ltd., and .Sri Lankan catering Services Ltd.

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.

BOARD OF DIRECTORS

Mr. Ranil De Silva

Independent Non-Executive Director

Joined the Board of Singer Finance (Lanka) PLC on 9th March 2021.

Mr. De Silva is a Fellow Member of the Chartered Institute of Management Accountants UK, Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Member of the Chartered Institute of Marketing UK. He has extensive experience in diverse industries in Finance, Sales & Marketing and General Management in Sri Lanka as well as overseas having held many responsible positions in reputed Companies.

Mr. Ranil De Silva has served on the Boards of Singer Group of companies previously and currently serves as a Director of Central Industries PLC.

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 17 years 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 to the Group Management Committee of Hayley's PLC and also as an Executive Director and the Chief Executive Officer of Singer (Sri Lanka) PLC and its subsidiary companies with effect from 1st November 2018. He was appointed to the Singer (Sri Lanka) PLC Board on 1st June 2006.

Mr. Wijewardene holds a Master's Degree in Business Administration from the University of Southern Queensland and received the Dean's Award for Outstanding Academic Achievement. He also holds a Diploma in General Management from the Open University of Sri Lanka.

He served as the past Chairman of Ceylon Chamber of Commerce – Import section and Sri Lanka – China Business Council. Mr. Wijewardene currently serves in the Executive Council of Sri Lanka Retailers' Association and a member of the International Chamber of Commerce – Policy Committee.

He serves as a Director of Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC, Regnis Appliances (Pvt) Limited, Singer Digital Media (Pvt) Limited, Singer Business School (Pvt) Limited, Reality Lanka Limited, Domus Lanka (Pvt) Limited and Equity Investments Lanka.

Mr. Sadeep Perera

Non-Executive Director

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

Mr. Perera is currently working as Assistant General Manager Finance of Vallibel One PLC. He holds a Bachelor of Science in Business Administration (Special) Degree from the University of Sri Jayawardenapura, A Master's Degree in Financial Economics from University of Colombo and is a Member of the Institute of Chartered Accountants of Sri Lanka.

SENIOR MANAGEMENT



Mr. Iman Perera

Ms. Chandrika Alwis

Mr. Eraj Fernando

Mr. Thilan Rupasinghe

Mr. Iman Perera

Chief Operating Officer

Iman was appointed as the Chief Operating Officer on 1st July 2018. He counts for over 27 years of work experience in the Finance Industry covering Retail Banking, Business Development, Sales/ Marketing and Operations 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 an MBA from the Postgraduate Institute of Management (PIM) of University of Sri Jaywardenepura and B.Sc Business Administration (Special) Degree from the University of Sri Jaywardenepura.

Ms. Chandrika Alwis

Consultant to the Chairman

Chandrika joined Singer Finance in 2018, counts over 39 years of experience in the areas of deposits, credit, recoveries including 24 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 set up Gold Loans successfully in two other financial institutions prior to joining SFL.

Mr. Eraj Fernando

Head of Finance

Eraj has over 21 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 an MBA from the 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 the Singer Finance team in April 2016 as Head of Cards. Thilan has been with the Singer Group for over 28 years, out of which 14 years in Senior Management. He has worked as Head of Department in Treasury, Financial Services and Budget Departments at Singer (Sri Lanka) PLC.

He holds an MBA from the Australian Institute of Business (AIB) Adelaide, Australia. He is also 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 the Payment Card Industry Association of Sri Lanka (PCIASL). Thilan has also served as Assistant Treasurer and Committee Member of the Association of Corporate Treasurers (Sri Lanka).



Mr. Suranga Jayaweera

Mr. Jeevaka Jayawardena

Mr. Joe Wijeyagoonewardene

Ms. Harshani Mapatuna

Mr. Jeevaka Jayawardena

Senior Manager-Credit and Group Sales

Jeevaka has been with the Singer Group for over 22 years. He possesses over 16 years of experience in Accounting and Finance out of which he has served 16 years in the Finance and Leasing industry.

Jeevaka was transferred to manage the credit function of the Company in 2015. In 2020 he was given the Group Sales business as an additional responsibility.

Mr. Suranga Jayaweera

Senior Manager – Compliance

Suranga has over 13 years of experience in the field of Accounting, Auditing and Finance.

He holds an MBA from the University of Southern Queensland of Australia and is also a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, an 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 a BSc. Accounting (Sp) Degree with a 2nd class upper division from the University of Sri Jayawardenepura.

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

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

Mr. Joe Wijeyagoonewardene

Head of Deposits

Joe has considerable years of working experience both in the public and private sectors holding several positions of which over 39 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 the Singer Finance team in 2019 as Head of Legal.

An Attorney-at-Law and Notary Public, she graduated from the University of Colombo, Faculty of Law in 1994 and possesses 26 years of experience in the finance industry and has held senior positions in leading finance companies, including 5 years at Mercantile Investments Limited and 13 years at LB Finance PLC as Assistant General Manager - Legal prior to joining Singer Finance in 2019 as Head of Legal.

HOW WE GENERATE VALUE

VISION : TO BE THE FOREMOST FINANCE COMPANY IN SRI LANKA

CAPITAL INPUTS

FINANCIAL CAPITAL
 Shareholders' Funds : Rs. 4,318 Mn
 Customer Deposits : Rs. 10,643 Mn
 Borrowings : Rs. 8,228 Mn

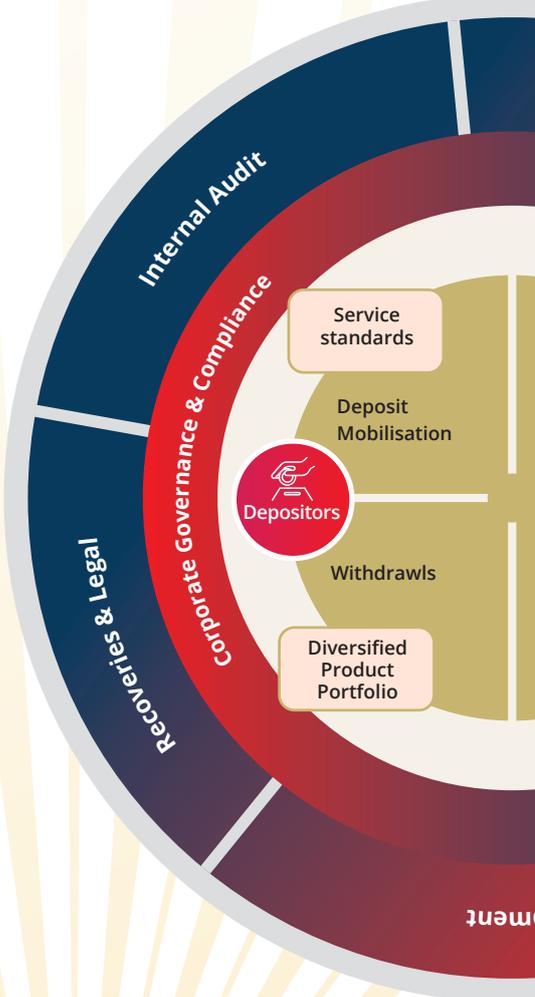
MANUFACTURED CAPITAL
 No of branches : 39
 Investment in the branch network : Rs. 45 Mn

HUMAN CAPITAL
 No of employees: 701

SOCIAL & RELATIONSHIP CAPITAL
 Relationships built with the customers, business partners and other stakeholders.

INTELLECTUAL CAPITAL
 Brand image, trust, confidence and ethics

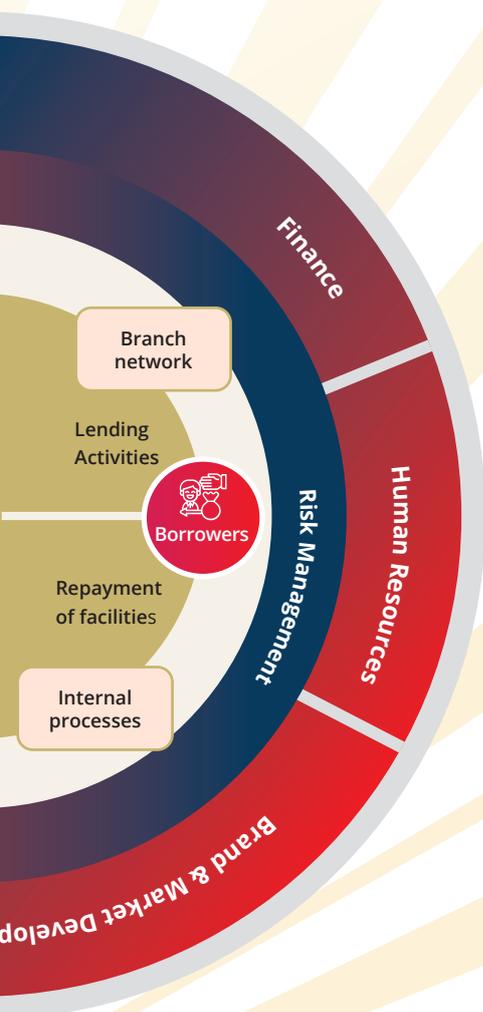
NATURAL CAPITAL
 Our environmentally friendly business practices



- Strategic Priorities**
- Market penetration and profitability
 - Customer centric service proposition
 - Geographical expansion

External trends affecting our strategy : Import restrictions on vehicles The COVID - 19 pandemic Downturn in certain industries

Value Transformation



Employee development & engagement

Corporate governance and risk management

Corporate social responsibility

Changing customer preferences

New technology

Changes in monetary policy

Regulatory landscape

OUTPUTS AND PERFORMANCE OUTCOMES

Shareholder Value Creation

Net asset value per share: Rs. **21.37**
Earnings per share: Rs. **2.03**

Employee Value Creation

Payments to employees: Rs. **716 Mn**
Promotions in 2020/21 : **98**

Customer Value Creation

Total loan disbursements: Rs. **17 Bn**
Interest paid to depositors: Rs. **811 Mn**

Government

Tax contributions: Rs. **487 Mn**

Community

Engaging with the community through CSR activities

Environmental Impact

Responsible lending practices and environmentally friendly business practices.

MATERIAL TOPICS ASSESSMENT

Material issues comprise both emerging opportunities and threats to value creation. These issues are determined by factoring in stakeholder expectations into the economic, social and environmental including governance context in which we operate.

A three-pronged approach is adopted in assessing material matters relevant to the organization:



1) Identification of matters material to Singer Finance

In the first stage of identifying and determining material topics, we broadly consider internal and external information sources. Information gathered, management discussions, internal policies and directives are amongst the main internal information sources. Further, industry research, reports & articles published by industry analysts and investors, pre and post budget discussions and directives issued by regulatory bodies are vital external information sources.



2) Prioritise

Matters considered are prioritized in the context of the vision, mission of the Company along with the changes in the operating environment. Furthermore, the strategic objectives and business model of the Company and the risk parameters are considered when prioritising material matters.



3) Respond, monitor and assess

Specific programs are identified based on stakeholder feedback received. The progress is constantly measured through KPIs which have been set and through the respective Board Sub-Committees.

Materiality Process

As a financial services provider we uphold the highest standards in operating a sustainable business. An important part of this is ensuring that adequate attention is paid to and reported on issues of critical importance to both our stakeholders as well as to our business operations. The process of identifying material

issues by the Company is a circular process which is undertaken on annual basis to identify and keep up with the changes and trends of the dynamic business environment. Material issues are identified with the stakeholders perspective and evaluated and prioritized according to their impact on stakeholder and business concerns in the short, medium and long term.

STAKEHOLDER ENGAGEMENT

Singer Finance in its quest to be a sustainable and responsible corporate citizen, concentrates on sustainable business operations by following a stakeholder centric approach. The Company continuously engages with its key stakeholder groups, disseminating material information which helps them make informed decisions about the Company. This helps the stakeholders to understand the business processes,

policies and business operations of the Company in greater detail. While some information is mandatory to comply with regulatory and statutory authorities, Singer Finance communicates with stakeholders on topics which are of great concern.

The Company adopts several approaches; direct and indirect communication methods to engage

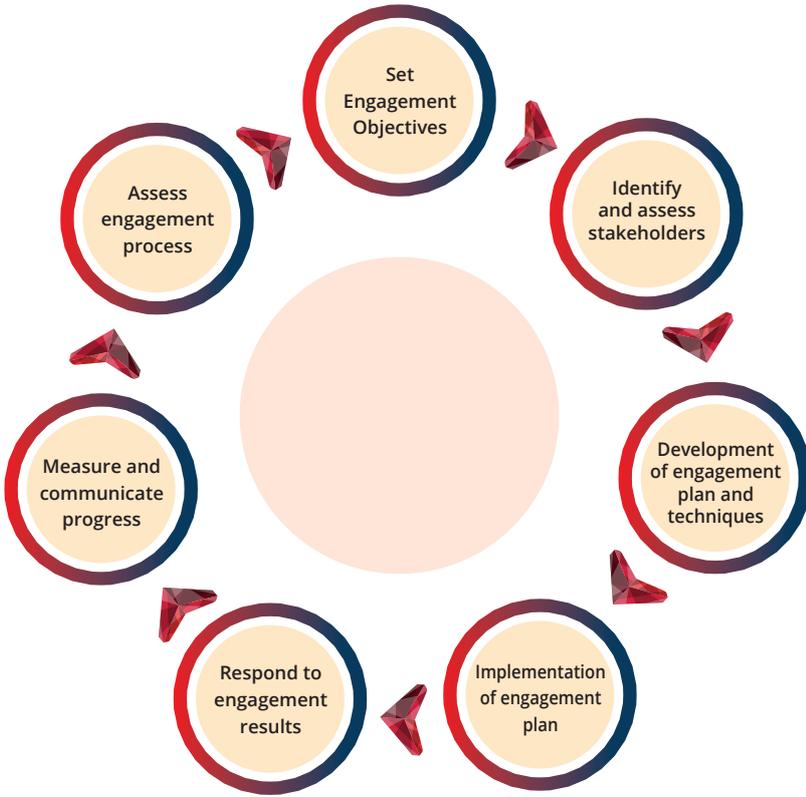
with the stakeholders at different levels and on different topics. Information is specific to meet the needs of different stakeholder groups, and disclosed in a timely manner.

Stakeholder	Goals and Objectives
Employees	Motivate, engage and create loyalty through best HRM practices
Shareholders and Investors	Keep them informed on all material activities and developments of the business in a timely manner to help decision making
Customers	Keep them engaged and informed about the products and contractual obligations while providing a customer-centric service
Government and Regulators	Comply with all mandatory requirements and inform through timely and adequate disclosures and reporting requirements
Community	Engage through CSR activities and develop community equity
Business Partners, Suppliers and Financiers	Ensure timely payments and regular updates
Media	Provide information on compliance, product and service offers, affordability and other key business developments.

Stakeholder Engagement Process

The Company takes cognisance of the requirements of the key stakeholders, their predominant areas of concerns, concentration and expectations. Accordingly, we communicate with our stakeholders in an honest, open manner whilst managing their concern to their satisfaction. Stakeholders are prioritised according to their impact they have on the business operations and their levels of power and influence.

STAKEHOLDER ENGAGEMENT



Stakeholder Prioritisation Matrix

Those stakeholders who have the highest power and influence possess the highest impact on our business. As such our strategy is to continuously address their expectations from the business operations. Stakeholders who have a high interest in the Company but have less power are kept well informed of business decisions and engaged on a more frequent basis. Stakeholders with high levels of power but less interest in the Company are kept satisfied by meeting their basic needs and expectations.

Power of Stakeholder	High	<p>Keep Satisfied</p> <p>Government Banks and financial institutions Business partners and Suppliers</p>	<p>Work in Collaboration</p> <p>Investors and Shareholders Customers Regulators</p>
	Low	<p>Minimum Effort</p> <p>Professional bodies Media</p>	<p>Keep Informed</p> <p>Community Employees Shareholders Investors</p>
		Low	High
Interest of Stakeholder			

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
CUSTOMERS					
1. Customer access	High	High	Customer access was critical during the FY 2020/21 in order to maintain business continuity and timely recovery of rentals.	We are focused on improving customer access and convenience as a part of our unique customer proposition.	Expanding channel access via branch network and Singer (Sri Lanka)'s island wide retail network. Expanding payment methods via digital payment platforms.
2. Customer convenience	High	High	We are operating in a highly competitive environment. Hence if we do not provide superior levels of convenience, customers will move to competitors who offer the desired level of service.		We are leveraging technology to offer better customized products and more flexible payment terms to improve convenience. Launching of a Debit Card further enhances access and convenience as card customers can utilize the island wide Visa network ATMs to access savings. Enabling payment of utility bills via our branch network enhances customer convenience. We are on the lookout for similar value adding features that would enhance customer convenience. During the financial year Internet Banking Services were introduced.
3. Speed and efficiency of service	High	High	Today's customers expect speed and efficiency from service providers. If we do not compete on these aspects, we will lose customers to more nimble competition.	Speed and efficiency are part of our unique customer proposition. We seek to enhance speed and efficiency internally and via our branch and service network.	Streamlining internal processes to enhance speed and efficiency of service. Leveraging technology and adopting new and better systems to enhance speed and efficiency. Setting metrics such as give a facility within a day to enhance speed of service. Training staff to focus on improving customer service.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
4. Customer privacy and data security	High	High	Trust is a key component of our unique customer proposition. Privacy and data breaches are an increasing threat to financial service organisations. With the use of remote on working arrangements data security was a critical area.	Working with expert professionals in privacy and data security to put in place and constantly update strong protections	<p>Our back end service provider of Cards is certified with the latest Payment Card Industry Data Security Standard V3.2 (PCIDSS).</p> <p>Routine measures ensuring confidentiality and privacy of customer data</p> <p>Training staff members with access to customer information</p> <p>Overall employee awareness on the importance of customer privacy and data security ensuring the use of computer and online best practice.</p> <p>Employees are restricted to connect unauthorized personal devices to the Company network</p>
5. Complaint management	High	Medium	Customers are our ambassadors. Unhappy customers will talk poorly about our products and services and damage our reputation in the market.	<p>Customer confidence is critical for the sustainable growth of our Company. It is of paramount importance to us that customers are happy with our products and services.</p> <p>We take customer complaints seriously.</p>	<p>We have a robust customer complaints and feedback mechanism to deal promptly with issues raised by our customers.</p> <p>Customers can contact us by telephone, in writing by post, or use our website and Facebook page to voice their concerns and lodge their complaints.</p> <p>When a customer complaint reaches us, we first refer the matter to the relevant Department Head for an impartial investigation. The reply, following such investigation is required to ensure the resolution of the complaint or issue raised.</p> <p>Matters of a more serious nature are channeled to the Chief Executive Officer or the Chief Operating Officer, who would personally intervene and provide redress to the affected customer.</p>

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
6. Business continuity – from a customer's perspective	High	High	Without business continuity, we cannot create and deliver sustainable value. Business survival is critical. Deposit customers will suffer the consequences of closure, threatening their lifestyle and savings.	Ensuring that the Company delivers profitability and growth consistently, on a sustainable basis.	We continuously work towards a smooth and sustainable profit growth of the Company. To achieve this, we have set relevant KPIs, introduce new products, develop existing products and continuously look for new opportunities,
INVESTORS AND SHAREHOLDERS					
7. Profitability and financial performance	High	High	Critical to both business continuity and sustainable value creation. Important for all stakeholders.	In our highly competitive business environment, companies have to work hard just to sustain their current levels of performance and must reach beyond that threshold to find and create sustainable ways to grow shareholder value. At Singer Finance we are committed to delivering on this challenge.	Constantly seeking optimal growth opportunities that will help strengthen our financial performance and profitability.
8. Wealth creation for shareholders	High	High	Shareholder funds enable us to grow and expand our business, giving us the opportunity to pursue further value creation. If we do not deliver on this promise of growth and profitability, our shareholders can always find alternative places in which to invest.		We have already started to increase our reach by expanding the branch network, develop new products and markets to create wealth for our stakeholders.
9. Business continuity – from a shareholder's perspective	High	High	Without business continuity, we cannot create and deliver sustainable value. Business survival is critical.	We ensure the satisfaction of shareholders through increasing the wealth.	We endeavour to increase wealth of our shareholders by focusing on sustainable profits.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
10. Ethical business (anti-corruption) practices	High	High	Investors, as well as all other stakeholders like being associated with an ethical business. Failure on this front can cause much reputational damage in the financial markets as well as in the market for our services. It would be difficult to find new financing or business partners willing to work with us.	The Company eschews corruption. The Company has put in place many measures, which together will act as a strong deterrent to corrupt behaviour.	<p>Our management and staff are bound by an elaborate and strict Code of Ethics.</p> <p>All employees adhere to the Code and comply themselves according to norms of acceptable behaviour and company values.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that ethical lapses such as corrupt behaviour are promptly highlighted.</p> <p>A strong whistle blower policy acts as a deterrent to corrupt behaviour.</p> <p>Any stakeholders, including customers, shareholders and members of the general public can utilize our channels for making complaints and be assured of a prompt and fair hearing.</p> <p>Our website and the social media channels can also be used for reporting corrupt behaviour by anyone employed or associated with the Company.</p>

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
11. Business reputation	High	High	A crucial factor for mutually beneficial business relationships.	Ethics, integrity and responsible behaviour form an integral part of the Company's value structure and brand identity. People place their trust in us for the same reason. Thus, we take our business reputation seriously and safeguarding it, is almost a sacred duty.	<p>The first line of defence in safeguarding our business reputation is the strict Code of Ethics that our management and staff are bound by.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that actions that may be damaging to our business reputation and corporate values are promptly highlighted.</p> <p>A strong whistle blower policy and grievance handling procedures act as a deterrent to behaviour that may damage our business reputation.</p>
EMPLOYEES					
12. Employee engagement	High	Low	Engaged, committed employees are crucial for business success and for providing a high quality of customer service.	The Company engages its employees to achieve objectives collectively	We are committed to create a high trust, high performing organisation through increased employee connect on various elements of employee engagement.
13. Growth opportunities and advancement	High	High	Offering opportunities for growth and advancement are critical for retention of top quality, engaged employees. Lack of both can lead to high levels of turnover especially among ambitious, engaged and talented staff who are critical for business success.	The company believes in growing and developing its human talent. We also believe in offering internal promotions whenever possible.	<p>The Company offers a variety of benefits to employees seeking to further their educational and professional qualifications. Employees are actively encouraged to make use of these benefits.</p> <p>Employee reviews identify gaps in knowledge and skills and offer training when necessary.</p> <p>With the growth of the branch network, more and more prospects are opening up for internal promotions. The Company gives priority to internal promotions over new recruitments, whenever possible.</p>

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
14. Handling grievances	Medium	Medium	Disgruntled employees are unhappy, unproductive and demotivated. Incompetent and unfair handling of employee grievances can damage motivation, productivity and quality of customer service.	Employee grievances must be handled fairly, promptly and confidentially, and settled as soon as possible to reduce potential negative impacts on the individual, the organization and on customer service.	<p>Policies pertaining to grievance handling and sexual harassment ensure the emotional well-being of our employees.</p> <p>The grievance policy provides the right for employees to forward their grievances and dissatisfactions to the management and obtain a fair hearing.</p> <p>Grievance Handling and Sexual Harassment Policies</p> <p>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.</p> <p>The complainant is assured that no punitive action will be taken for lodging the complaint.</p> <p>A robust whistle blower policy further supports the grievance handling process.</p>

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
BUSINESS PARTNERS					
15. Ethical business practices – from our partners' perspective.	High	High	<p>Ethics, integrity and responsible behaviour are an integral part of the Company's value structure and brand identity.</p> <p>Accordingly, we consider good ethics to be an imperative to success and cultivating mutually beneficial business relationships.</p> <p>Lapses in business ethics can damage relationships and render it difficult to carry on with our business operations.</p>	The Company embraces the highest standards of ethical business practice and expects the same from all of our employees and business partners.	<p>The strict Code of Ethics that our management and staff are bound by ensures ethical behaviour.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that unethical actions damaging to our business reputation and corporate values are promptly highlighted.</p> <p>A strong whistle blower policy and grievance handling procedures act as a deterrent to behaviour that may damage our business reputation.</p>
16. Business reputation (from our partners' perspective)	High	Medium	<p>Ethics, integrity and responsible behaviour are an integral part of the Company's value structure and brand identity.</p> <p>People place their trust in us for the same reason. We safeguard our reputation as a sacred trust because it is imperative to success and cultivating mutually beneficial business relationships.</p> <p>A damaged business reputation can compromise relationships and render it difficult to carry on with our business operations.</p>	We take our business reputation and have put in place mechanisms that ensure ethical behaviour in all employees.	<p>The strict Code of Ethics that our management and staff are bound by ensures ethical behaviour.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; that unethical actions damaging to our business reputation and corporate values are promptly highlighted.</p> <p>A strong whistle blower policy and grievance handling procedures act as a deterrent to behaviour that may damage our business reputation.</p>

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
<p>17. Business efficiency (ours, as it affects our business partners)</p>	<p>Medium</p>	<p>Medium</p>	<p>Efficiency is a business imperative in good business relationships. Dynamic, efficient business partners will only want to partner with us if we reflect the same qualities.</p>	<p>The Company is in the process of upgrading its business systems which will enhance our operational activities, including our transactions with our business partners.</p>	<p>As we upgrade and streamline our internal business processes, it will also have a direct impact on enhancing the efficiency of our transactions with business partners.</p> <p>We listen to our business partners and are keen to address their complaints.</p> <p>Our internal control system is geared towards identifying obsolete procedures that may impede efficiency. We will listen to our business partners and deal with issues highlighted by the system.</p>
<p>REGULATORY AND GOVERNMENT AGENCIES</p>					
<p>18. Compliance</p>	<p>High</p>	<p>High</p>	<p>Ethics, integrity and responsible behaviour are an integral part of the Company's value structure and brand identity. Assuring compliance is part of ethical and responsible corporate citizenship.</p>	<p>We hold the need for compliance with all laws, rules and regulations as an utmost priority.</p>	<p>The strong culture of corporate governance and systems and procedures in place guarantee that the Company complies with all relevant laws, rules and regulations that pertain to us.</p> <p>The Compliance officer of the Company works under the supervision of the Integrated Risk Management Committee. The recommendations are submitted to the Board of Directors. At each Board Meeting, a Statement of Compliance is tabled and reviewed by the Board.</p>

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
19. Co-operation	Medium	Low	Co-operation with regulatory bodies is part of ethical and responsible corporate citizenship.	We extend the fullest co-operation to all regulatory entities seeking our support or information.	The strong culture of corporate governance and systems and procedures in place guarantee that the Company complies with all relevant laws, rules and regulations that pertain to us. All officers of the Company who deal with regulatory bodies are instructed and trained to comply in all instances and to respond with speed and cooperation.
20. Good corporate citizenship; filing timely returns, prompt payments	High	Low	Filing compliance documentation, tax and other statutory returns and making payments as they fall due is an integral part of good governance and good corporate citizenship.	We are committed to good corporate citizenship, and to fulfil all obligations, including filling of statutory returns and making timely payments.	Systems and procedures are in place to ensure all statutory obligations are fulfilled on a timely basis. All officers of the Company who deal with regulatory bodies are instructed and trained to comply in all instances. Compliance function screens, all new products, services and systems changes to ensure that they are in compliance with laws, rules and regulations that pertain to us.
SOCIETY AT LARGE					
21. Community relationships and development	High	High	As we operate across the nation, our commitment to the local communities becomes part of our brand.	We are committed to support communities to uplift their life.	Branches are encouraged to participate in community activities. Providing support to community activities by donating money and goods on the requirement.
22. Corporate social responsibility projects	Medium	Medium	We consider Corporate Social Responsibility as one of the duties of a responsible corporate citizen.	We extend fullest support to society as a responsible corporate citizen.	Company provides required support where possible to the local community in and around our branch network in order to uplift the facilities of locality. Branches are encouraged to communicate to Head Office of community needs.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
<p>23. Ethical business practices</p>	<p>High</p>	<p>High</p>	<p>Trust, ethics, fairness and responsibility are crucial elements of our brand identity. Ethical business is the normal way of doing business for us. Flouting ethics by management or staff can be highly damaging to our brand reputation.</p>	<p>The Company embraces the highest standards of ethical business practice and expects the same from all of our employees and business partners.</p>	<p>Our management and staff are bound by an elaborate and strict Code of Ethics, a written contract, renewed on an annual basis.</p> <p>All employees adhere to the Code and comply themselves according to norms of acceptable behaviour and company values in day to day activities.</p> <p>We have in place a good corporate governance culture, systems and procedures, including a strong internal audit function to ensure that all systems and processes work as expected; weaknesses if any stemming from ethical lapses are promptly highlighted.</p> <p>A strong whistle blower policy and customer and employee grievance handling procedures strengthen our ability to conduct activities of an ethical and fair manner.</p> <p>We also adhere to ethical standards in terms of the following:</p> <ul style="list-style-type: none"> • Anti-corruption (GRI 205) • Anti-competitive behaviour (GRI 206) • Environmental compliance (GRI 307) • Employment (GRI 401) • Labour management relations (GRI 402) • Occupational Health and Safety (GRI 403) • Training and education (GRI 404) • Diversity and equal opportunity (GRI 405)

STAKEHOLDER GROUP Material Topic	Impact on Singer Finance or stakeholder decisions	Impact it may create outside of Singer Finance	Rationale and boundary of impact	Our Approach	Management Strategy
					<ul style="list-style-type: none"> • Child labour (GRI 408) • Local communities (GRI 413) • Public policy (GRI 415) • Customer health and safety (GRI 416) • Marketing and labeling (GRI 417) • Customer privacy (GRI 418) • Socio economic compliance (GRI 419)

OUR INTEGRATED PERFORMANCE

We at Singer Finance firmly believe that our long-term success is inextricably linked to the success of our stakeholders.

ECONOMIC OVERVIEW

GLOBAL ECONOMY

The sudden outbreak of COVID-19 in early 2020, within a short period was declared as a pandemic by March 2020. This scenario occurred while the world was already adversely affected by the deceleration in the global economy during 2019, the weakest pace since the global financial crisis a decade ago. Unlike the global economic setback in 2019 caused by trade and geopolitical tension, the year 2020 saw the global economy encountering social and health related threats beyond economic shocks. This setting increased uncertainty and risk, triggered many disruptions worldwide effecting the going concern of businesses.

Global supply chains were directly affected while many restrictions concerning trade were observed globally. Sri Lanka too imposed restrictions on import of non-essential goods, to maintain a favorable impact on the country's balance of payments and fiscal position.

The Sri Lankan Economy

The Sri Lankan economy was no exception and resulted in unfavourable outcomes like many other economies globally. The mobility restrictions/lockdowns and social distancing imposed by the Sri Lankan government as control mechanisms of the pandemic, particularly during its first wave, saw loss of revenue and livelihoods and some affecting business continuity. Sri Lanka too reopened by mid-2020, and the pickup in local economy was also noticeable. However, this upturn was short lived. The global economic activities slowly began to pick up, with the pandemic spreading and heightening, re-imposed partial lockdowns again disrupting businesses and livelihoods.

The GDP growth which decelerated to 2.3% in 2019 due to the Easter attack, further dropped reporting a -3.6% in 2020. The IMF projected a global growth

contraction for 2020 at 3.5%. The Government together with the Central Bank of Sri Lanka (CBSL) introduced various policies and relief measures. Policy interest rates and the Statutory Reserve Ratio (SRR) were revised to their lowest levels in history and special lending schemes were initiated at concessionary rates, while introducing interest rate caps on selected lending products. As relief measures, debt moratoriums and concessions were offered for individuals, families and businesses affected by the pandemic. With these substantial monetary measures, market interest rates dropped reaching historically low levels, thus reduced lending rates remained at single digit levels.

Meanwhile, the emergence of second and third waves, with increasing magnitude, increased pandemic related government expenditure. Travel and tourism, which is an important driver of the economy has been hard hit sectors and the outlook for its recovery remains uncertain and dependent on the evolution of the pandemic. This extremely challenging environment resulted in decisions being taken to restrict non-essential merchandise imports while encouraging foreign exchange inflows. In the wake of the COVID-19 pandemic, long-standing structural weaknesses of the economy such as low of domestic production, heavy import-dependence for consumption and production, and over-reliance on foreign debt were highlighted.

Performance of the Non-Banking Financial Sector

When the COVID-19 pandemic occurred, Sri Lanka was already experiencing consequences of the slow performing economy in the aftermath of the Easter Sunday attack and political instability. In this setting, the weak performance of the Licensed Finance Companies (LFCs) as well as Specialised Leasing Companies (SLCs)

sector further worsened with import restrictions, narrow profit margins and increasing non-performing loans (NPLs).

Despite certain institutions encountering difficulties to fulfill regulatory requirements, the sector remained stable with capital and liquidity maintained at healthy levels above the minimum regulatory requirements. Total assets of the sector stood at Rs. 1,401.6 Bn by end-December 2020, representing 5.9 per cent of Sri Lanka's financial system. The funding mix was dominated by deposits while borrowings of the sector declined compared to the previous year. The Central Bank continued to introduce prudential measures to maintain the stability of the sector and granted regulatory flexibility to support the sector to face the challenges posed by the COVID-19 pandemic.

Net interest income of the sector during the year was Rs. 111.2 Bn, which represents a decline of 5.3 per cent (Rs. 6.2 Bn) compared to 2019. This was due to the decline in economic activities with the COVID-19 outbreak resulting in a reduction in both interest income and interest expenses. The interest income and interest expenses declined by 12.0 per cent (Rs. 31.3 Bn) and 17.6 per cent (Rs. 25.0 Bn), respectively. Net interest margin of the sector (net interest income as a percentage of average assets) declined to 7.3 per cent in 2020 from the 7.7 per cent in 2019, due to a decline in the net interest income and a marginal increase in (gross) average assets.

Further, the Financial Sector Consolidation Master Plan (FSCMP) was introduced to address non-compliance with the minimum core capital requirement and/or the minimum capital adequacy ratios by several LFCs.

FINANCIAL CAPITAL

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



KEY ACHIEVEMENTS IN 2020/21

- Business volumes grew by **5.8% YoY**
- Disbursements of **Rs 17.1Bn**
- Total Assets base grew by **9.5% YoY** to reach **Rs.24.7 Bn**
- Total loan portfolio growth of **4.6%** and closed at **Rs 21.1 Bn**
- Fixed Deposit portfolio crossed the **Rs.10 Bn** milestone

Outcome

- Enhanced trust and market recognition in the NBFi sphere by growing in scale and portfolio size.
- Maintaining continuity salaries, remuneration and other benefits to employees in an uninterrupted manner despite the challenges.

Challenges

- Lockdowns and movement restrictions hampered recovery efforts and collections.
- Balancing the cost to income ratio along with the branch expansion strategies.
- Extension of moratoriums for selected business segments affected by the pandemic.

The Company reached its 17th year of operations and reported another year with positive results, albeit marginal growth in income and profits. However, given the adverse impact of the external environment, performance of the year 2020/21 is creditable. The declining trend in the NBFi sector and leasing markets, low interest rates etc., further continued with the uncertainty and increased risk exposure aroused by the pandemic. These negative outcomes exacerbated at the end of the third quarter of 2020, with the second wave of the virus, further burdening the already affected businesses. Imposed lockdown and tightening of social mobility restrictions to combat the spread of the virus, in certain areas from time to time, saw businesses forced to downsize or operate at reduced capacities. Therefore, these external environment threats affected functioning of businesses. Besides, emerging new waves of the virus, further aggravated the negative outlook and renewed challenges.

Profitability

Gross Income

Singer Finance gross income levels crossed the Rs. 4.7 Bn threshold, while achieving a 2.5 per cent growth over the previous period. This is a continuation of the growth trend in gross income despite challenging market conditions.

The current year results were achieved despite negativities which loomed in the external environment due to COVID 19 in the first quarter in the financial year.



The increase in gross income was supported by the growth of the loans and advances while the leasing portfolio underwent a de-growth. A 42 per cent increase was reported in loans and advances and 8.3 per cent decrease in leases.

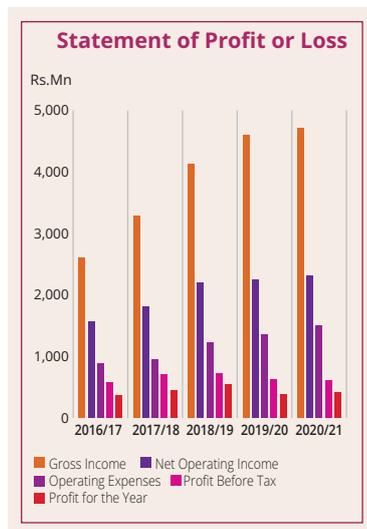
Loans and advances increased mainly due to growth in Gold Loan and Vehicle Loan portfolios. Gold Loans saw a significant growth in its portfolio throughout the current financial year. This growth was possible mainly due to 9 new Gold Loan counters being opened in already established branches and in new branches opened in the current financial year, as well as due to increase in price of gold.

Further, strong promotional campaigns were launched during the year and increase of gold prices in the market contributed to the increase in the gold loan portfolio by 75% to close at Rs. 2.2 Bn.

The decline in the leasing portfolio was mainly due to vehicle import restrictions imposed during 2020 and a sizeable potential leasing customer segment moving to enjoy lower interest rates.

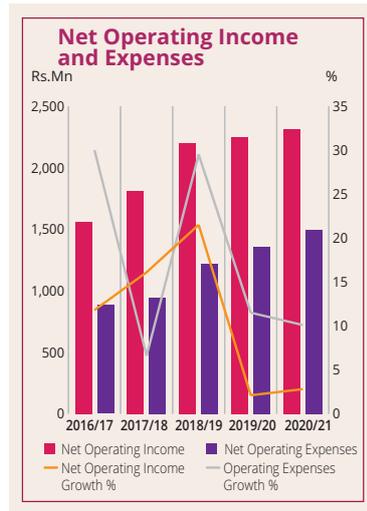
Furthermore, the Company had to reduce the interest rate of loans and lease products due to the drop in market interest rates in line with the reduction in policy rates imposed by the government as relief measures for COVID-19 affected businesses. This further contributed towards the subdued growth in gross income.

During the year under review, we continued to monitor market behaviour and trends of lending and deposit rates by key market players while continuing with our business expansion activities. Although our strategy was not to compete on rates in lending and deposit mobilization, we remained competitive while maintaining healthy interest margins.



Interest expenses recorded a decline of 3.6 per cent reaching Rs 1,921Mn, due to timely repricing of liabilities (deposits and bank loans) by taking advantage of the decreasing interest rate regime.

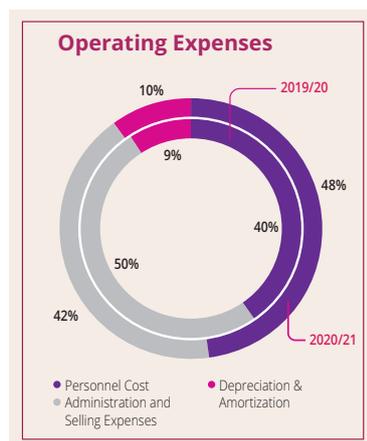
Net interest income for the period grew by 8.1 per cent in the year under review, to reach Rs. 2,508 Mn.



Operating expenses grew at a higher pace than the growth in net operating income during this financial period.

Operating expenses include Personnel cost, Administration and selling expenses as well as depreciation and amortization.

Operating expenses grew by 10.1 per cent over the previous year with growth in personnel costs by 31 per cent and depreciation & amortization costs by 21 per cent over last year due to capital expenditure carried out to expand the branch network.



Personnel costs accounted for 48 per cent of expenses for the year while administration and selling expenses accounted for 42 per cent. Depreciation and amortization costs accounted for 10%. The proportion of costs remained relatively unchanged from the previous period except personnel costs and Administration and Selling expenses. In the previous year, these cost

classifications reported 40% and 50% respectively of the total expenses..

Personnel costs

The Singer Finance workforce increased by 77 (13%) to 701 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 31 per cent increase in personnel costs. A further reason for increase in, personnel cost was due to a higher bonus provision compared to prior year. Despite many challenges experienced in 2020/21 financial year due to the ill effects of the pandemic, the Company paid salaries without any pay cuts as compared to some industries who were not able to do so unfortunately.

Administration and Selling Expenses

The administration and selling expenses for the financial year was Rs. 625 Mn. There was a significant decrease of Rs. 58 Mn over prior year due to strict control and rationalisation measures. This enabled the company to cushion the impact of the decrease in income levels to a large extent due to externalities in the external environment.

Depreciation & Amortization

Depreciation expenses in the financial year increased by 21 per cent to Rs.155Mn. This is due to the impact of investment in expanding branch operations, enhancing the digital capabilities and MIS capabilities of the company.

FINANCIAL CAPITAL



Impairment Charges for Leases and Loans

Impairment charges increased to Rs.483Mn by 35% during the financial year. The rise in impairment charges is mainly due to deterioration in asset quality as a result of the lacklustre economic activities due to the pandemic and uncertainties associated with the loan portfolio under moratorium. This is the highest ever Impairment provision the Company has ever made in a single year in its history.



As a result of the increased levels of expenses, the cost income ratio, which is calculated using operating expenses (personnel Cost, Administration and Selling, Depreciation and amortization) as a percentage of net operating income, increased during the year under review. However, we consider this an inevitable situation as most expenses were channeled towards capacity building and extension of growth potential. The benefits of these expenditures are likely to enhance future income growth prospects for the Company.



ROA, ROE & NIM

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 indicated a reduction when compared that of the last year due to increase in Assets and Equity, with marginal growth of profitability of the company over last year. Same can be seen in the NBFI sector.

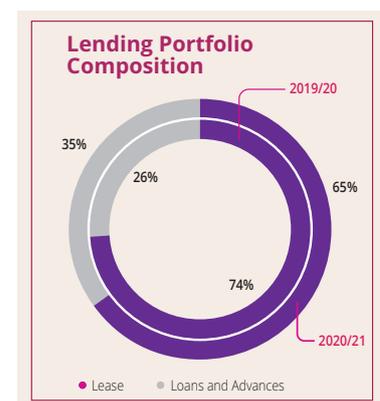
The financial and portfolio management acumen of a company in the NBFI sector can be judged by the Net Interest Margin (NIM). Singer Finance's net interest margin was 11.66 per cent in the year under review was one of the best NIM's recorded in the sector. For 2020, the NIM for the NBFI sector was 7.3% (2019 - 7.7%). This indicates Company's resilience to withstand due to threats of the external environment.



Total Assets and Lending Portfolio

Total assets of Singer Finance reached Rs. 24.7 Bn by 31 March 2021. The total assets grew by Rs. 2,124 Mn, to Rs. 24,671 Mn, an increase of 9.4 per cent over the previous period.

The overall lending portfolio grew by 4.6 per cent during the year to Rs. 21,091 Mn.

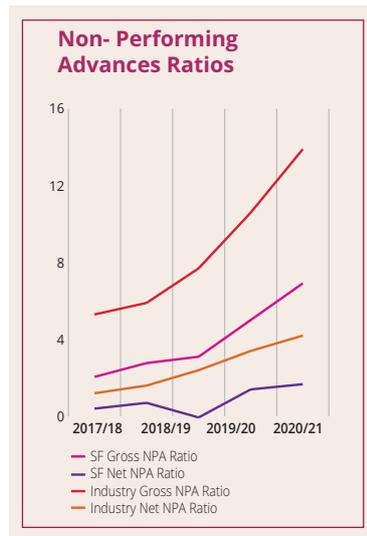


Leases comprised 65 per cent of the lending portfolio at the end of the financial period, while loans and advances accounted for most of the balance. Loans and advances grew to Rs.7,371 Mn in the year under review, an increase of 42% per cent over the previous financial period.

The leasing portfolio decelerated by Rs. 1,239 Mn to report Rs.13,720 by the year end, a de-growth of 8.3%.

The Gold Loan portfolio of the company surged by 75% over prior year to Rs 2.2 Bn mainly due to increase in number of Gold Loan outlets in the Singer Finance network from 21 in the beginning of the year to 30 outlets at the year end. On a further note, there was an increase in Gold Loan transactions throughout the island as customers considered Gold Loan as a relatively cheaper option to fulfill their urgent cash requirements in addition to higher advance offered due to increase in price of gold.

Growth in Gold loans are secured with Gold articles and the company has taken all possible steps to mitigate the inherent risk of Gold loan business by taking steps such as employing well trained staff, secured storage for articles, insurance to cover against any dud articles, required equipment to assess the quality of the gold and other access control and monitoring mechanisms such as CCTV, security, recurring audits, spot counts etc. We also ensured that an adequate safety margin was maintained throughout the year to mitigate the pricing risk.



Asset Quality

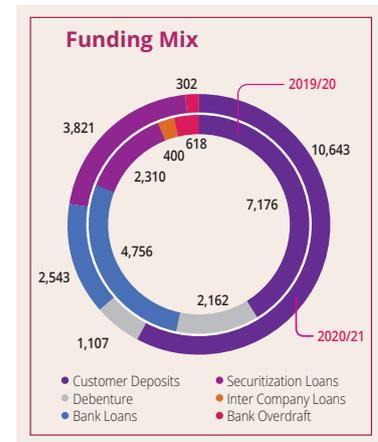
In the year under review too, as is the usual practice, Singer Finance maintained its non-performing advances (NPA) ratio well below the industry average. The Company's gross NPA ratio at the end of the financial period was 6.92 per cent compared to the industry gross NPA ratio of 13.90 per cent as at end of the 2020 calendar year.

We consistently focused and adopted strategies to keep non-performing advances to a minimum with careful attention to customer evaluations, loan approvals and follow up.

We have been focussed on minimising the risk of non-performing loans on a consistent basis.

Throughout the year collections were a challenge. Industry performance bears witness to this reality. As collections and repayments deteriorated, for Singer Finance and for the industry in general, the Company focused on its recovery efforts as well as the credit quality of its new lending portfolio. The Company channelled the marketing efforts in securing lending with good credit quality.

Average gross and net NPA levels bears testimony to the effectiveness of the recovery strategy of the Company.



Funding Mix

Singer Finance funds its operations primarily using customer deposits and borrowings, comprising of bank loans and securitisations. These three sources amounted for 93 per cent of the company's funding mix for the year under review, with customer deposits, bank loans and securitisations contributing 58 per cent, 14 per cent and 21 per cent respectively.

In contrast, in the previous financial year, 81 per cent of the funding mix came from customer deposits (41%), bank loans (27%) and securitization (13%). The Company broad-based its deposit mix by increasing the retail base, thereby reducing the risk associated in depending on institutional deposits.

The Customer deposits portfolio crossed the Rs. 10 Bn milestone this year, ending at Rs. 10,643 Mn by the financial year end. Deposits grew at a rate of 48 per cent, or by Rs. 3,468 Mn.

FINANCIAL CAPITAL



Customer Deposits

Growth of the fixed deposit base is attributable to the noteworthy contribution made by the fixed deposit marketing team which conducted many focused marketing activities throughout the year. The expansion of the branch network was also a contributory factor. The rating upgrade by Fitch to A+(lka) with a stable outlook towards the latter part of the financial year no doubt further enhanced the investor confidence as well.

Securitisations

Securitisations increased by Rs. 1,510 Mn to reach Rs. 3,821 Mn at the end of the period, recording a 65 per cent growth over the previous financial period. Securitisation made up 21 per cent of the mix. The balance was made up by debentures and bank overdraft.

Singer Finance was able to raise long term funds through securitisations during the year in order to fund the company's operations. Securitisation Loans comprise approximately 50% of Interest Bearing Loans and Borrowings. Bank loans decreased by Rs. 2,213 Mn

to Rs. 2,543 Mn at year end, a 47 per cent decrease. Bank loans consisted 14 per cent of the funding mix as at the end of the financial year. Mostly as a result of the above, the overall funding base increased by 5.7 per cent, over the previous period.

Shareholders' Funds

Total equity increased by 10.5 per cent to Rs. 4,318 Mn during the financial period. Retained Earnings for the period grew by 22.5 per cent to Rs. 2,119 Mn.

Core Capital and Total Capital

Singer Finance's core capital ratio and total capital ratio of 14.34 per cent, is more than double that of minimum stipulated core capital requirement of 6.5 per cent and well above the minimum total capital requirement of 10.5 per cent.

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. 2.03, an increase of 5.2 per cent over the previous period.

Net Assets per Share

Net asset value per share for Singer Finance further continued its growth trend and reached Rs. 21.37 per share

Dividend per Share

The Company didn't declare a dividend in the year under review.

Our Commitment

Singer Finance is committed to harness 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.

UTILIZING OUR MANUFACTURED CAPITAL

At Singer Finance, our manufactured capital includes our branch network, product portfolio and our robust IT systems and the digitalized platform for enhanced service provision. It is these physical and digital infrastructure that continue to be our vital strength in ensuring service excellence to the customer



VALUE CREATION ACTIVITIES IN 2020/2021

- Effective branch network in key strategic locations
- New products
- Robust IT system
- Use of digital technology

Outcome

- Increase reach through the branch network
- Products to suit customer requirements
- Solid IT procedures
- Increase customer support and convenience through digital presence

Challenges

- Cyber Attacks
- Impact of Covid 19
- Suitable locations to expand the branch network
- Availability of reliable suppliers

Physical Infrastructure

Island wide Branch Network

We have established a total of 39 branches across the country with the majority being located within the Western Province. This extensive network has enabled our customers to obtain easy access and speedy service closer to their homes. All these branches are equipped with the necessary equipment with the latest technology required for enhanced service provision.

Moving ahead, we aggressively pursue our branch expansion strategy to further enhance our presence across the island thereby reaching a wider customer base while sustaining our service excellence.

New Branches

During the financial year ended 31st March 2021, the Company opened four (4) new branches in Nuwara Eliya, Maradana, Kotahena, and Kohuwala locations.

Strategic Relocations

Few branches were relocated to provide superior service to the customers. Three (3) branches in Wattala, Nugegoda, Kiribathgoda were relocated during the period to better strategic locations to enhance the customer convenience and access.

Customized Products

The Company has introduced a few novel concepts and products to serve the emerging market trends such as the Gold Loan product which is offered

at reasonable interest rates within a shorter period. In addition, personal loans and convenient payment options such as Internet banking, CEFT's etc. Hand held collection system, which will be discussed elsewhere in this section.



Kotahena Branch opening



Kohuwala Branch

Digital Infrastructure

IT Systems

During the financial year, the Company initiated a Business Intelligence project and concluded the same successfully. This project which provide live and condensed information for the Management to make decisions, is currently being used to good effect.

Information Security

We have established robust information security procedures by reviewing and updating the Company's IT Security

UTILIZING OUR MANUFACTURED CAPITAL

policies and procedures with the help of IT security experts and specialists. Besides, we continually carry out information security and privacy awareness programs for employees.

Head Office and Branch Automation Efforts

Handheld Collection System

We have introduced a mobile collection system for customers to settle their installments and arrears thereby increasing the customer convenience across the country. This system which generates an online receipt to the customer at the time of making the payment has been well received by our customers thereby increasing customer confidence.

Digital Presence of Singer Finance

We also increased customer support through our official website and social media channels of Facebook, YouTube, and LinkedIn. In addition, we use SMS alerts and email in connecting with customers including LED wall display screens in our promotional activities.

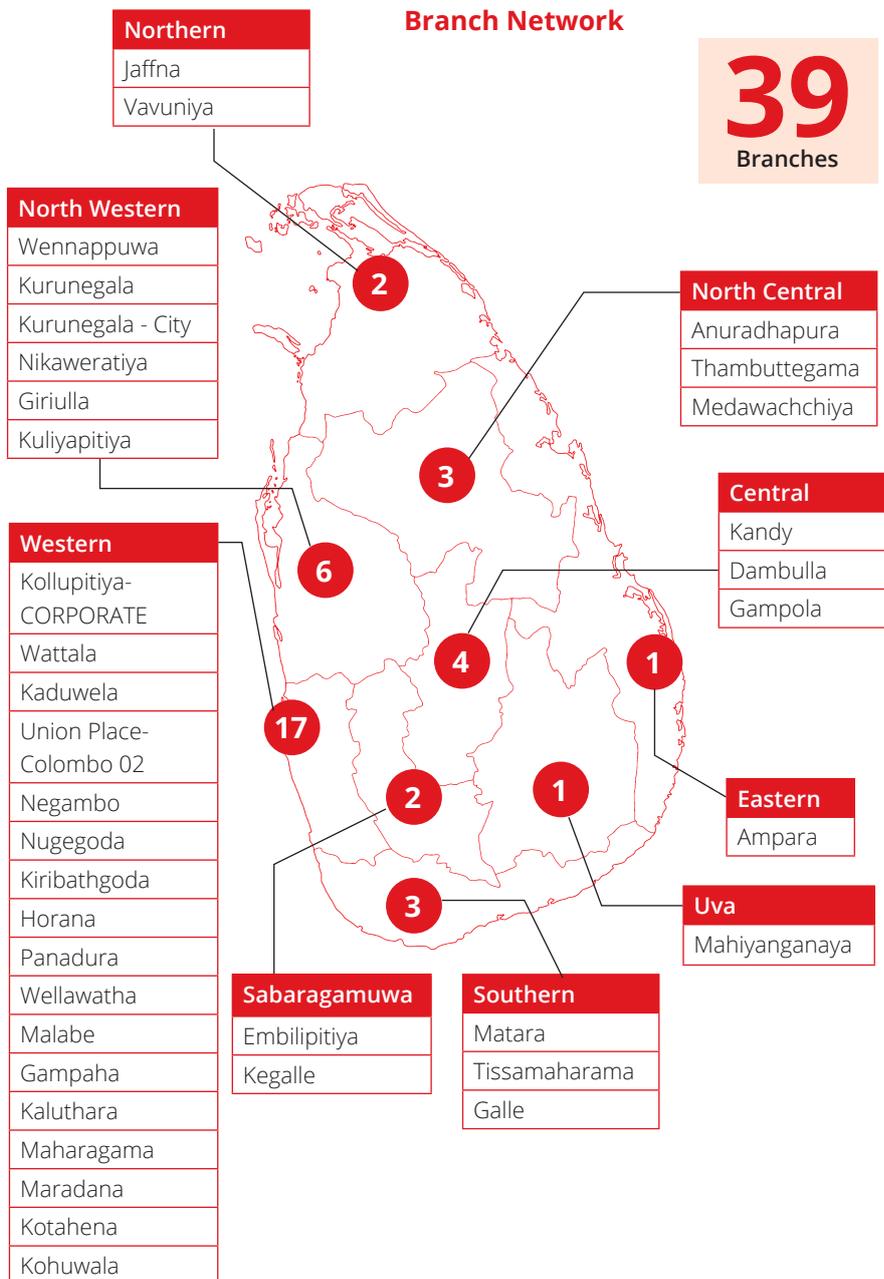
The Company is aggressively pursuing branding and marketing its products and services through online platforms such as Facebook and Instagram.

Other Technology Initiatives

In our operations, we utilize tools for business productivity improvement including a file tracking system, online appraisals, variable interest product implementation and debit card project implementation.

Leveraging Manufactured Capital

Singer Finance is committed to leveraging our extensive network of branches and our investments in information technology infrastructure to create and deliver sustainable value to our stakeholders.



DEVELOPING OUR HUMAN CAPITAL

The Company's human capital (combined knowledge and skills and abilities of our people) plays a vital role in determining our success and the competitive advantage. Hence, we keep people development in the forefront of our priorities equipping them with the relevant knowledge, skills, and attitudes to withstand corporate challenges while supporting them to achieve their personal and professional aspirations.



VALUE CREATION ACTIVITIES IN 2020/2021

- Training and development initiatives
- Employee benefits
- Fair recruitment process
- Retention strategies
- Performance evaluation

Outcome

- 24 training sessions covering 976 attendees
- A range of benefits to staff
- Recruitment of the right skill set
- Low turnover due to effective retention strategies, benefits
- Unbiased performance evaluation

Challenges

- Maintaining Continuous recruitment levels to meet the business needs
- Employee health & safety concerns
- Working with minimum staff and maintaining business continuity amidst the pandemic.

How we approach Human Capital

Our approach to human capital begins with a clear understanding of the dynamic business environment that demand the leaders to approach their roles differently. Thus, we strive to understand the ever-evolving customer requirements and their demand for constant innovation through new technologies and expertise, thereby endeavoring to address them accordingly.

We have focused on building a younger workforce who are energetic and purpose driven, thus assuming a proactive approach to the management of our human resources. We are committed to nurture and enhance their capacities and adopt a people driven approach that encourage mutual respect and empowerment in making them the envoys of progress of our Company and the nation.

Our HR policy

The Company's HR policy ensures efficient and effective management of relationships in ensuring consistency in action and equity in our relations with employees. One of the key components of our HR policy is the Code of Conduct laid out for all our key and senior management where they consent to it by signing an agreement at the commencement of their employment contract. The Code requires each signatory to comply with the principles and guidelines laid out in it and to ensure that subordinate employees also follow the same. It is compulsory

for all employees to sign this every year to refresh their memory and to update them on any new clauses and amendments to the code.

Our HR policy also encourages open dialogue amongst all employees within the Company. We believe such honest and open communication with employees is an essential ingredient in building trust towards nurturing an engaged and more productive workforce that ensure long term sustainability of the Company.

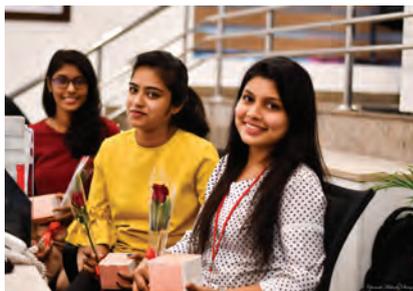
The Company also gives priority to internal promotions of employees as opposed to hiring new recruits for a vacant job position. Therefore, the possible aspirant is searched from among the existing cadre within the Company prior to exploring external candidates.

Furthermore, we focus on capacity development of our employees in fostering their career and personnel progression, encouraging them to undertake and/or complete relevant professional studies based on their area of expertise. The Company provides employees with financial assistance where necessary in the form of lump sums or as reimbursements to start or complete academic or professional education. The Company utilize the annual employee performance evaluation as a tool to explore possible career development avenues for the employees thereby encouraging them to fulfil their career and academic goals.

DEVELOPING OUR HUMAN CAPITAL

HR Governance

The Company's human capital is governed by a clear vision that aims "To drive business vision through human capital development". Therefore, our strategic HR goals include finding the right fit for the right job, continuous human capital development and generating a healthy work environment that encourage a healthy work-life balance. In supporting this objective, we have put in place mechanisms including a Human Resource Information System (HRIS), a Performance Management Framework and a process for measuring Key Performance Indicators (KPIs) which was initiated by the ultimate parent Company.



Women's Day Celebration

Our Workforce

The Company currently employs a total workforce of 701 employees as at 31st March 2021, a 12% increase since the previous financial year. The type of employee categories includes management, executive and clerical employees.

Employee Profile

We ensure gender diversity in our workforce. Hence 23% of our employee cadre are female employees. Female representation of management level is 8%. Females make up approximately 19% and 25% among contract employees and executives respectively while middle and junior management grades have female representations of 11% and 9% respectively.

As an equal opportunity employer, the Company does not consider race or gender in recruitment, our workforce

What we have achieved in 2020/2021

A Great Place to Work

Singer Finance participated in 'the Great Place To Work' assessment in 2019 which was carried out by Great Place to Work® Institute. This assessment evaluates an organisation through two components; the Trust Index® Employee Survey and the Culture Audit®. The Company managed to achieve the certification 'Great Place to Work – Certified TM Company' in Sri Lanka and 'Best Workplaces in Sri Lanka' in 2019/2020 at our first attempt.

Ranked Among 25 Best Workplaces in Sri Lanka

We were listed as one of the 25 Best Workplaces in Sri Lanka in 2019/2020 and 2020/2021 for the second consecutive year. This provides an independent external assessment of our status as a responsible employer and how our employees perceive the organisation thereby enhancing our employer branding enabling us to recruit the best talent existing within the Sri Lankan job market.



comprises 93% of Sinhala, 6% Tamil and 1% of Muslim employees.

An age breakdown by job category shows that just over half of the Singer Finance workforce (58%) is aged below 30 years. While those aged between 31-40 years of age account for 33% of the workforce, those between 41-50 years of age make up 8% of the workforce. Those above 50 years of age, representing ranks of junior and middle management, account for 1% of the Singer Finance workforce as at the end of the financial period.

Of the total employee base, approximately 25% are new staff members with a service length of less than one year. These employees are represented in all job categories other than key and senior management.

Furthermore, approximately 50% of Singer Finance employees have been with the Company between 1 to 5 years while another 16% have been with the Company for between 5 to 10 years. Nearly 9% of the workforce have been with the Company for more than 10 years.

Our Recruitment Policy

The Company has a transparent and impartial recruitment process that focus on recruiting talented people from the industry to gain competitive advantage over the competitors. Therefore, apart from the academic qualifications, we are mindful of selecting candidates who have the necessary soft skills and characteristics that are required to evolve with the Company in the long term.

We have streamlined the Company's recruitment process by introducing a recruitment tracker that allows us to update information on the recruitment process for each candidate. This system has enabled us to update information of interviews of over 500 candidates thereby bringing down the time allocated for recruitment from 45 days to 36 days. The Company has further strengthened the recruitment process by introducing strict practices for checking the background recruitment documentation such as the CRIB, checking on the previous employment records, cross checking resignation letters and service letters.

In the year under review, new recruits account for 27% of the employees.

Employee Turnover

We strive to keep our employee turnover within reasonable limits and consistently work on retention strategies to retain our valuable employees who plays a vital role in our long-term sustainability. During the financial year, our employee turnover was extremely low given the people friendly environment of the Company and the potential for growth opportunities.

Employee Retention

Our retention strategies include offering a range of benefits in addition to enhancing employee engagement through promoting open-door policy, personal and professional growth, fair performance evaluation and ensuring work-life balance. Furthermore, we carry out an employee survey annually to provide them with a platform to offer feedback on the issues concerning them. This was taken into consideration in the "Great Place To Work" assessment where Singer Finance became one of the Best 25 Companies to work in Sri Lanka for the second consecutive year in 2020/21.

Fostering Employee Progression

Training and Development

At Singer Finance, all our new recruits are subjected to a comprehensive

orientation program conducted by a team that includes Human Resource Department personnel and heads of other departments. Apart from that, we provide a range of training and development opportunities for our employees facilitating their professional and personal growth. We plan their training requirements on a yearly basis maintaining an annual training calendar. During the year, we conducted 24 training programs for a total of 976 attendees. The trainings focused on areas such as Compliance including Anti Money Laundering, Accounting & Finance, Credit Evaluation, and Employee Orientation. Due to the country's pandemic situation, most of these training and development programs were conducted via the online platform.

Types of trainings carried out during the year is given below.

Type of Training	Frequency
Internal Training	
Induction Programme	3
Privacy/Security/Risk Management	6
External Trainings	
Customer Service	1
Privacy/Security/Risk Management	12
Technology Training	2
Total	24

Performance Evaluation

Performance evaluation of employees is carried out by each line manager evaluating the performance of their subordinates through continues discussion on their strengths and weaknesses, and training and development requirements towards career progression. Once their specific needs and requirements are clearly recognized, they are incorporated into the Company's training plan.

The Company has introduced a web based online 'Human Resource Integrated System' with the collaboration of 'Oracle Cloud Human

Resource Management Practices' enabling all HR activities and processes to occur electronically. At present, annual appraisals and leave applications and other employee related activities are carried out using this Oracle cloud based HRIS system.

These tools and platforms have enabled the Company to make objective and performance driven, evidence-based decisions in helping employees on their career development prospects within the Company guiding them on their personal and professional growth.

The Department Heads, in consultation with the Human Resource Department, implements tailor made programs (internal and external trainings) to address training needs of our employees.

Every year, by the third quarter, Divisional Heads of Singer Finance provide the HR Manager with a detailed account of their division's training requirements. Each Department Head holds the responsibility for assessing skill shortages of the respective departments based on the annual performance appraisal thereby determining the training needs of their divisions.



Art Competition for children of employees

Enhancing Employee Satisfaction

Range of Benefits

Our Company provide a range of benefits to the employees over and above their salaries as an incentive towards retaining the skilled and dedicated talent and maximizing productivity. Consequently, the following benefit options are made available to the permanent cadre.

DEVELOPING OUR HUMAN CAPITAL

Benefits Summary



- Leave
- Professional subscriptions
- Medical Coverage
- Reimburse Travel Expenses
- Distress loans
- Vehicle loans
- Study related benefits
- Death related benefits
- Staff discounts for Singer products
- Leisure related perks

- Leave: 42 days of leave per annum (including the statutory leave entitlements)

- Bonus & MSPS/ETF: All permanent employees were provided with Bonus, MSPS/ETF during the financial year.

- Professional subscriptions: Payment of subscription fees for professional bodies on behalf of employees who have completed their relevant academic 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 equally share the balance.

- Hospitalisation and OPD treatment coverage: 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. Further, the expenses incurred by field staff when staying at hotels approved by the Company on official business are also reimbursed by the Company.

- Distress loans: Employees can make use of distress loans in cases

of emergencies such as sudden illness, a death in the family, house renovations arising from damage due to natural calamities and the need for urgent refurbishment etc.

- Vehicle loans: Provided to permanent employees in specified categories to obtain a vehicle. Besides interest-free motor bike loans and vehicle loans are offered at a concessionary rate to a selected set of non-managerial grade employees who perform their job functions in the field.

- Study related benefits: The Company supports the employees in fulfilling their academic goals in two ways. Firstly, a lump sum is granted on the condition that the employee serves the Company for a given number of years. The sum needs to be repaid only if the employee leaves the Company before the expiration of the given period. Our employees use this benefit mostly for postgraduate studies.

- Course fees: We reimburse two thirds of the cost of an academic 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. 75,000.

The death donation fund is a contributory fund maintained by the Singer group and the permanent employees of Singer Finance contribute Rs. 200 monthly.

- Staff discounts for Singer products: We offer discounts for our staff members when purchasing our products.

- Employee engagement activities: The Company organises an annual three-day excursion to a star class hotel for all staff members which is popularly referred to as the Gents Picnic and the Ladies Picnic. All our staff members look forward to this event which provide them with an opportunity to relax, enjoy and network with others. However, during the year due to pandemic backdrop, no such excursions were organized.

The Company also holds a Christmas party for all employees and encourages staff members to actively participate in sports. Besides, staff of Singer Finance take part in many Mercantile Sports events, including Cricket, Netball, Badminton, Hockey and Athletics.

Rewards & Recognition

Employee recognition is essential to maintain an outstanding workplace and to value the workforce contribution towards the growth of the Company. Accordingly, we have been mindful of recognizing and rewarding our high performing staff every year in our Annual Convention. However, due to the prevailing pandemic situation, the annual convention was not held last year.

Employee Complaint Mechanism

We apply the same Whistle Blower Policy as in all the other Companies under Singer Group. As such, a guided procedure is available for all employees to make a written or verbal complaint about a fraud, harassment, or any other unethical and unlawful behaviour of any matter to the top management.

We ensure the confidentiality and anonymity of information when handling a complaint and the investigations are carried out irrespective of the employee's designation. All our employees are introduced to this Whistle Blower Policy at the time of their induction to the Company and the Singer Group remain committed to preventing any form of corruption or illegal activities within the Company keeping in line with the whistle blower procedures.

Effective Grievance Handling & Sexual Harassment Policy

Our grievance handling policy provides employees the right to come forward with their grievances and dissatisfactions to the Management and obtain a fair hearing. The Company's sexual harassment policy deals with any form of sexual harassment that may take place within the Company and takes necessary disciplinary measures, depending on the degree of sensitivity of the matter at hand. When implementing these policies, we are steadfast in ensuring fairness and impartiality throughout the process.

Work-Life Balance

Work-life balance is an important aspect of a healthy workplace as it helps to reduce stress and prevent tension in the workplace enhancing employee productivity. Therefore, at Singer Finance, we have consistently fostered a work environment that prioritizes work-life balance encouraging and organising events and activities to achieve the desired outcomes.

Diversity and Equal opportunity

The workforce, being the key to our success, we treat them fairly and equally ensuring a work environment that is free from any form of discrimination. We ensure that our employees are not discriminated based on religion, gender, race, marital status, age, or any other criteria. As such, we abide by the policy 'equal pay for equal work' where the remuneration is determined through a transparent performance evaluation

mechanism for all employees without discrimination.

The Company recruited employees from diverse backgrounds, providing them equal opportunities to climb the corporate ladder of the Company.

Health and Safety at Workplace

We make it our priority to ensure a healthy work environment to all our employees at the workplace. In this regard, we have carried every necessary step to manage and conduct work activities in a manner that ensures a healthy and a safe working climate.

Singer Finance complies with all the occupational health and safety laws and regulations relevant to a business of this nature. We go beyond mere compliance by constantly being vigilant of areas where we can enhance the health and wellbeing of our employees taking into consideration the human factors and ergonomics, quality of light and air in the workplace and other factors that contribute to a safe, comfortable, and a productive work.

In an operating backdrop fueled by the COVID -19 outbreak, during the year, we introduced a roster-based work routine to minimize the exposure and protect the employees from the pandemic. Further, we also provided employees with office transportation as a solution to the public transportation issue.

The Company also covered all the expenses of COVID -19 infected employees and their immediate family members to support their recovery.

Regulatory Compliance Compliance with Labour Law

We comply with all the required local labour statutes and regulations to ensure equal opportunity and pay to all employees, and delve into the employees' physical and mental well-being, safety while ensuring diversity in nurturing an environment for them to work with dignity, confidence, and self-respect.

There were no material issues pertaining to employees and industrial relations of the Company which should be disclosed as per the CSE listing rules.

Human Rights

We understand our moral and legal obligation to protect our employees and thus, follow all the employment practices that preserve human rights. We facilitate freedom of association, strict elimination of all forms of compulsory labour, abolishment of child labour and we promote an environment supporting diversity and gender parity which includes equal opportunities and anti-sexual harassment within the work place. There were no incidents of human rights concerns or grievances reported during the financial year.

Internships

Our Company provides internship opportunities to fully or partially qualified students at both head office and branch level. These interns are placed in a suitable capacity within the Company and given the necessary exposure through practical training in addition to giving them a comprehensive orientation.

During the year under review, there were 07 interns working with the Company.

FOSTERING OUR SOCIAL AND RELATIONSHIP CAPITAL

Singer Finance (Lanka) PLCs social and relationship capital remain an integral component of our value creation and involves nurturing vital relationships with all our stakeholders including customers, investors, financiers, suppliers, business partners, employees, the Government of Sri Lanka and other regulatory bodies, our competitors, various interest groups, the media, the communities in which we operate, and the society at large. These relationships in the form of shared values, commitments and knowledge form the basis of the reputation and trust we have developed over the years.



VALUE CREATION ACTIVITIES IN 2020/2021

- Customer - centric products and services
- Improved business partnerships
- Compliance with laws and regulations
- Transparent and good governance procedures
- Ethical and fair business conduct
- Community enrichment

Outcome

- Loyal customer base
- Strong business partnerships
- Better investor relations
- Good governance
- Community improvement

Challenges

- Impact of COVID-19 pandemic on stakeholders
- Certain restrictions imposed by the regulators
- Government's import restrictions on vehicles
- Restrictions on the usage of chemical fertilizer could affect approximately 30% of people engaged in agriculture and related activities

Our Approach to Social and Relationship Capital

All our stakeholders have an impact on our business operations in a multitude of ways. Hence, we strive to create value for these stakeholders through positive engagement with them while at the same time accomplishing our business objectives.

The Company takes an integrated approach in dealing with all our stakeholders demonstrating our social responsibility in terms of community engagement, building relationships, engaging in fair competition, adhering to ethical business practices, and aligning our vision and mission towards supporting sustainable development goals.

Relationship with Customers

Care for the customer being the foundation of our business success, we persistently strive to deliver to their expectations. Over the years, we have expanded our products offerings to consumer products and loans for both individual and business customers while consistently attempting to understand their specific needs in delivering meaningful products and services to suit their requirements.

Our customer portfolio comprises of a significant proportion of repeat customers proving our excellence in innovative product development and customer service. Besides, most of these repeat customers being individuals and small and medium enterprises (SMEs) is an indication of our commitment to providing financial services to underprivileged segments aligning with government policies and economic development goals.

The 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.

Customer Proposition

Trust, ethics, and service excellence remain the three key pillars of our unique customer proposition where the trust our customers have placed in us is reinforced through ethical business practices and our commitment to deliver speedy, quality service ensuring customer convenience.

Strengthening customer relations

Online payment gateway

The Company introduced an online payment gateway system to streamline the customer service levels. As a result, we were able to service our customers more efficiently enhancing the customer contact with the Company. The customer now has the privilege of making their payment using digital technology. Besides, Singer Finance digital space has been expanded as a customer interface which has empowered our existing and the prospective customers to interact with the Company using Facebook, Viber, LinkedIn, Instagram, Chat bot etc.

Most of the promotional campaigns are also being conducted via online platforms including Facebook and Instagram to reach the customer touch points extensively.

Currently, the Company is in the process of developing an Online Mobile App to provide enhanced digitalized services via smart mobile phones.

Dedicated Sales Teams

We have a dedicated sales team who are groomed to offer personalized, superior customer service to deposit holders as well as lending customers.

Innovative Products

Our range of products are developed to satisfy the financial requirements of deposit and the lending customers island wide.

Expansion of Gold Loan Facility

Our Gold Loan facility which is available at selected branches located island wide witnessed a 43% growth during the financial year.

Product Responsibility, Fairness and Transparency

We constantly endeavored to provide products and services that cater to the changing needs of the customers adhering to fair and transparent procedures in delivering value to them. Aligned with our responsibility, we communicate to our customers all the features and conditions that apply to a product.

Portfolio Screening and Compliance

Prior to introducing a new product to the market, it is subjected to extensive scrutiny by our Compliance Department to ensure that the products are in conformity with relevant laws and regulations as well as the broader corporate governance requirements. This compliance process also investigates product features and rates and ensure that the product is ethical, fair, and sustainable as well as socially and environmentally compliant.

If a product does not meet up to the the expected standard, it is adequately resolved with an alternative option through a collaborative process between Compliance and Business Department Heads.

Extensive Branch Network

We have expanded our branch network to capture market share across the country and currently, our branch network comprises of 39 branches island wide. During the year, we opened 4 new branches in Nuwara Eliya, Maradana, Kotahena and Kohuwala. Besides, we converted the Kiribathgoda, Nugegoda and Wattala branches to more spacious and conveniently located premises. This has paved our way for

better service delivery to customers at all levels.

The interest income generated through branches of the Company amounts to Rs. 4.3 Billion (98% out of total interest income of Rs.4.4 Billion reported by the Company.

Customer Focus

We remain committed to cater to the customer's specific financial requirements and therefore, make consistent effort to understand their unique requirements and fulfilling them within a framework of transparency while safeguarding their privacy.

The core banking system of the company is being integrated with different digitalization programs undertaken by the company, and this effort has enabled us to create feature-rich integrated system that allow us to expand our product range and facilitate flexible payment options. This system reduces overall transaction times permitting us to offer a speedy, superior service to our customers. Further, this platform also provide space for us to engage with our customers through SMS alerts, prompts and reminders of their rental and instalment payments.

Business Promotions

The annual business promotion calendar is executed mainly via digital platforms. Our FB page activities in this regard have been recognized by Facebook administration as a result of frequent & attractive engagement.

Effective Marketing and Communications

Our marketing and communication activities comprise of a mix of below the line marketing and promotional activities, joint promotions conducted with corporates and advertising through social media channels such as Facebook and Instagram.

Gold Loan	2020/21	2019/20	Growth
Branches	30	21	43%
Loan Receivable (Rs. Mn)	2,209	1,265	75%

FOSTERING OUR SOCIAL AND RELATIONSHIP CAPITAL



Art Competition held for children

We use below-the-line marketing and promotional activities as a key means to reaching new customers while making use of advertising campaigns to further improve our brand visibility and product awareness.

As the focus on traditional print and media communications has considerable been overtaken by digital platforms, we have increased our emphasis on social media promotions concentrating on Facebook, Instagram & LinkedIn as common platforms in our marketing communications. Further, personalized SMS updates have been introduced to communicate to the customer base. We also engage with our customers and potential customers on social media platforms by providing comments for any questions posted on the Facebook within 24 hours.

Our website is powered by an AI chatbot which is able to respond to queries 24/7 providing seamless customer connectivity at all times.

Customer Satisfaction and Feedback Mechanism

A dedicated team has been deployed to measure and follow up customer satisfaction levels and their feedback. We measure their satisfaction at different stages: at the commencement,

during the process and at the end of the process.

Customer Survey

The Company conducts periodical surveys with the customers to identify areas that needs to be further improved.

Customer Engagement

The customer engagement at the Company-level begins with our Marketing Officers (MOs) directly liaising with the customers to inquire about their specific financial requirements. Thereafter, we take in two distinct approaches to engage with our lending and deposit customers, respectively.

Customer Complaints and Grievance Handling

We have established a customer compliant and grievance handling mechanism to ensure that their concerns and grievances are handled positively and in a constructive manner. This will enable to us to retain our loyal customers while ensuring that our products and services meet their expectations.

The customers can get in touch with the Company to voice their complaints through telephone, in writing, e-mail or through our website or social media channels. The Call Centre hot line 0112400400 has become a popular and an effective medium for customers and all stakeholders to reach the company.

Once such complaints are received, the matter is taken up by the relevant Department Head, who then impartially investigates the issue. Following the investigation, the Department Head provides a suitable solution to resolve the concern in a satisfactory manner to the customer.

As to complaints of a very serious nature, the issue is brought to the notice of the top management (CEO/COO, Senior Manager Compliance),

where they would closely and personally follow up the matter until it is resolved the satisfaction of all parties involved.

Customer satisfaction has been made an inbuilt integral part of Singer Finance culture which is generating positive results in the prevailing turbulent environment.

Customer Privacy and Data Security

Customer privacy and data security being key priorities at Singer Finance, we have chosen to work with a backend service provider certified with the latest Payment Card Industry Data Security Standard V3.2 (PCIDSS).

Meanwhile, we have also trained all staff members on required safeguards in accessing customer access to customer information in addition to having in place routine measures that ensure customer confidentiality and data privacy is safeguarded. These robust privacy and security systems and well trained staff have enabled us to ensure highest customer privacy and data security.

Data and Business Recovery

In accordance with our Business Continuity Plan (BCP), Singer Finance maintains a comprehensive disaster recovery center in an off-site location in real time together with an online data replication system. These measures ensure that the operations of the Company may continue without setbacks in the event of any unexpected business disruption or disability of the main Company IT system.

Relationship with Investors

Investors being key to our business sustainability, we constantly strive to maintain strong, transparent relationships with them. Singer

Finance's investors include a mix of individual and corporate equity shareholders and debenture holders who support the growth and expansion of the Company by providing equity and debt capital for us to capitalize on emerging opportunities.

How we foster investor relations



We work meticulously to ensure continued growth and profitability of our business thereby offering optimal returns on their investments. In this process, we have incorporated sound growth strategies, policies and procedures and comply with all relevant laws and regulatory requirements that are applicable to us.

We endeavor to maintain amiable relationships with all our investors including minority shareholders. The Company's Management and Board are committed to ensuring that adequate time is allocated for effective communication with the investors

whenever necessary.

Strengthening investor relations

Engagement through consistent communication

Our primary communication mode with the investors is the Company Annual Report and the Annual General Meeting. In addition, we engage with them through the Company's corporate website, announcement through the Colombo Stock Exchange, press releases and media releases. Further, the Company's social media platforms have also been useful tools in engaging with our investors. Please refer 'Stakeholder Engagement' sections of this report for further details on how we engage with all stakeholders including investors, and the levels of engagement and frequency

Relationship with 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. In this way, all employees are bound by these policies

when carrying out their business functions.

How we foster business partner relations



Our Business Partners include the following;

Direct

- Banks and Financial Services
- Utility services
- Stationery suppliers
- Providers of consumable items
- Logistics service providers
- Suppliers of assets
- Advertising agencies
- IT hardware suppliers
- Software vendors
- Service providers
- Providers of premises
- Travel and transport services

FOSTERING OUR SOCIAL AND RELATIONSHIP CAPITAL

Outsourced

- Courier services
- Call center
- Janitorial services
- Tea services
- Scanning process

Strengthening business relations

Outsourcing Policy

In accordance with the corporate governance best practices, the Company has developed an Outsourcing Policy which was approved by the Board of Directors in April 2019 and came into effect on the 1st of May 2019. This policy governs all the outsourcing arrangements of Singer Finance and applies to all Singer Finance Management and employees involved in procuring outsourced services across the Company.

This policy involves using third party service providers in operational functions to perform ongoing activities that would traditionally have been performed by Company personnel. However, the Company is aware of the risk involved in ineffective outsourcing arrangements and is determined to take necessary measures to prevent over-reliance on such outside service providers particularly for critical functions.

The Policy has been developed in compliance with the requirements of the Finance Business Act Direction No.07 of 2018 issued by the Central Bank of Sri Lanka under Section 12 of the Finance Business Act, No.42 of 2011 or as amended.

Non-Disclosure Agreements

We enter into Non-Disclosure Agreements (NDAs) with our service providers in the event where it is necessary to share sensitive and confidential information with a service

provider or vendor, such as in IT software design and applications.

Evaluating Suppliers

Supplier evaluations enable us to maintain relationships in a positive manner. Hence, we take into consideration the following factors when evaluating our suppliers.

- Experience in the relevant field
- Skills and expertise
- Business reputation
- History - past and present clients and the type and nature of work done on behalf of those clients.

Open door policy

Our open-door policy allows us to maintain amiable relationships with our business partners.

Rewards

We reward our top performing business partners for their services in various aspects of the business such as business introducers, auctioneers, electronic transaction platforms etc.

Relationship with Regulators

We comply with laws of the land and rules and regulations laid out by the government and various regulators thereby maintaining good relations with the Government of Sri Lanka and the relevant regulatory requirements including directions and guidelines issued by the Central Bank of Sri Lanka. In addition, we comply with other regulatory authorities such as local authorities, tax authorities, SLAASMB, LKAS/IFRS, and relevant Acts such as Finance Business Act, Leasing Act, and Companies Act.

How we foster relations with regulators



Besides, we also ensure that the employees of Singer Finance who engage with regulators are well trained and competent in their respective areas of work.

The Company has put in place corporate governance policies and procedures to ensure that Singer Finance 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 thereby supporting the government's agenda of empowering the marginalized communities in Sri Lanka.

During the year under review, there were no legal actions or actions on regulatory non-compliance against Singer Finance except as disclosed

under Contingencies note in financial statements of this report.

The compliance framework of Singer Finance is provided in the Corporate Governance section of this report.

Compliance Related Training

We conducted more than 500 manhours of training to Directors and staff members on AML / CFT & regulatory requirements, guidelines for non-face to face customer identification and verification using electronic interface, financial customer protection framework and customer risk profiling, FIU awareness session on customer screening & illegal financial activities, financial customer protection framework and guidelines for financial institutions on identification of beneficial ownership.

Further training on "Customer Protection Framework & AML/CFT & Regulatory Requirements" are conducted quarterly to all permanent staff.

Membership of Associations

The Company has obtained membership with various industry, business, and professional institutions to strengthen its existing relations with stakeholders. Besides, these memberships of various associations offer a professionally enriching experience for our key employees, enhancing their industry know-how and their professional experience and reputation. We currently hold the membership in Finance Houses Association and the Chamber of Commerce.

At Singer Finance, we also employ professionals who have a wide network with various institutions and associations in Sri Lanka. As such, some of our employees in our organization hold the memberships in professional

bodies such as CA Sri Lanka, CIMA, CIM, CMA, and AAT. These networks and associations have further consolidated our Company reputation and hence, we support by paying their annual membership fees.

Relationship with Competitors

Singer Finance is an active member of "The Finance Houses Association", which is the key forum available for all active players in the finance industry to build and sustain mutually beneficial relationships.

This association has formed subgroups and forums, such as Compliance Forum, Legal Forum and HR Forum etc. that supports and strengthen intercompany relationships creating a positive outcome for the industry as a whole.

In addition, Singer Finance management has also inculcated a culture to respect competitors when conducting business by maintaining ethics and values at the highest level.

Relationship with Community

Establishing and maintaining mutually beneficial community relations is fundamental to a healthy corporate relationship with the community. Hence, Singer Finance strives to maintain good relationships with the communities in which we operate.

During the year, we have undertaken several corporate social responsibility projects that benefit local communities. These include;

- Distributed of 'Live Plants' amongst the staff members to celebrate the world's 'Earth Day'
- Donated two Washing Machines to Castle Street Maternity Hospital & Karapitya hospital
- Donated an Air Conditioner to Kahatagasdigiliya Base hospital
- Contributed towards a group fund to donate urgent medical supplies and facilities to IDH hospital and other hospitals for COVID-19 patients.
- We continue to sponsor a deserving student with financial difficulties studying in a reputed school. We have sponsored this student from year 5 onward and will do so until he leaves his school after completing GCE A/L exams.



Donating a Washing Machine to Castle Street Maternity Hospital

How we foster investor relations



ENHANCING OUR INTELLECTUAL CAPITAL

Intellectual capital plays a key role in value creation, enhancing the Company's competitive advantage and ensuring sustainable growth. Therefore, we remain committed to nurturing, developing, and protecting these organizational knowledge-based intangibles in ensuring continuous growth of the Company thereby creating and delivering sustainable value to all our stakeholders.



VALUE CREATION ACTIVITIES IN 2020/2021

- Brand enhancing initiatives
- Capacity development
- Encouraging collaborative work culture & client-oriented service
- Compliance
- CSR activities

Outcome

- Digital marketing
- Branch expansion
- Conducting training programmes to staff members
- Open door policy
- 'Great Place to Work' certified.
- Good governance best practices

Challenges

- Difficulty in finding employees with relevant skill, experience and know-how from the industry
- Adverse effects posed by the pandemic

Brand Value

Singer is a trusted brand name in the Sri Lankan business sphere and hence, we consistently make effort to preserve that trust associated with our heritage brand, nurturing it throughout our 17 years of existence guided by the Company's vision, mission, and values. As a result, we have progressively embraced growth and profits to all our stakeholders while prudently balancing our risks and opportunities.

We remain committed to our mission; "to provide the most useful and ethical financial services to our customers by creating an experience that builds lasting relationships". In this endeavor, our innovative financial products that are tailored to customer requirements and enhanced service delivery to the customers across the country have enabled us to establish a customer base who have become our valued brand ambassadors. This has further strengthened our brand value, enhancing our reputation as a trusted financial service provider.

Credit Rating

Singer Finance credit rating was revised upwards to A+(Ika) by Fitch Ratings on the 5th February 2021.

Awards & Achievements

Singer Finance Among 25 Best Workplaces in Sri Lanka for 2020

Great Place to Work® Institute certified Singer Finance as a Great Place to Work Certified TM Company in Sri Lanka. Singer Finance was ranked one of the 25 Best Workplaces to work in Sri Lanka for the second consecutive year in 2020.

Enhancing Brand Visibility

The Company continue to enhance brand identity and visibility through several initiatives.



Sipiriya Educational Loan

Advertising Initiatives

During the year, we mainly focused on Below-the-Line (BTL) advertising activities while engaging in Above-the-Line (ATL) advertising only in selected strategic locations. Our ATL activities were limited to placing hoardings on the roadsides mainly in the Western

province due to high number of branches located in the Western province. We limited our exposure through TV, radio and print media as our reach throughout the island is limited, it was not prudent to spend on these media. However, we are planning to increase our focus on ATL activities provided the pandemic situation improves in the foreseeable future.

The Company's BTL campaigns during the year include town-storming (for Savings and Deposit products), campaigns conducted in selected vehicle sales points, as well as door-to-door campaigns on Gold Loan products. We also carried out awareness campaigns on our savings and fixed deposit products to increase customer understanding of these product categories.

Digital Marketing

Given the increase in popularity in social media advertising, during the year, we shifted a considerable amount of our advertising efforts to digital platforms such as Facebook, Google Ads, and Instagram. The telemarketing unit attached to digital marketing division was entrusted with the responsibility of attending to the customer enquiries received over the phone from customers who are influenced by these digital advertisements.



Digital Advertising Platforms

Our telemarketing unit also reach the customers via leads generated through Facebook and Google ads. We have also allocated specific branches to the

telemarketing team in making them more accountable thereby improving the business volumes attracted through digital platforms at branch level. During the year, we created 'Page Like' campaigns, special day campaigns, product awareness campaigns in enhancing the customer base through digital platform.

The Company has also embarked on leveraging group synergies to attract business as well as harnessing business opportunities through BTL advertising.

Some of the marketing campaigns carried out during the year are as follows;

- Special promotion campaign initiated along with Singer Sri Lanka (the Parent Company) to improve sales and financing of John Deere Tractors.
- Joint promotion campaign initiated with Kubota brand (with Hayleys Agro).
- Joint sales promotion campaigns initiated relating to car/van/ three-wheeler dealers throughout the year.
- Competitions and promotions using digital platforms were activated throughout the year.

Expanding our Reach

We have expanded our reach across the island opening a total of 39 branches to provide our customers with easy access to our services. During the financial year end 31st March 2021, the Company opened four (4) branches in Nuwara Eliya, Maradana, Kotahena and Kohuwala.

A few branches were also relocated to provide superior service to the customers. During the year, three (3) branches in Kiribathgoda, Nugegoda and Wattala were relocated to better strategic locations in order to increase customer convenience and access.

Going forward, we will pursue our branch expansion strategy to further enhance our presence across the island thereby enhancing our brand visibility.

Continuing Commitment to Add Value to the Brand

We, as the Singer Finance team look forward to opportunities in adding value to our brand through continuously improving our products and service offerings. In achieving this objective, we continue to strengthen our foundation through establishing robust back-end systems and structures to support this effort.

Good Corporate Governance

The investments made by the Company in upgrading the IT system to cater to the evolving needs of the customers that encompass digitalized platforms, digitalized products such as BI tool, and the tacit knowledge of employees have enabled the Company to provide necessary information regarding compliance, risk assessment, Internal audits etc. Therefore, the intellectual capital built around these areas have empowered the Company to adhere to good corporate governance practices.

Knowledge and Corporate Culture

The knowledge and skills of our human resources forms a critical component of our intellectual capital. Hence, we consistently make effort to enhance the skills and capacities of our employees. In this regard, we have exposed them to various training and development opportunities relevant to their area of expertise conducted internally and externally throughout the year. Besides, all employees are encouraged to express their views, ideas to any superior including the CEO through the Company's open-door culture that allows space for every employee to have access to all the managers including the CEO of the Company.

Training and Awareness on Money Laundering and Terrorist Financing

We continuously enhance the awareness of our employees on Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) activities through training. Our in-house and field staff who liaise with customers are required to do MCQ tests quarterly,

ENHANCING OUR INTELLECTUAL CAPITAL

which enable them to be well-informed of latest developments in AML and CFT activities. Front office staff who are at customer contact points with the marketing and recoveries staff, are trained regularly at monthly and quarterly meetings.



Leaflet on cashier training

During the year, 150 employees were trained on AML/CFT in addition to imparting knowledge during meetings.

Association with SINGER Brand

Singer has remained the most popular brand in Sri Lanka over the past decade and thus the power of the Singer brand provides invaluable strength to the Company remaining a constant factor in Singer Finance's strategic and operational decision making and in marketing communications.

Singer's Code of Ethics guides our operations and interactions with customers, suppliers, business partners and how we engage with the community and regulators. It is also a powerful asset in our marketing efforts whether it is our leasing and financing operations, consumer financing or canvassing deposits.

A Part of Hayleys PLC

In 2017, Hayleys became the ultimate holding Company of Singer Finance. Hayleys Group is the largest and the most diversified business conglomerate in Sri Lanka that span across 16 business sectors. During the financial year 2017/18, Hayley's became the first listed Company in Sri Lanka to cross the US Dollar 1 Bn revenue threshold. Hayleys Global imprint spreads across business strongholds in five continents spanning 17 countries.

Being part of the Hayleys Group which possesses a 143-year heritage especially in the agricultural sector across rural Sri Lanka has given a strong boost to Singer Finance's intellectual capital. As Sri Lanka's most diversified conglomerate, the Hayleys Group covers 16 diversified sectors with a formidable presence in agriculture. This positions the Company to capitalise on group synergies.

Our Values and the Code of Ethics

There are two core elements in our intellectual capital; our code of ethics and our values that were fostered under the aegis of Singer. Hence, Singer Finance maintains ethics and values at the forefront of business decision making while developing strategies keeping all stakeholders in mind. Besides, the Company conducts ethical business adhering to all the rules and regulations and the timely payment of taxes.

We are committed to serving our customers to the best of our ability applying our key values of integrity, fairness, and respect. We consider customer convenience a priority over short term profit gains thereby sustaining our reputation and brand value that continue to be impacted by customers and all other stakeholders.

During the pandemic, the Company was flexible in serving all the customers who needed help by providing moratoria and rescheduling of facilities.

Details on our procedures for handling customer complaints and the whistleblower policy is explained in the Social and Relationship Capital.

A Unique Customer Proposition

Singer Finance brings together the key components of our intellectual capital as outlined above to offer a distinctive value proposition for our customers. Our value proposition is strengthened by the fact that it cannot be easily replicated or bettered by industry rivals. We provide our customers with a quality service through over 400 branches of the parent company spread across the country to make their payments, in addition to payment methods such as online and other payment platforms (FriMi etc.). The innovative product range developed with the customer requirements in mind have enabled us to deliver to their expectations retaining their trust and loyalty.

Financial Strength and Stability

Our depositors are the proof of our financial stability and the trusted Singer brand name along with our consistent commitment to innovative products and service excellence has enabled us to expand our deposit base. Our association with Singer remains a force of strength behind mobilization fixed deposit who seek out Singer Finance as a place for their savings.

Apart from the strength of our brand name, we at Singer Finance have been conscious of balancing business growth and risk which is clearly reflected in our balance sheet. As a result, we have been able to develop and nurture the Singer Finance brand with reliable and steady performance levels in the market retaining our trusted financial partners and investors.

Service Excellence, Speed and Customer Convenience

We have adopted digital technology in serving our sophisticated and demanding customers, recognizing the increased use of digital platforms for financial transactions and the increase demand from customers for convenience, speed, and technology support from their financial service providers. Besides, in a highly competitive market environment, service excellence, speed and convenience define our competitive edge thus making digital platform a vital component of our business.

Handheld Devices for Rental Collection

We use handheld devices for debt collections in selected areas where our field sales and collections staff have the privilege of issuing receipts to the customers on the spot. This has increased customer confidence allowing them to receive immediate confirmation of their payments and deposits.

Corporate Social Responsibility Initiatives

We carried out several Corporate Social Responsibility (CSR) initiatives during the year to extend our support to community wellbeing thereby enhancing our positive brand image. These includes community projects as well as providing sponsorships to the disadvantaged students. During the year, following projects were carried out;

- Donation of Washing Machines to Castle Street Maternity Hospital & Karapitya hospital
- Donation of an Air Conditioner to Base Hospital-Kahatagasdigiliya
- Contribution to make a group fund to provide urgent medical supplies and facilities to IDH Hospital and other hospitals for COVID-19 patients

- Continue to sponsor a boy with financial difficulties studying at Royal College.

Regulatory Compliance

To ensure steady business operations, the Company has adhered to all the guidelines imposed by the regulator in a positive manner with a clear understanding of the underlying reason for new guidelines issued. Specific guidelines were issued by the regulator during the year 2020/21 to safeguard customers who were particularly affected by COVID -19 (moratorium measures) and to protect NBFIs from the impacts of COVID -19 by releasing liquidity requirements. The Company provided Moratoriums to customers who requested for such facilities and obliged over 18,000 requests providing concessions as required by customers.

Further, the CBSL has taken steps to protect depositors by imposing guidelines on capital requirements.

The Compliance Officer at Singer Finance holds the responsibility in ensuring that the Company follows all the relevant laws and regulations to our operations. While he has the leverage to consult and receive expert advice required to perform his duties, the Company has also taken measures to equip him with required knowledge through participation in all the necessary seminars and workshops conducted by regulatory authorities.

The Audit Committee and the Board of Directors review monthly compliance statements to ensure there are no instances of non-compliance. If any instances of non-compliance are identified, measures are taken for prompt rectification. The Company discloses such instances of non-compliance in the Annual Report.

The Corporate Governance Report of Singer Finance is audited by an external auditor. The Corporate Governance Report forms part of the Annual Report of the Company.

Our commitment to excellence, as a subsidiary of Singer (Sri Lanka) PLC, is part of our culture and work ethic which is extends to corporate governance and compliance.

Updated technology platforms

We continue to invest on improving our technological platforms in enhancing our systems and processes thereby preserving our service excellence. During the year under review, the Company increased its digital presence through CEFT Operation, Online Banking platform, payment platforms such as mCash, Business Intelligence tool (for Decision making and forecasting) and Internet payment option to pay instalments online. A total cost of Rs. 8.7Mn was expended on developing such software during the year.

Enhanced information security platforms

Our information security systems and structures are vital components of our intellectual capital and hence we strive to maintain robust information security systems in protecting the organizational assets. In this regard, we have adopted a secured online banking platform that is routed through "IP security tunnel" to perform CEFT transactions. We have utilized a three-tier architecture for our online banking platform.

ENHANCING OUR INTELLECTUAL CAPITAL

Certifications

We have obtained SSL certification for Online Banking & Internet Payment Gateway.

Customer Privacy and Data Security

We consider customer privacy and data security as a key concern and thus have chosen a back-end service provider certified with the latest Payment Card Industry Data Security Standard V3.2 (PCIDSS). Over the years, we have followed the same procedures with stronger controls to ensure confidentiality of information.

The Company's Outsourcing Policy further strengthened the system integrity, security, and protection by providing a detailed guidance on how best to secure our systems and what aspects of the operations can and cannot be outsourced.

During the year, we continued with our routine measures to safeguard confidentiality and privacy of customer data. Our staff who have access to customer information are also well trained on best practices of customer information handling.

MANAGING OUR NATURAL CAPITAL

We understand our responsibility towards the environment and continue to pursue every effort in minimizing our impact on the ecosystem by giving our undivided attention to conserve the natural environment. Although the nature of our operations create limited impact on the ecosystem, as a responsible corporate entity, we continue to carry forward our commitment towards protecting the environment through mindful usage of energy, water, paper products and other consumables on a continuing basis. With the expansion of our operations, we have consistently been mindful of encouraging environmentally conducive practices both at the head office and at branch level.



VALUE CREATION ACTIVITIES IN 2020/2021

- Embracing digital technology
- Minimising Carbon Footprint
- Practice of 3Rs - Reduce, Reuse and Recycle
- Promoting environmental conscious behaviour
- Plant distribution amongst employees

Outcome

- Digital processes and services leading to reduced paper use
- Improvements in efficiency & waste reduction
- Energy initiatives
- Environmentally conscious workplace

Challenges

- Regular increase in fuel prices
- Impact of COVID-19 Pandemic

Our Environmental Policy

Singer Finance environmental policy aims to promote ecologically sound business practices within the workplace focusing on optimizing the resource usage to reduce the cost and wastage. For this end, we have embraced digital technology, bringing most of the Company's processes and services under a digital platform, minimizing our carbon footprint, and consistently promoting the practice of the three R's of waste management, "Reduce, Reuse and Recycle" in our routine activities.

The Company focuses on the following key environmental capital values when functioning the business operations inter alia.

- Efficiency
- Conservation and Preservation
- Commitment
- Minimization

Raising awareness amongst employees

Preserving the environment requires a knowledge and understanding of our impact on it and therefore, we consistently emphasize on raising awareness amongst the employees on the impact of our business on the surrounding environment, encouraging

them to adopt water and energy saving measures to minimize the effect.



Environment Day Celebrations

During the year, we initiated a program of distributing 'plants' among our employees to commemorate, 'Global Earth Day', which was a highly successful initiative that received full voluntary participation of all employees. These plants with a medicinal value are given to the employees to plant at their residences which could benefit them in the medium and the long term.

Shifting from manual processes to digital platforms

We have replaced many of our internal processes and customer services on to a digital technology platform to decrease our paper usage thereby reducing our carbon footprint. This has also increased our efficiency in addition to incurring a considerable reduction in our expenditure.

MANAGING OUR NATURAL CAPITAL

Online File Approval

We initiated an online file approving process that has resulted in a greater savings on the stationary cost sustained by the Company in comparison to the previous years.

The Company has changed the stationary ordering method to avoid any excessive stationary stocks that may create adverse impact on our profitability owing to high holding cost.

Paying Bills Online

All of Singer Finance utility bills, including electricity, water, telephone, internet, and other facilities are paid online thus minimizing paper usage.

Use of SMS in Promotions

We use SMS promotions for gold loans and other services which has proved to be a highly cost-effective method for promotions and reaching a broader target audience beyond our existing customer base.

Corporate Communications

Our corporate website-singerfinance.com-and our social media channels-on Facebook, LinkedIn, and Twitter-further help us promote our services beyond traditional means of communication.

Customers can find us on Facebook @ SingerFinancePLC. We typically respond within 24 hours to any customer inquiries via Facebook.

Payment Reminders Via SMS

Our customers receive their monthly payment due date reminders and arrears payment reminders via SMS.

Email and Mobile

Most of our communications with our deposit customers are via either email or mobile.

Promoting efficiency improvements and waste reduction

Our HR Department regularly conducts training and awareness programs on how to minimize costs and optimize resource usage by the Company with the assistance of our Parent Company, Singer (Sri Lanka) PLC. During the year, given the COVID-19 pandemic backdrop, our trainings were conducted on a virtual platform emphasizing on maintaining low-cost structures as the pandemic situation has created abnormal cost escalations on a daily basis due to the cost of personal protective equipment.

Waste management initiatives Recycling

We recycle our waste paper by handing them over to a third party; 'Neptune Recyclers', a recycling Company on regular intervals. During the year, we recycled 202 kilograms of paper contributing to a sustainable environment. Besides, we recycled photocopy paper by re-using them for internal office purposes whenever possible. These initiatives have received the corporation and approval of all our employees.

E-waste Disposal

As a service Company, we greatly depend on electronic equipment, computer and communications devices including telephones which in turn creates e-waste. This e-waste accumulated from our branch network and the head office are collected by Singer distribution centers on request and disposed in an environmentally friendly manner in collaboration with Central Environment Authority (CEA)..

We work with Singer (Sri Lanka) PLC in our e-waste management initiatives. Singer has been working with the CEA in assisting local authorities manage their e-waste on a national scale. The Singer Group follows UN BASEL convention

regulations in collecting, transporting, and storing e-waste for recycling.

Energy saving measures Electricity Consumption

Given the Company's increase expenditure on electricity, we have implemented measures to reduce the electricity usage including limiting the weekend work schedule. This has enabled a major saving in our A/C cost and total electricity consumption for a particular period. Besides, we also encourage all our employees to conserve electricity by switching off the air conditioners, fans, and lights when not in use.

We also look forward to explore the possibility of establishing a solar panel to the head office premises with the intention of further saving cost on electricity.

The Company policy encourage all new branches of Singer Finance to have energy efficient lighting systems and LED lights. We also use LCD monitors which minimize energy consumption throughout the entire head office and branch network.

Our office equipment and appliances are purchased from Singer, a Company that is committed to improving energy efficiency of their products on an ongoing basis.

During the year, our electricity consumption was at 1,068,870 Kwh, a substantial decrease compared to the 1,175,082 (Kwh) in the previous year.

Fuel Consumption

The Company does not own a fleet of vehicles and most of our employees commutes to work using their own vehicles.

Water Consumption

The Company consumes mineral water for drinking and water from main lines supplied from the Water Board, for other purposes. We continuously urge employees to minimize water wastage, encouraging them to turn off taps when not in use. As a result, during the year, the Company's water consumption was at 35,815 (Cubic Meters), again a considerable reduction compared to the 49,342 (Cubic Meters) in the previous year.

Environmental Compliance

We comply with all the environmental laws and regulations of the Country during the year under review.

INDEPENDENT ASSURANCE REPORT TO SINGER FINANCE (LANKA) PLC



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

We have been engaged by the directors of Singer Finance (Lanka) PLC (“the Company”) to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2021. The Sustainability Indicators are included in the Singer Finance (Lanka) PLC’s Integrated Annual Report for the year ended 31 March 2021 (the “Report”).

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	05

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Information provided on following	
Financial Capital	40 - 44
Utilizing our Manufactured Capital	45 - 46
Developing our Human Capital	47 - 51
Fostering our Social and Relationship Capital	52 -57
Enhancing our Intellectual Capital	58 - 62
Managing our Natural Capital	63 - 65

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2021 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2021, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management’s Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajani FCA
A.M.R.P. Alshakoon ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapaksa FCA
M.N.M. Shameel FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.O.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K.Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability

Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;

INDEPENDENT ASSURANCE REPORT TO SINGER FINANCE (LANKA) PLC



- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting

Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS
Colombo

06th May 2021

CORPORATE GOVERNANCE

INTRODUCTION

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.

Singer Finance (Lanka) PLC is committed to maintaining integrity, transparency and ethical conduct by adopting the right governance practices.

The year under review was marked by disruption and change which tested the resilience of the Company. This highlighted the importance of effective, ethical and adaptable leadership and governance. Singer Finance (Lanka) PLC's strong corporate governance framework provided the necessary foundation to navigate the complexities of the year and guide the Company towards better performance and operational standards.

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 are audited by the Internal Audit division of Singer (Sri Lanka) PLC (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 Board holds the responsibility of delivering sustainable stakeholder value and the governance policies

and procedures enable the Board to manage the Company for the benefit of all stakeholders, ensuring long-term value creation. The Company conducts internal and external reviews at regular intervals to ensure compliance with governance standards and where non-compliance is identified, immediate measures are initiated to achieve compliance. The framework and policies are reviewed at regular intervals to maintain alignment with the Company's strategy, regulatory requirements, dynamic business environment, technological advancements and international best practice.

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 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 by the Company.

CORPORATE GOVERNANCE

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	People Management
	Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)	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: Inter alia the Audit Committee, Integrated Risk Management Committee, Asset Liability Management Committee, IT Steering Committee and Anti Money laundering (AML) Committee.

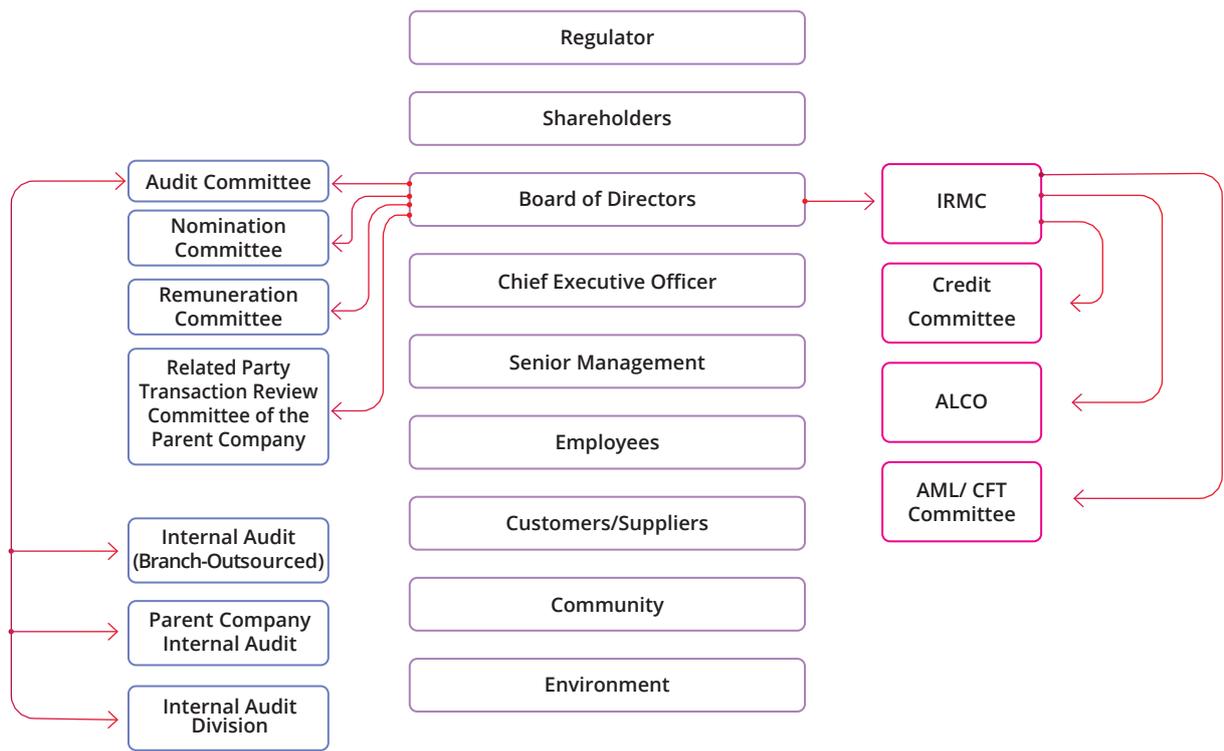
Board Meetings

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 69 to 133 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 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

CORPORATE GOVERNANCE

Lanka (CASL) 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 CASL.

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 inter-alia, Finance Companies (Corporate Governance) Directions No.03 of 2008, Finance Companies (Corporate Governance - Amendment) Direction No 06 of 2013 and Finance Business Act (Amendment to Corporate Governance) Direction No 04 of 2020 to be complied by the Registered Finance Companies.

Listing Rules of the Colombo Stock Exchange

Colombo Stock Exchange (CSE) 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 130 to 133.

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 39 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 72 to 92) 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 finance Company.	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 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.
		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 160.
		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 158 to 159.
		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	Complied This direction is overseen by the function of the Board and the Board Nomination Committee.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		(iii) the determination of weaknesses and implementation of changes where necessary;	Complied
		j) Ensuring that the finance company has an appropriate succession plan for key management personnel.	Complied
		k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	Complied 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. The CEO meets senior management on a fortnight basis to review the progress.
		l) Understanding the regulatory environment;	Complied 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.
		m) Exercising due diligence in the hiring and oversight of external auditors.	Complied 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.
	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
	2 (3)	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. 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.	Complied A Board approved policy on 'Directors Right to seek External Professional Advice' is already in place. Any Board Director has the opportunity to seek independent professional advise, if there is a necessity at the Company's expense.
	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.	Complied 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.

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	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.	Complied 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.
	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.	Not Applicable Such a situation did not arise during the year under review.
	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.	Complied Please refer pages 72 to 92.
	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
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
	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

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	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.
	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)	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: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board;	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<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
	4 (2)	Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction the total period of service of a director other than a director who holds the position of Chief Executive Officer or executive director shall not exceed nine years. The total period in office of a non- executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied
	4 (3)	Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the Chief Executive Officer of the Company.	Complied
	4 (4)	With effect from three years from the date of this Direction, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.	Complied

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<p>A non-executive director shall not be considered independent if such director:</p> <ul style="list-style-type: none"> a) has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company; b) has or had during the period of two year immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet; c) has been employed by the finance company during the two year period immediately preceding the appointment as director; d) Has a relative, who is a director or Chief Executive Officer or key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company; e) represents a shareholder, debtor, or such other similar stakeholder of the finance company; f) is an employee or a director or has a shareholding of 10% or more of the paid up capital in a Company or business organization; 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 	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		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.	Complied
	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 16 to 19
	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 133.
	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 compiled 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)	With the prior approval of the Monetary Board, permit a Director who is already holding office, and who attains the age of 70 years on or after the date of this Direction comes into effect, to continue in office as director.	Not applicable
	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 executed.
	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
	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 inter-alia 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>

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (f)	The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: <ul style="list-style-type: none"> (i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved. 	Complied
	8 (2) (g)	The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: <ul style="list-style-type: none"> (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements. 	Complied
	8 (2) (h)	The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied
	8 (2) (i)	The committee shall review the external auditor's management letter and the management's response thereto.	Complied

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	8 (2) (j)	<p>The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <ul style="list-style-type: none"> (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care; 	Complied
	8 (2) (k)	The committee shall consider the major findings of internal investigations and management's responses thereto;	Not Applicable There were no major findings during the year under review.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	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.	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 133
	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 133 & 148.
	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

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
	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

CORPORATE GOVERNANCE

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
	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
	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. 	Complied
	9 (4)	<p>The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the relevant establishment. For the purpose of this paragraph, “more favourable treatment” shall mean</p> <ul style="list-style-type: none"> a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the finance company’s regulatory capital, as determined by the Board. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company’s share capital and debt instruments with a remaining maturity of 5 years or more. 	Complied No such transactions took place with a related party during the year under review.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Regulation	Requirement of the Regulation	Status of Compliance
		<ul style="list-style-type: none"> b) Charging of a lower rate of interest than the finance company's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/ commissions, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related-party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. 	Complied
10. Disclosures	10 (1)	<p>The Board shall ensure that:</p> <ul style="list-style-type: none"> (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English. 	<p>Complied</p> <p>The financial statements are prepared in accordance with the LKASs / SLFRSs and the formats prescribed by the regulators. 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 158 to 159.
	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 237.
	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 147.

CORPORATE GOVERNANCE

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 92 to 129) sets out the Code of Best Practice on Corporate Governance Principles Under CASL Principles and the Extent of Compliance with the Same

Corporate Governance Principle	Reference CASL 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 12 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".
Responsibilities of the Board	A.1.2	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board should be responsible for matters including: <ul style="list-style-type: none"> Ensuring the formulation and implementation of a sound business strategy; 	Complied 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.

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> Appointing the chair and the senior independent director if relevant; 	Complied
		<ul style="list-style-type: none"> Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy; 	Complied 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 CEO and Key Management.
		<ul style="list-style-type: none"> Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy; 	Complied 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.
		<ul style="list-style-type: none"> Approving budgets and major capital expenditure; 	Complied Budgets and major capital expenditure are reviewed and approved by the board.
		<ul style="list-style-type: none"> Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation. 	Complied 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.
		<ul style="list-style-type: none"> Ensure effective systems to secure integrity of information, internal controls, business continuity and risk management; 	Complied 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. Reviewing of Risk Management process of the company has been delegated to the Integrated Risk Management Committee of the Company. Audit Committee framework, composition, duties and responsibilities are given in Audit Committee Report on page 148 and Integrated Risk Management Committee framework, composition, duties and responsibilities are given in Integrated Risk Management Committee Report on page 151.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> Ensuring compliance with laws, regulations and ethical standards; 	<p>Complied</p> <p>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>
		<ul style="list-style-type: none"> Ensuring all stakeholder interests are considered in corporate decisions; 	<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>
		<ul style="list-style-type: none"> Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting integrated reporting. 	<p>Complied</p>
		<ul style="list-style-type: none"> Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; 	<p>Complied</p>
		<ul style="list-style-type: none"> Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks. 	<p>Complied</p> <p>All the criteria are monitored and evaluated through formal reporting process.</p>
		<ul style="list-style-type: none"> Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company. 	<p>Complied</p> <p>The board ensures compliance to annual and quarterly corporate reporting requirements.</p>
		<ul style="list-style-type: none"> Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. 	<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>

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
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.	Complied 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.
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. The Company should obtain appropriate insurance cover as recommended by the nominations committee for the board, directors and key management personnel.	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 entire board is trained by resource personnel of the FIU of the CBSL on AML/CFT requirements.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
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
	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	The Chairman should conduct Board proceedings in a proper manner and ensure, inter-alia, that: <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. 	Complied
		<ul style="list-style-type: none"> Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner. 	Complied
		<ul style="list-style-type: none"> 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. 	Complied
		<ul style="list-style-type: none"> The effective participation of both Executive and Non-Executive Directors is secured. 	Complied The Chairman conducted Board proceedings in a proper manner and ensured the effective participation of all Directors.
		<ul style="list-style-type: none"> All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company 	Complied 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.

Corporate Governance Principle	Reference CASL 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. 	<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>
		<ul style="list-style-type: none"> A balance of power between Executive and Non-Executive Directors is maintained. 	Complied
		<ul style="list-style-type: none"> The views of Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes. 	Complied
		<ul style="list-style-type: none"> The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders 	Complied
A.4 Financial Acumen	Principle of Code A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	<p>Complied</p> <p>Qualifications of the Directors are given under the Directors profiles in pages 16 to 19.</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>
	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

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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: Mr. Ranil De Silva- Independent Director Mr. Jayanth Perera- Senior Independent Director Mr. Priyath Salgado- Independent Director
	A.5.6	If an alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Company. If an Alternate Director is appointed by an Independent Director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of Independent Directors also should be satisfied.	Complied 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.
	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

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	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.	Complied Chairman meets with NEDs without the presence of Executive Directors, whenever necessary.
	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.	Complied 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.
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.	Complied 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.
	A.6.1	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	Complied The Company ensures that the Directors receive adequate information in a timely manner. On urgent matters, every effort is made to provide the information, as early as possible. The Board receives a standard set of documents, which are timely, accurate, relevant and comprehensive. These papers include a detailed analysis of financial and non-financial information. The Board may call for additional information or clarify issues with any member of the Executive Committee. If necessary, all Directors are adequately briefed by the CEO or 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 Consultants makes presentations to the Board when required. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.6.2	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.	Complied The minutes, agenda and papers required for Board meetings are provided in advance to facilitate its effective conduct.
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 150 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 CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	A.7.3	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders : <ul style="list-style-type: none"> - a brief résumé of the Director; - the nature of his expertise in relevant functional areas; - the names of companies in which the Director holds directorships or memberships in Board Committees; and - whether such a Director can be considered 'independent'. 	Complied 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 16 to 19 in this Annual Report.
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 In terms of the Articles of Association, one- third of the Directors, except for Chairman and CEO, retire in rotation and may offer themselves for re-election at the AGM. By virtue of being the Chairman and CEO are not required to make themselves available for re-election as per the Articles of Association.
	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 The Company's Articles of Association provides that any Director appointed by the Board to hold office until the next Annual General Meeting, may seek reappointment by the shareholders at the said AGM. Based on the article and the current composition of the Board, a Director has to come forward for re-election, every three years. A resume of the Directors coming up for re-election at the AGM, 2021 is available on pages 163 to 167. Also as stated in above A.8.1, In terms of the Articles of Association, one-third of the Directors, except for Chairman and CEO, retire by rotation and may offer themselves for re-election at the AGM.
	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.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
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 Integrated Risk Management 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.
	A.9.4	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 163 to 167.
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 CASL 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 16 to 19 and page 237.</p>
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.	<p>Complied</p> <p>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.</p>

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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. An Alternate Director who is the Finance Director of the parent company functions as the secretary to the Committee. The Group CEO attends by invitation.
	B.1.3	The Chairman and Members of the Remuneration Committee should be listed in the Annual Report each year.	Complied Please refer page 153.
	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.

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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 are 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
	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.	Complied The committee ensures that compensation packages are designed to attract and retain a highly qualified and experienced workforce and reward performances. These compensation packages should provide compensation appropriate for each business within the Group and commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long- term Shareholder returns.
	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.	Complied The Remuneration Committee takes into consideration and is sensitive about the conditions of the Group when determining annual salary increases.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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.	Complied 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.
	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.	Not Applicable Presently the Company does not have an Executive Share Option Scheme.
	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.	Complied Please refer Remuneration Committee Report on page 153.
	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.

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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 153 & 237.
C. Relations With Shareholders C.1. Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings.	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.1.1	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

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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 Annual General Meeting (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. 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.	Complied The Company ensures that all valid proxy appointments received for general meetings are properly recorded and counted.
	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.

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
C.2 Communication with Shareholders	Principle of Code C.2	The Board should implement effective communication with shareholders.	Complied
	C.2.1	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; - Shareholders meetings - Financial and other notices as and when required through the Colombo Stock Exchange - Corporate website - Press notices.
	C.2.2	The Company should disclose the policy and methodology for communication with Shareholders.	Complied Please refer the Board Communication Policy on page 160.
	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

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	C.2.7	The process of responding to shareholder matters should be formulated by the Board and disclosed.	Complied Please refer the Board Communication Policy on page 160.
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.

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
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
	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.	Complied 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.
	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.	Complied 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 168 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.
	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.	Complied

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL 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 163 to 167 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 130 to 133 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 168.</p> <p>The Directors' Statement on Internal Control is given on page 158 to 159.</p> <p>The 'Independent Auditors Report' on pages 169 to 171 states the Auditors responsibility.</p>

Corporate Governance Principle	Reference CASL 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>Capital Reports highlights the operational and financial status of the Company in the context of prevailing industry conditions. This report is given in pages 40 to 65.</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

Corporate Governance Principle	Reference CASL 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. 	Complied
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 158 to 159.
	D.2.3	Company should have an internal audit function.	Complied

Corporate Governance Principle	Reference CASL 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.	Complied 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 2020/21, 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 158 to 159.
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.	Complied 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 148 to 149.
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:	Complied As stated in the Report of the Audit Committee of the Company, the Committee regularly reviews scope, results and effectiveness of the Audit.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL 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; 	Complied

Corporate Governance Principle	Reference CASL 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; 	Complied

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> • 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; • 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. 	Complied

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
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; • 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>	Complied Names of the members of the Audit Committee are given on pages 148 to 149 under the section on the 'Composition of the Committee' and disclosure on the independence of the Auditors is found on pages 167 under the 'Auditors' in the 'Annual Report of the Board of Directors on the Affairs of the Company' on pages 163 to 167.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
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.	Complied The RPT Review Committee of Singer (Sri Lanka) PLC, the immediate parent Company acts as the RPT Review Committee of the Company. An Independent Director represents the Company in the Group Related Party Review Committee (where parent company is a public quoted company).
	D.4.3	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; <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. 	Complied. The Related Party Transactions Review Committee Report on page 154 to 155 sets out the functions of the Committee. Minutes are maintained by the secretary of the committee.

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> • 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. • 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. 	Complied

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
		<ul style="list-style-type: none"> • 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 extra-ordinary 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. 	Complied
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.

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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 167.
	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

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	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 69 to 133 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
	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.

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
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. 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. The Company has an Information Security Management Framework in place. The Cyber Security risks are also covered in the document.
	Principle of Code G.2	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. 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.	Partially Complied AM-IT functions as the Information Security Officer The Company has developed an Information Security Management Framework.
	Principle of Code G.3	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; <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 	Partially Complied. A group wide audit on Information system Security was conducted during the year. A cyber security expert is available to get necessary advice when required.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference CASL Code	Requirement of the Code and Extent of Compliance	Status of Compliance
	Principle of Code G.4	The Board should ensure the effectiveness of the cyber security risk management through independent periodic review and assurance. 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.	Complied. Security assessments have been carried out and in the process of taking corrective actions.
	Principle of Code G.5	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	Complied. A group wide Information Systems Security Audit was carried out by an external party. In addition, IT Security and general controls are reviewed by Internal Auditors. Please refer pages 163 to 167.

H. Environment Society and Governance (Esg)

H. 1 ESG Reporting

Main Principle

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.

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;

- Access to financial capital
- Cost savings and productivity
- Brand value and reputation
- Employee recruitment
- Employee retention
- Access to markets
- License to operate
- Market capitalization

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.

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 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>

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference ICASL Code	Requirement of the Code	Status of Compliance
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. • 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. 	<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
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. • 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. 	<p>Complied</p> <p>Process of managing risks in line with ESG aspects is discussed in the Risk management report.</p>
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>

CORPORATE GOVERNANCE

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 2021.

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 16 to 19.
	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 16 to 19.
	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 16 to 19.
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. Separate Committee to be formed for the Company or the Listed Parent's Remuneration Committee to be used. Chairman of the Committee to be a Non-Executive Director.	The Committee Includes three Non-Executive Directors out of them two are Independent Non-Executive Directors. A separate Remuneration Committee was formed for the Company. The Board of Directors has appointed an Independent Non-Executive Director as the Chairman of the Committee.

Section	Rule No	Corporate Governance Rule	Details of Compliance
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 – Names of Directors comprising the Remuneration Committee Statement of Remuneration policy Aggregate remuneration paid to Executives and Non-Executive Directors	Please refer page 153 Please refer page 237
Audit Committee Composition	7.10.6 (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 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 an Independent Non-Executive Director as the Chairman of the Committee.
		Chairman or one member of the Committee to be a member of a recognised professional accounting body.	Board Members of the Committee are members of a recognized professional accounting body.
		CEO and CFO to attend Committee meetings, unless otherwise determined by the Audit Committee.	CEO and CFO attend by invitation.
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 148 to 149.
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, and one Executive Director of the parent company. An Independent Non- Executive Director of the company attends the meetings to represent the company.

CORPORATE GOVERNANCE

Section	Rule No	Corporate Governance Rule	Details of Compliance
	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. Ranil de Silva – 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.	Complied
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 pages 154 to 155.
	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 pages 154 to 155.

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	12/12	4/4	-		1/1	1/1	-
Mr. Jayendran Setukavalar - Senior INED (resigned w.e.f. 22.03.2021)	11/11	4/4	-	3/3 (by invitation)	-	-	-
Mr. Priyath Salgado - INED	12/12	4/4	4/4		1/1	1/1	4/4
Mr. Jayanth Perera - Senior INED w.e.f. 22.03.2021	12/12	4/4	4/4		1/1	1/1	-
Ms. Darshini Talpawewa- NED	09/12	-	-		-	-	-
Mr. Sadeep Perera- NED	11/12	-	-		-	-	-
Mr. Thushan Amarasuriya - Director/CEO	12/12	-	4/4		-	-	4/4
Mr. Mahesh Wijewardene - NED	12/12	-	-	4/4	-	-	-
Mr. Ranil De Silva – INED (appointed on 09.03.2021)	01/01	-	-	1/1 (by invitation)	-	-	-
Mr. Deepal Sooriyarachchi* - INED	-	-	-	4/4	-	-	-
Mr. Dilip Wijeyeratne* - INED	-	-	-	4/4	-	-	-
Mr. Lalith Yatiwella (Alternate Director to Ms. Darshini Talpawewa) (resigned w.e.f. 31.03.2021) **	02/12	-	-	-	-	-	-

* Directors of parent company

** Principal Director has attended the other meetings

RISK MANAGEMENT

Risk Landscape

During the year 2020/21 the ongoing COVID-19 situation made a significant impact on the broader economy and sectors, which will affect operations and financials of businesses, thereby translating into a credit risk for the Company from the borrowers thus impacted. Since 2020, the ongoing outbreak of the coronavirus ('COVID-19') has caused disruption with respect to production, supply chain, trade and tourism channels. The lockdowns imposed has had a significant impact on the global as well as domestic economy. This will negatively affect various sectors of the economy, thereby resulting in financial stress on the financial system.

As a financial institution operating in an extremely competitive and volatile environment, it is important to be proactive in our business strategies to adopt and react quickly to changing risk dynamics. During the year under review, demand for new vehicle financing decreased due to the import restrictions imposed on vehicles to reduce foreign exchange outflows. Lower GDP growth and lockdowns imposed during the year restricted economic activity whilst disrupting the recoveries activities of the Company which led to the restriction on overall deterioration in asset quality in the industry.

Evolving trends in the business environment such as technological advancements, competition arising from technologically geared competitors offering innovative financial solutions, worldwide spread of ransom-ware/cyber-attacks and extended regulatory requirements by the regulators increased the risk levels of companies.

Risk Management Highlights of 2020/21

Company conducted ALCO, Credit Committee and AML/CFT Committee meetings regularly to ascertain risks of the Company

Outcomes of above committee meetings are reported to the Board through IRMC.

After the COVID-19 outbreak, the Company focused on work from home security and risk considerations under storing and accessing sensitive or regulated data off-premises, possible virus attacks, likelihood of a data breach and loss or exposure increases due to off premises workforce.

Company has taken steps to overcome risk areas identified due to debt moratorium such as liquidity (due to reduction in rental collections), lower portfolio growth, rising loan impairment charges, reduction in profit generation and pressure in increasing maturity gap.

Company has appointed a Relief & Relationship Manager to rotate branch management for an interim period.

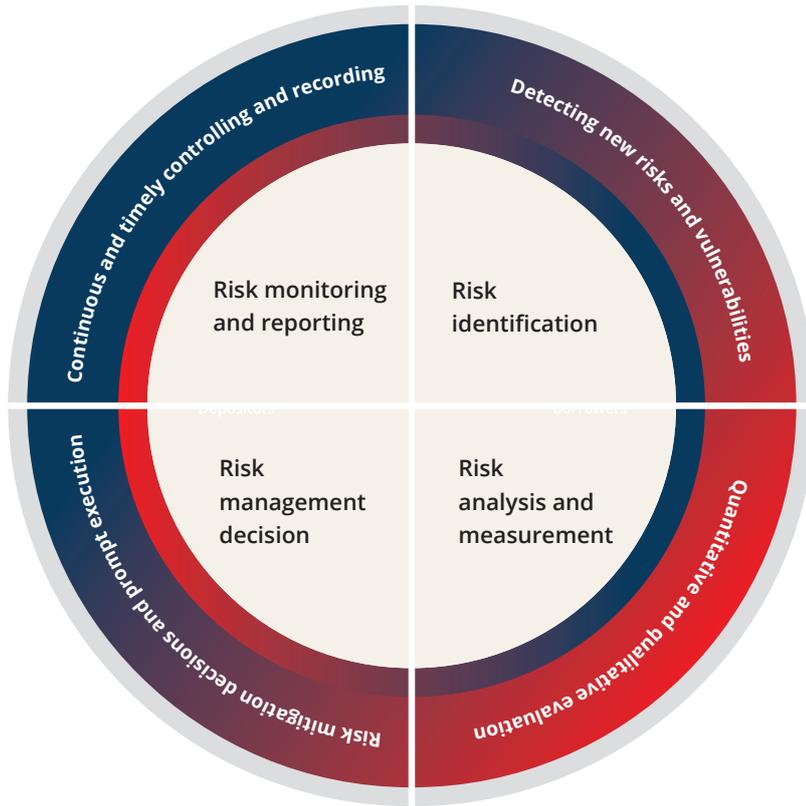
Risk Management

Risk is inherent in all business activities of a financial institution engaged in a varied offering of financial services. Sound risk management enables us to protect our depositors and investors whilst delivering an adequate risk adjusted return to our shareholders.

An appropriate and effective risk management system ensures that risks and their impacts are identified and evaluated at an early stage and the contingency plans and measures are in place where necessary, to handle risks and to prevent their accumulation.

Risk Management Process

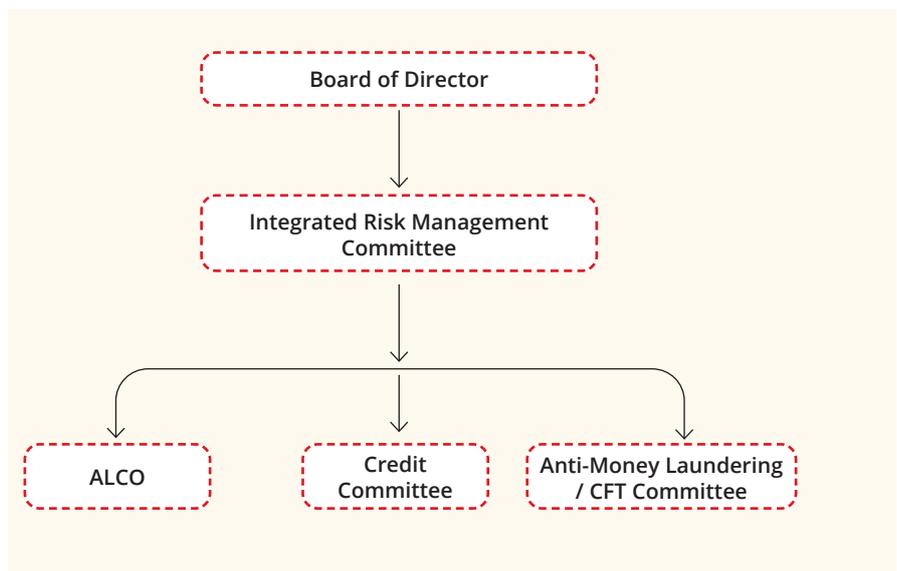
Management of risks within the Company takes place in several steps. These apply in principle to all risk categories. The risk management process at its broadest level can be broken down into the following generic steps;



Risk Governance

Board of Directors

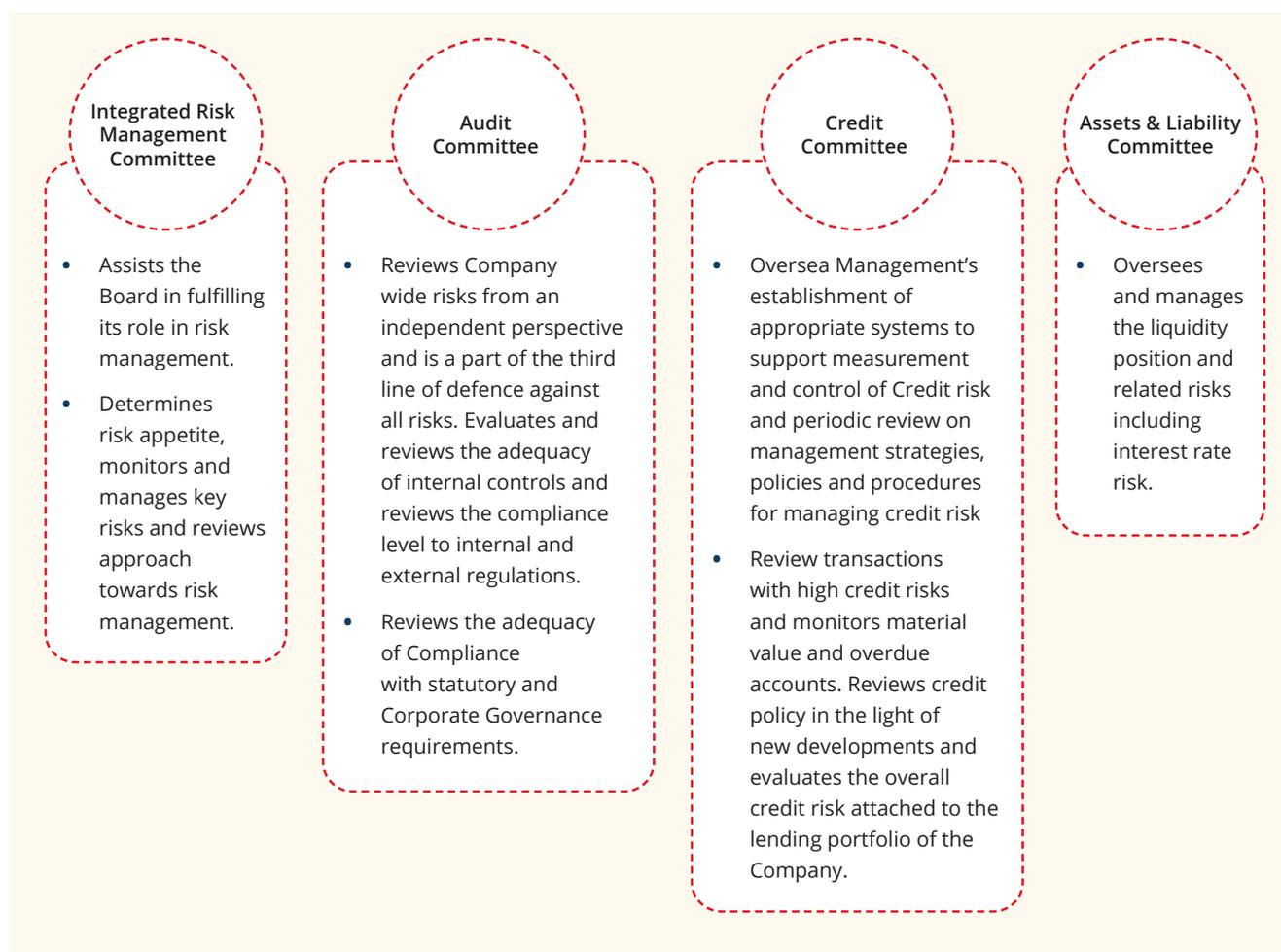
The Board is responsible for upholding of prudent risk management mechanisms and systematic implementation of the risk framework in the Company. The Board provides oversight over the risk management function through the Integrated Risk Management Committee and the corporate management of the Company.



As the risk management remains the ultimate responsibility of the Board, the Board reviews effectiveness of the Risk Management Framework to ensure it is up-to-date and relevant to dynamic changes taking place in external parameters of the macro environment. The Board is also responsible for setting the Risk Appetite levels which is implemented by the corporate management. The Board has delegated some of the responsibilities in this area to the relevant Board Sub-Committees which report to the Board on the current risk status of the Company on a periodic basis. The Integrated Risk Management Committee (IRMC) monitors material risks and relevant risk appetites which require Board's attention.

RISK MANAGEMENT

Roles played by the Committees in Risk Management



Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) of Singer Finance is a Board subcommittee responsible to the Board for overseeing the risk management function in accordance with Board approved policies and strategies. IRMC is responsible for ensuring that suitable policies are developed for risk management company-wide. The Committee interacts with the Board of Directors, the Credit Committee, the ALCO and the AML/CFT Committee on risk management related activities.

Besides two independent non-executive directors and the Chief

Executive Officer as the Board representatives, the IRMC is attended by Chief Operating Officer, Head of Finance, Chief Credit and Recoveries Officer, Compliance Officer and Senior Manager Credit & Group sales by invitation.

Risk Management Framework

To effectively and efficiently deliver its core purpose, Singer Finance has in place a comprehensive and detailed risk management framework. We use a four-step approach to address all risks that will affect our business by identifying, measuring, monitoring and controlling the principal risks assumed in conducting its activities.

The objectives of the risk management framework are as follows:

- To safeguard financial and non-financial value and ensuring financial stability.
- To identify risks and mitigate the harmful effects of such risks prior to it becoming a reality.
- Protecting Singer Finance against possible losses and taking a proactive stance to tackle future developments.

Risk management goals and objectives are translated into framework, policies, methodologies, allocation of responsibilities, and governance standards. These are cascaded down

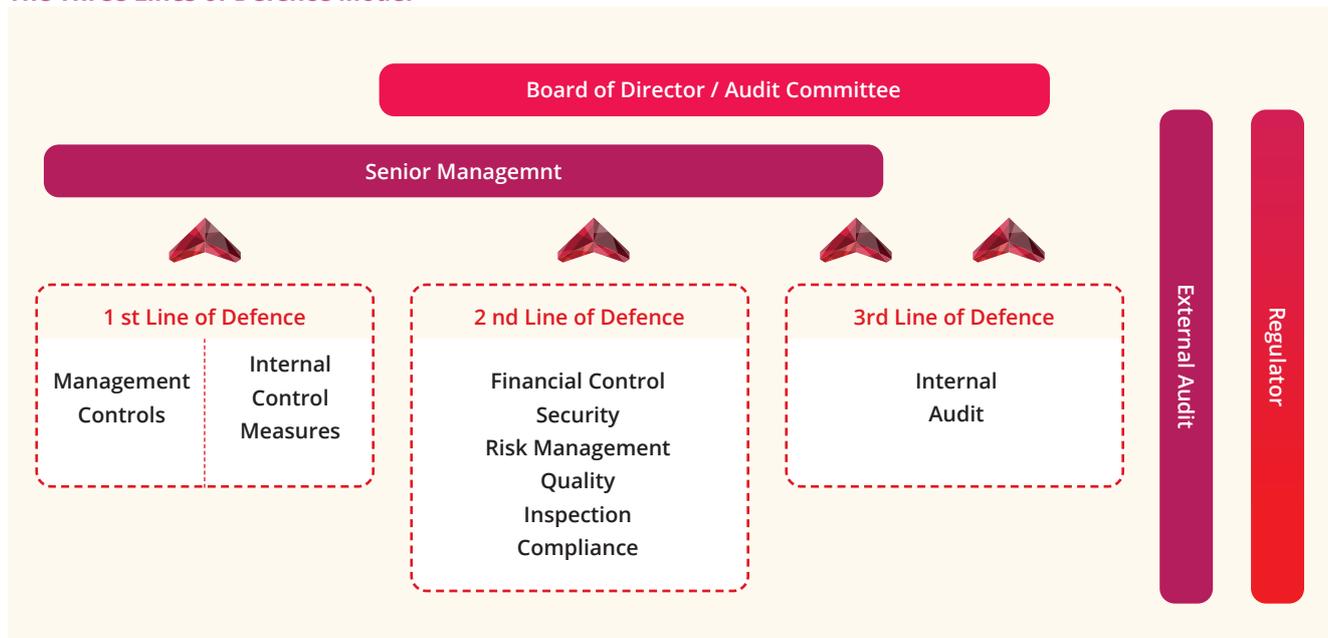
to each level and embedded into individual responsibilities.

Three Lines of Defence

Singer Finance manages its Risk Management Framework through its Three Lines of Defence strategy. This protects the Company from

unexpected risks and protects the organization's assets in the longer term. Every employee is held accountable for managing risk within the capabilities as illustrated which in turn promotes a strong risk culture across the organization.

The Three Lines of Defence Model



Creating a Risk Management Culture by Building Awareness and Responsibility

Our employees understand that risk is an inherent part of business. The Company maintains an effective ongoing dialogue across functional departments to ensure that people are aware of the risks inherent in their areas of responsibility and cognisant of their roles as individuals in managing and monitoring risk. The Risk Strategy of the Company is communicated across the Company to ensure that the appropriate risk mitigating measures are carried out at every level of the organisation.

Risk Strategy

As a Licensed Finance Company (LFC) the scope of our business is exposed to multiple risks. In response to these risks and to mitigate the harmful effects of these risks we have developed a structured approach to manage risks and the risk appetite levels. Our risk management strategy is further

supported by allocation of resources, formation of committees to ensure governance. Further we strive to embed risk management in our key strategic and operational decision-making processes.

Risk Appetite

Singer Finance defined the risk appetite by setting out measurable targets and thresholds which define the maximum level of risks that Singer Finance is willing to take in the process of engaging the business activities of the Company. The Risk Appetite ensures that the Company works within the Board approved tolerance limits for each material risk category. These limits are set based on discussions between Business Heads and relevant Board Sub-Committees. These limits are reviewed periodically and are always approved by the Board of Directors. The Company maintains a zero appetite for non-compliance with regulatory and non-compliance while it has set

acceptable tolerance levels for other risks.

The risk exposures we face as a financial services firm on a containing basis include Strategic, Credit, Market, Operational and Liquidity risks.

Credit Risk

Credit risk is the most significant risk faced by a financial institution like Singer Finance, engaging in offering a portfolio of business and consumer credit products.

Credit risk refers to the risk that a borrower may not repay what is due on a loan or lease and the loss of the principal of the loan or the interest associated with it.

These losses that create a negative impact on the value of our credit portfolio may arise due to default or an overall deterioration in credit quality.

RISK MANAGEMENT

The major drivers of credit risk are default risk, concentrations risk and correlation risk. The latter arises from common risk factors between different borrowers, industries, or sectors which may lead to simultaneous default.

In recognizing that effective credit risk management is a critical component of risk management essential to the sustainable success of the Company, we have adopted comprehensive credit risk management practices that strengthen our assets quality and optimise the capital charge.

Managing Credit Risk

The Credit Policy and Manual governing all credit risk related activities of the Company is the foundation for creating awareness among employees at all levels. From top management to those at the operational level, our employees are required to be familiar with the credit risk policies and procedures of the Company.

The highest authority in credit approval is vested with the Board of Directors. Under the purview of the Board, the Credit Committee regularly reviews the exposure limits of the Company to maintain credit quality and recommends appropriate measures to the Board.

Singer Finance has a structured and standardised credit approval process and a borrowers evaluation model that we use to assess risk associated with credit proposals.

We have introduced a risk-based approach to achieve an appropriate balance between risk and reward while continuing to enhance our risk management capabilities to support the achievement of corporate objectives.

Portfolio Management

Taking a portfolio management approach to credit risk enables us to reap the benefits of diversification and to limit concentration of exposure and associated adverse impacts.

The Company has systems in place for identifying credit weaknesses and deterioration of credit quality well in advance through periodic monitoring, evaluating portfolio quality and tracking the migration of borrowers from one rating scale to another. These measures enable us effectively to manage the Company's credit portfolio.

Segmentation

The geographic spread of risk for Singer Finance is spread across the island as our loan portfolio consists of credit originating from all branches of the Company and from the Head Office.

We have refined the segmentation of our loan book further with a view to improving the assessment of the portfolio credit risk in a more proactive manner. This helped specially to identify risks pertaining to sectors affected with COVID, and to make adequate provisions for facilities in effected sectors and to provide moratoriums as directed by the regulator.

Continuing Emphasis on Asset Quality

The Company continuously emphasises the critical value of good asset quality. From the inception, the management of Singer Finance has maintained a laser focus on the effectiveness of our systems and controls for identifying, monitoring and addressing asset quality in a timely manner.

This focus has certainly borne fruit, as Singer Finance non-performing asset levels are significantly below the industry.

Provisioning Policies

We make provisions for non-performing loans and advances based on a continuous review of our portfolio in accordance with applicable Accounting Standards and Regulations imposed by the Central Bank of Sri Lanka. The provisioning policy of the Company is elaborated under the Accounting Policies in page 190 to 192 in this Annual Report.

Concentration Risk

Identifying the concentration of exposures in our credit portfolio is an important aspect of credit risk management. Concentration risk arises due to two forms of imperfect diversification.

- Concentration risk relates to the imperfect diversification of idiosyncratic risk in the portfolio due to large exposures to specific individuals.
- We manage Concentration risk by monitoring and stipulating prudential risk limits on various risk parameters including single borrower limits.

Sector Concentration Risk arises from imperfect diversification across sectors

At Singer Finance, we manage Sector Concentration Risk by setting sector and industry exposure limits. The wide geographical spread of our branches and the service center network also plays a key role in helping manage the potential risks of sector concentration. We are continuing the drive to open new branches in new areas with growth potential, as it also helps spread our risks among various sectors. This is particularly helpful in mitigating risks arising from natural disasters, floods, droughts, landslides that affect the agricultural sector.

Presently, the Company's credit portfolio is split between consumer and business sectors. Products such as Gold Loans, Factoring, Group Loans further reduce our reliance on Corporate customers thereby spreading risk.

Market Risk

Market risk arises due to adverse changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices. Mismatches carried in interest rates, currency and equity products exposed to general and specific market movements and volatility of interest rates.

Managing Market Risk

Singer Finance uses a multi-pronged approach to managing market risk.

We manage interest rate risk arising from our day to day lending activities and deposit acceptance using proper classifications, valuation, accounting and reporting measures.

We exercise effective controls over the operation and execution of market-related transactions while facilitating business growth within our transparent risk management framework.

We keep a critical focus on ensuring that the Company's overall risk exposure is not too high so that it is maintained at prudent levels and remains consistent with available capital at point in time.

We place great emphasis on compliance with regulatory requirements as we recognize that they have been established especially for the purpose of limiting risk for non-bank financial institutions.

Interest Rate Risk

Interest rate risk is the risk where changes in the market interest rates may adversely affect a company's financial condition. The impact of changes in interest rates affects the Company's earnings in the near term. The long-term impact would be on the Company's net worth as the economic value of its assets and liabilities linked to different rates gets affected by the movement in the market interest rates.

Managing Interest Rate Risk

We closely monitor the Company's Net Interest Margin (NIM) variances and take appropriate remedial action in a timely manner. This has enabled Singer Finance to maintain its NIM at an acceptable level, ensuring that projected earnings of the Company fall well within the expected levels. The Company uses gap analysis to measure the re-pricing risk of our assets and liabilities. This gives us an indication of the impact of interest rate changes on the profitability of the Company. Based on the outcome of the gap analyses, the Company takes measures to mitigate

potential adverse impacts. Interest rate is managed with different products such as Leasing, Consumer Financing (Group Sales and Mega), Loans, Gold Loans and Factoring. Although out of the entire receivable portfolio, about 65% is leasing, the leasing portfolio is divided among various sectors, products, geographies by allocating exposure limits to manage risk.

In order to match longer term receivables, the company has obtained long term financing to manage the maturity gap. Further, the company's focus on increasing the FD portfolio to broad base its borrowings has shown significant results during the year. The Company is focusing to canvass more Savings (Children and Normal) as the cost of borrowings is low.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting its obligations on financial liabilities as and when they fall due. Liquidity risk brings with it the possibility that the Company may need to sell assets at a value below their underlying worth or may result in inability to exit from the liabilities.

Managing Liquidity Risk

The Company manages liquidity risk in accordance with the regulatory guidelines set by the Central Bank of Sri Lanka. Efficient cash flow management, maintaining a highly liquid assets portfolio as required by regulations and adopting a prudent funding strategy helps the company manage liquidity risk effectively. We monitor our liquidity ratios continuously to adhere to internal guidelines and regulatory requirements.

The Company ensures it has access to diverse sources of liquidity to allow us the flexibility in meeting our obligations as they fall due.

Fixed deposits form a significant part of the Company's ongoing sources of funding. In recognizing the importance of this segment to our overall profitability as well as liquidity, the Company strives to sustain the growth achieved during the year and further grow this segment of our portfolio.

Singer Finance also has the option of managing liquidity by borrowing from banks as well as its Parent Company, Singer (Sri Lanka) PLC.

Overall, the Company follows a conservative approach to managing liquidity by having in place a healthy governance structure, policy framework and review mechanism that ensures the availability of adequate liquid resources even under stressful market conditions.

Operational Risk

Operational risk is the direct or indirect losses resulting from inadequate or failed internal processes, people, systems and the impact of external events. The Company recognises the significance of operational risk inherent in all areas of our business.

As part of the Integrated Risk Management Committee oversight, the Committee reviews the operational risks heat map in which identified risks are rated in terms of their potential impact, likelihood of occurrence, level of vulnerability and the speed of onset.

Besides the potential adverse changes in the business environment in which the Company operates, the Integrated Risk Management Committee of Singer Finance has identified, at the end of the period under review, a number of areas that pose a significant level of operational risk to the company.

These include information security breaches, potential privacy violations, risks stemming from outsourced operations and contractors, potential issues with compliance in respect of Anti-Money Laundering and Combating Terrorist Financing especially in respect of corporate customers and the implementation of Customer Due Diligence procedures.

Fire hazards at some Company locations, inadequacies in certain operational procedures, inadequate knowledge and training on new products and the inability to find suitable personnel have been highlighted in the Company's Operational Risks Heat Map.

RISK MANAGEMENT

On an ongoing basis, the Company is committed to minimising the exposure to operational risks. This is achieved by implementing improved management and measurement approaches including systems that ensure operational risks highlighted are promptly dealt with in a suitable manner to mitigate their effects.

Operational Risk Management Framework

The Company's Operational Risk Management Framework ensures the consistent application of policies, procedures and systems for identifying, measuring, monitoring, reporting and controlling operational risk. It is also geared towards ensuring that all new or changed activities such as the introduction of new products, new services, system conversions and implementations are evaluated for operational risks prior to implementation.

The Company's organization culture places a high priority on effective operational risk management and adherence to sound operational controls. Ownership, management and accountability of operational risk rest with the business and functional heads.

Strategic Risk

Potential losses arising from the possible flaws in the Company's future business plans and the possibilities of strategies being inadequate to mitigate the dynamic changes in the operating landscape.

Robust mechanism for formulating strategy including inputs by the Corporate and Executive Management team, assessment of the operating landscape, consideration of stakeholder needs and finally deliberations by the Board of Directors. We have reviewed the potential impact of COVID-19 on the Company's Corporate Plan and strategic priorities have been calibrated to adapt to emerging developments. We continuously monitor our performance against set targets to assess strategic risk exposures

Information Security

Securing and protecting Singer Finance against data breaches, online privacy violations and safeguarding the Company and its operations overall from the adverse effects of malicious actors operating in the cyber environment is an ongoing challenge.

A well-defined, up to date, and strong IT Security Policy ensures that all critical systems are protected against known security threats.

Other Information Security Measures

The Company educates employees on the importance of data security, integrity and privacy and enforces secure password algorithms.

The Company has installed and maintains up to date anti-virus software for servers, at Head Office, and at branches.

Regular IT audits and disaster recovery drill testing are part of company IT Security procedures.

As part of the Business Continuity Plan, regular database backups are taken and stored at an offsite location from the Head Office. The company also maintains encrypted database backups to secure company and customer information.

The IT Security Policy also ensures that any new products and services to be introduced by the company and new systems that are integrated into the Company IT infrastructure are validated and tested thoroughly before implementation. The Company's Information Technology Division proactively implements policies and puts in place procedures that enhance and maintain information security controls and systems.

The Company implements policies and procedures to safeguard the confidentiality of information. All Singer Finance employees are made aware

of the importance of the security of information and confidentiality. Certain critical information is made available only to selected employees. The ethical values that the Company propagates also stress the need to maintain confidentiality.

Business Continuity Plan

A key function of risk management is to ensure business continuity; ensuring that the company is able to recover with speed from any crises it encounters and get back to normal operations.

A comprehensive Business Continuity Plan (BCP) that is being developed is a plan of actions that spells out the processes, procedures and systems which are essential to continue or restore the operations of the Company in the event of disasters, defined by several levels of severity.

As part of its BCP, Singer Finance maintains a real time, online data replication system in an external location. In the event of any unforeseen disability of the main system, the Company is in a position to operate the IT system to continue its operations without setbacks.

As a key requirement of the Company's BCP, a comprehensive disaster recovery center has been commissioned outside the Company premises with alternate arrangements to facilitate continuing key operations in the event of various pre-defined scenarios.

Internal and External Audit

Audits-internal and external-are crucial elements in our risk management process.

The Board appointed Audit Committee of the Company reviews and takes prompt action on significant risks that have been identified and highlighted by audit reports. The reporting structure of the Internal Audit function given in the pages 148 to 149.

The Company's system of internal controls covers all policies and procedures, enabling significant strategic and operational risks to be managed effectively.

Insurance

The Company uses insurance effectively as part of its risk mitigation toolbox. Where feasible and appropriate, the Company uses insurance policies to transfer the risk of high severity losses arising from fraud and external events beyond the Company's control, including natural disasters, theft, burglaries etc.

Compliance

Compliance risk is the risk of failure to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct, which apply to the Company's business.

At Singer Finance, compliance describes the way we do business, the way we make decisions and the way we act in order to uphold integrity throughout the Company. Adherence to the law and to internal regulations is the foundation of all our business activities.

The Company strives to maintain the highest standard of compliance and best practices in all areas that it operates. In keeping with our core values, the Company endeavours to comply with the highest professional standards of integrity and behaviour which build trust. The Company is subject to extensive supervisory and regulatory governance by the Central Bank of Sri Lanka (CBSL).

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

Regulatory Compliance

The Company considers compliance with the regulatory requirements and guidelines as core to its business and good governance. The Compliance Officer is responsible for regulatory compliance and also dissemination of regulatory instructions across the Company. As per the Corporate Governance Directives of the Central Bank, the Board ensures compliance with all prudential requirements, regulations, laws and internal controls affecting the Company.

During the period under review, there were no material non-compliance with prudential requirements, regulations, laws and internal controls pertaining to the Company except as stated in the Disclosures Report under the Finance Companies Corporate Governance Direction No. 3 of 2008 in page 147 of the report.

Anti-Money Laundering and Combating the Financing of Terrorism

The Company complies with the directives and legislative requirements of the Government of Sri Lanka including the due completion of the Know Your Customer (KYC) and Customer Due Diligence (CDD) documentation in respect of all our customers and transactions. Since the introduction of the Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) rules the Company continues to implement policies that enable us to fulfil our obligations in terms of customer identification and verification, record keeping, monitoring and the establishment and maintenance of an effective AML/CTF programme.

Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) is an indication of a company's financial stability. Singer Finance complies with regulatory requirement for CAR as required by the CBSL and applies the

standardised measurement method for Market Risk and Operational Risk. This framework requires risk weighted assets to be calculated for credit risk and operational risk as stipulated by The Central Bank of Sri Lanka. According to these guidelines Tier 1 and Total Capital Adequacy Ratios should be within the benchmarks of 6.5% and 10.5% respectively. On these bases, our CAR is at a strong position, which is above the minimum required by the regulator for providing a healthy cushion against any potential losses.

Caveat

Although the key sources of risk and their mitigation procedures have been discussed in this document, no assurance can be given that the Company is fully-protected against all possible risks. As noted in the Report the best that can be achieved is reasonable management of risks through a sound operational framework that identifies, evaluates and mitigates the negative impact in a timely manner at multiple intervals. In this context, the Company is confident that all material risk factors have been adequately assessed and managed to ensure the uninterrupted and profitable continuity of the business.

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Remarks
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	Inner Back Cover	
	102-2 Activities, brands, products and services	52-62	
	102-3 Location of headquarters	Inner Back Cover	
	102-4 Location of operations	46	
	102-5 Ownership and legal form	176	
	102-6 Markets served	46	
	102-7 Scale of the organisation	4-5	
	102-8 Information on employees and other workers	47	
	102-9 Supply chain	Please use the QR code in page 3	
	102-10 Significant changes to the organisation and supply chain	N/A	There are no significant changes to the supply chain during the reporting period
	102-11 Precautionary principle	Please use the QR code in page 3, 54	
	102-12 External initiatives	Refer About this Report & Social & relationship Capital	
	102-13 Membership of associations	57	
	102-14 Statement from senior decision maker	12	
	102-16 Values, principles, norms and standards of behaviour	2, 55, 60, 69	
	102-18 Governance Structure	69	
102-40 List of stakeholder groups	25 -37		
102-41 Collective bargaining agreements	N/A	The Company does not have collective bargaining agreements in place	
102-42 Identifying and selecting stakeholders	25 -37		
102-43 Approach to stakeholder engagement	25 -37		

GRI Standard	Disclosure	Page number	Remarks
	102-44 Key topics and concerns raised	24	
	102-45 Entities included in the consolidated financial statements	N/A	We do not have subsidiaries or associates
	102-46 Defining report content and topic boundary	24 - 37	
	102-47 Material topics	24	
	102-48 Restatement of information	N/A	There are no restatements in sustainability reporting criteria
	102-49 Changes in reporting	No Changes	
	102-50 Reporting period	2	
	102-51 Date of most recent report	3	
	102-52 Reporting cycle	2	
	102-53 Contact point for questions regarding Report	2	
	102-54 Claims of reporting in accordance with GRI Standards	3	
	102-55 GRI context index	142- 146	
	102-56 External assurance	66- 69	Voluntary reporting under GRI guidelines
Management Approach			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	24	
	103-2 The Management Approach and its components	27- 37	
	103-3 Evaluation of the Management Approach	27- 37	
Material topics			
Economic Performance			
GRI 201: Economic Performance	201-2- Financial implications and other risks and opportunities due to climate change	N/A	Being in the industry of Financing , climate change does not have a significant impact on our business. Accordingly during the reporting period, no records were maintained to ascertain the effect of climate change on our business.
	201-3 Defined benefit plan obligations and other retirement plans	187	

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Remarks
Market Presence			
GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	49 - 50	There is no entry level wage rate Imposed on finance industry. However, Company's entry Level wage is higher than the national minimum wage rate and offer equal pay for equal work without discrimination between men and women.
	202-2 Senior management hired from the local community		All senior managers of the Company are local hires (Sri Lankan).
Anti - Corruption			
GRI 205: Anti - Corruption	205-3 Confirmed incidents of corruption and actions	30, 36	No incidents of corruption were reported in 2020/21 financial year.
	205-2 Communication and training about anti-corruption policies and procedures	30, 36, 49	A Consultant has educated the Board of Directors on the risks associated with Cyber Security.
Anti - Competitive Behaviour			
GRI 206: Anti - Competitive Behaviour	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	63- 65	No legal actions against the company.
Energy			
GRI 302: Energy	302-1 Energy consumption within the organization	63- 65	
Biodiversity			
GRI 304: Biodiversity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	No branch is located in protected areas.
Environmental Compliance			
GRI 307: Environmental Compliance	307-1 Non-Compliance with environmental laws and regulations		N/A No fines and non-monetary sanctions were imposed for non-compliance.
Employment			
GRI 401: Employment	401-1 New employee hires and employee turnover	48, 49	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part time employees	50	

GRI Standard	Disclosure	Page number	Remarks
Labour / Management Relations			
GRI 402: Labour / Management Relations	402-1 Minimum notice periods regarding operational changes	N/A	Adequate notice given as required
Occupational Health and Safety			
GRI 403: Occupational Health and Safety	403-1 Occupational Health & Safety management system	51	We do not have an occupational health and safety management system but we have set-out clear guidelines to ensure the safety of all those within our premises at any given time.
	403-3 Occupational health services	51	
	403-9 Work-related injuries	N/A	No reported incidents during the reporting period.
Training and Education			
GRI 404: Training and Education	404-1 Average hours of training per year per employee	49	
	404-2 Programmes for upgrading employee skills and transition assistance programmes	49	
	404-3 Percentage of employees receiving regular performance and career development reviews	49	
Diversity and Equal Opportunity			
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	51	
	405-2 Ratio of basic salary and remuneration of women to men	51	
Human Rights			
GRI 406: Non - Discrimination	406-1 Incidents of discrimination and corrective actions taken	51	No reported incidents during the reporting period.
Child Labour			
GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	51	We have not recruited any child labour.
Local Communities			
GRI 413: Local Communities	413-1 local community engagement, impact assessments and development programs	57	

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Remarks
Customer Health and Safety			
GRI 416 : Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	N/A	As a service organization, health and safety impacts of our products & service categories cannot be assessed.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	N/A	
Marketing and labelling			
GRI 417: Marketing and labelling	417-3 Incidents of non-compliance concerning marketing communications	55	No incident was reported during the reporting period in this regard.
Customer Privacy			
GRI 418-1 Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	54	Not complaints were received in this regard.
Socioeconomic Compliance			
GRI 419-1 Socioeconomic Compliance	419-1 non-compliance with laws and regulations in the social and economic area	52- 57	No incident of fines or non-monetary sanctions for non-compliance with laws and regulations in the social and economic area were reported during the period.

DISCLOSURE REPORT UNDER FINANCE COMPANIES CORPORATE GOVERNANCE DIRECTION NO. 3 OF 2008

Corporate Governance Direction No. 3 of 2008

Finance Companies Corporate Governance Direction No.3 of 2008 and the subsequent amendmens 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.

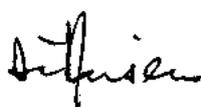
Disclosure under Direction No.3 of 2008

- 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



Ranil De Silva
Chairman - Audit Committee



Iman Perera
Chief Operating Officer



Suranga Jayaweera
Senior Manager - Compliance

Colombo
6th May 2021

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. Ranil De Silva (INED) – Chairman
-Appointed on 9th March 2021

Mr. Jayanth Perera (Senior INED)

Mr. Aravinda Perera (NED)

Mr. Priyath Salgado (INED)

Mr. Jayendran Setukavalan (Senior INED)
-Resigned w.e.f. 22nd March 2021

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, Consultant to the Chairman, Senior Manager Compliance, Senior Manager Credit and Senior Recoveries Manager represented 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 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 Companies 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 6th May 2021. 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 2022 subject to the approval of the

Shareholders at the Annual General Meeting.

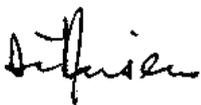
Finance Companies (Corporate Governance) Direction No.3 of 2008

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 17th of March 2021.

Conclusion

I take this opportunity to convey my deep appreciation to the services rendered to the Committee by Mr. Jayendran Setukavalar, my predecessor who retired after completing the maximum allowed period of 9 years for non-executive Directors as per Direction No.3 of 2008 laid down by the Central Bank of Sri Lanka. I wish him success in all his future endeavours.

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.



Ranil De Silva
Chairman – Audit Committee

Colombo
6th May 2021

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-à-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 (Senior 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 met once during the year under review.

Re-election of Directors at the Annual General Meeting

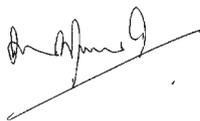
In terms of Article 24(4) of the Articles of Association of the Company, Ms. Darshini Talpahewa retires by rotation and is eligible to offer herself for re-election, accordingly, the shareholders will be requested to re-elect her at the forthcoming Annual General Meeting.

In terms of Article 24(4) of the Articles of Association of the Company, Mr. Sadeep Perera retires by rotation and is eligible to offer himself for re-election, accordingly, the shareholders will be requested to re-elect him at the forthcoming Annual General Meeting.

Mr. Ranil De Silva was appointed to the Board on 09th March 2021. In terms of Article 24(9) of the Articles of Association of the Company, shareholders will be requested to re-elect him at the forthcoming Annual General Meeting.

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
6th May 2021

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 (Senior 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.

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

Meetings and Activities

The Committee met four 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, Senior Manager Credit, Consultant to the Chairman, Assistant Manager Risk, Senior Operations Manager, Manager Deposit Operations, Senior Recoveries Manager 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
6th May 2021

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 / Senior Manager - Credit

Mr. Thushan Amarasuriya - Executive Director / CEO

Mr. Iman Perera - Chief Operating Officer

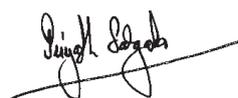
Mr. Thilan Rupasinghe - Head of Treasury and Digital Transformation

Mr. Eraj Fernando - Head of Finance

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
6th May 2021

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 (Senior 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. The Committee is chaired by an Independent Non-Executive Director. Mr. Lalith Yatiwella who was the Finance Director of the parent Company functioned as the Secretary to the Committee (resigned w.e.f. 31st March 2021). Group Chief Executive Officer attends the Committee by invitation and 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 has met once during the period.

I take this opportunity to thank the outgoing Finance Director of the parent Company for his contribution to the Committee as its Secretary. I wish him success in all his future endeavours.

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
6th May 2021

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 has resolved to permit the BRPTRC of the parent Company to function as the Related Party Transactions Review Committee of the Company. Mr. Jayendran Setukavalar – Senior Independent Non-Executive Director represented Singer Finance in the Committee by invitation until Mr. Ranil De Silva – Independent Non-Executive Director was named to represent the Company by invitation due to the resignation of Mr. Jayendran Setukavalar during the year. 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 Wijeyeratne (INED)

Mr. Mahesh Wijewardene (ED)

Mr. Ranil De Silva (INED of Singer Finance (Lanka) PLC) (By invitation- Represents Singer Finance (Lanka) PLC) -Appointed on 9th March 2021

Mr. Jayendran Setukavalar (Senior INED of Singer Finance (Lanka) PLC) (By Invitation - Represents Singer Finance (Lanka) PLC) - Resigned w.e.f. 22nd March 2021

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 16 to 19 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 2020/21 the committee met four times. Attendance by the Committee members at the meetings is given in the table on page 133 of the Annual Report.

Role and Responsibilities

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

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

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

1. Relevant information to capture RPTs is fed into the Company data collection system.
2. All officers concerned are informed of the applicable regulatory requirements relating to the reporting of RPTs.
3. Key Management Personnel (KMPs) and their Close Family members (CFMs) are identified half yearly together with their NIC numbers and business registration numbers. This information is in the system.
4. Systems are updated with KMP and their CFM details on a half yearly basis or as and when the need arises in the event of a material change.
5. Data is extracted from the system, verified and validated.
6. All managers are advised to report RPTs to the 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

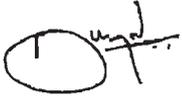
Statements.

Reporting to the Board

The Minutes of the BRPTRC meetings are tabled at Board meetings enabling all Board members to have access to same.

I wish to convey my sincere appreciation to Mr. Jayendran Setukavalar, who represented Singer Finance (Lanka) PLC by invitation of the Committee for services rendered for his valuable contribution to the deliberations of the Committee. I wish him success in all his future endeavours.

On behalf of the Board Related Party Transactions Review Committee



Deepal Sooriyaarachchi

Chairman - Board Related Party Transactions Review Committee

Colombo
6th May 2021

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 2021 as set out in pages 158 to 159 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

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:

(a) 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.

(b) Reviewed the documentation prepared by the Management to support the Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.

(d) 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

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajani FCA
A.M.R.P. Alshakoon ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapaksa FCA
M.N.M. Shameel FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.O.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA, W.A.A. Weerasekera CFA, ACMA, MRICS



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

6th May 2021

Colombo

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 148 & 149.
- The comments made by the External Auditors in connection with internal control system during the financial year 2020/2021 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 confirm 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.

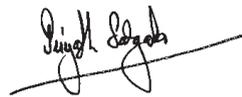
Review of the Statement by External Auditors

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 2021 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



Ranil De Silva
Chairman – Audit Committee



Priyath Salgado
Independent Non Executive Director



Thushan Amarsuriya
Executive Director/CEO

Colombo
6th May 2021

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 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

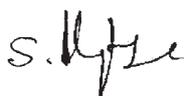
Procedures for Handling Communications to the Board

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

FINANCIAL STATEMENTS

We have demonstrated resilience in our financial performance by successfully coursing through a challenging phase creating value for all stakeholders.

Financial Calendar – 2020/21

Annual Report 2019/20 14th May 2020

Thirteenth Annual General Meeting 21st July 2020

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

1st Quarter

For the three months ended 30th June 2020

(Unaudited) 30th July 2020

2nd Quarter

For the six months ended 30th September 2020

(Unaudited) 10th November 2020

3rd Quarter

For the nine months ended 31st December 2020

(Unaudited) 27th January 2021

4th Quarter

For the twelve months ended 31st March 2021

(Unaudited) 06th May 2021

Annual Report & Annual General Meeting

Annual Report 2020/21 Approved on 06th May 2021

Fourteenth Annual General Meeting 28th June 2021

Proposed Financial Calendar 2021/21

1st Quarter Results

For the three months period ending 30th June 2021

(Unaudited) August 2021

2nd Quarter Results

For the six months period ending 30th September 2021

(Unaudited) November 2021

3rd Quarter Results

For the nine months period ending 31st December 2021

(Unaudited) February 2022

4th Quarter Results

For the twelve months period ending 31st March 2022

(Unaudited) May 2022

Annual Report and Audited Accounts for 2021/22

(Audited) June 2022

Fourteenth Annual General Meeting June 2022

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 2021.

Review of the Year

The Chairman's Review (pages 6 to 8), the Group Chief Executive Officer's Review (pages 9 to 11), Chief Executive Officer's review (pages 12 to 15) and Capital Reports (pages 40 to 65), 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 40 to 44 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, providing gold loans, mobilizing of fixed and saving deposits, financing of consumer durables under loan scheme, , factoring business including invoice discounting and granting loans.

Independent Auditors' Report

The independent Auditors' report on the Financial Statements is given on pages 169 to 171 in this Annual Report.

Financial Statements

The Financial Statements for the year ended 31st March 2021 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 172 to 240 in this Annual Report.

Accounting Policies

The accounting policies adopted in preparing the Financial Statements are provided in the notes to the Financial Statements on pages 176 to 193. The accounting policies adopted are consistent with the previous financial year.

Property, Plant & Equipment

During the year under review, the Company invested Rs. 115.4 million (including Capital Working Progress) (2019/20, Rs. 171 million) in Property, Plant & Equipment. Rs. 64.1 million was spent on renovating and upgrading leasehold premises. Further Rs. 23.9 million, Rs. 20.5 million, and Rs. 6.8 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 8.7 million worth of software to develop the IT infrastructure of the Company. Total investment in software as at Balance Sheet date was Rs. 44.4 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 168.

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 subsequent amendments issued by the Central Bank of Sri Lanka. The corporate governance section on pages 69 to 133 describes the good corporate governance principles adopted by the Company.

Profit and Appropriations

	2021 Rs.	2020 Rs.
Company profit before tax for the year ended 31st March after deducting all expenses, known liabilities and depreciation amounts	601,800,529	630,309,619
From this has to be deducted the provision for income tax cost	(191,673,605)	(241,268,542)
Making a profit after tax for the year	410,126,924	389,041,077
To this has to be added a balance brought forward from the previous year	1,730,189,688	1,384,394,913
Adjustment on initial application of SLFRS 16	-	24,764,484
Leaving a total available for appropriation	2,140,316,612	1,748,671,506
The following appropriations have been proposed:		
Transfer to Reserve fund	(20,506,347)	(19,452,054)
Actuarial (Gain)/Loss on Retirement Benefit Obligation	(1,104,981)	1,347,550
Tax on Other Comprehensive Income	265,195	(377,314)
Making a total appropriation before Other Comprehensive Income	(21,346,133)	(20,422,290)
Leaving a balance on Company basis to be carried forward	2,118,970,479	1,730,189,688

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Dividend

No Dividend was declared out of the profits of Financial Year 2020/21 by the Directors.

Reserves

The Company's Reserves and Retained Equity as at 31st March 2021 amounted to Rs. 2,322 million vs Rs. 1,913 million as at 31st March 2020. 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 2021. Details and movement of the stated capital are given in Note No 32 to the Financial Statements on page 217.

Events after the Reporting Period

There have been no material events occurring after the Reporting date which requires adjustments to or disclosure.

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors' Responsibility on page 168.

Directors Interests and Interest Register

Details of transactions with Director-related entities are disclosed in Note No. 39 to the Financial Statements on pages 235 to 237 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. Ranil De Silva (Independent Non-Executive Director) – Chairman – Appointed on 09.03.2021

Mr. Jayanth Perera – Senior Independent Non-Executive Director w.e.f. 22.03.2021

Mr. Priyath Salgado (Independent Non-Executive Director)

Mr. Aravinda Perera (Non-Executive Director)

Mr. Jayendran Setukavalar (Senior Independent Non-Executive Director) – Chairman - Resigned w.e.f. 22.03.2021

The Report of the Audit Committee on pages 148 & 149 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 subsequent amendments issued by the Central Bank of Sri Lanka and the Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

Integrated Risk Management Committee

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

Mr. Jayanth Perera (Senior Independent Non-Executive Director w.e.f. 22.03.2021) - Chairman

Mr. Priyath Salgado (Independent Non - Executive Director)

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

Mr. Sameera Madusanka - Ast. Manager Risk / (Secretary)

By invitation

Mr. Iman Perera - Chief Operating Officer

Mr. Eraj Fernando - Head of Finance

Mr. Thilan Rupasinghe - Head of Treasury and Digital Transformation

Mr. Suranga Jayaweera - Senior Manager Compliance

Mr. Jeevaka Jayawardana - Senior Manager Credit

Mr. Niranjan Sethunga - Senior Recoveries Manager

The Report of the Integrated Risk Management Committee on page 151 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 subsequent amendments 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 - (Senior Independent Non-Executive Director w.e.f. 22.03.2021) - Chairman

Mr. Aravinda Perera - (Non-Executive Director)

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

Mr. Lalith Yatiwella – Secretary (Resigned w.e.f. 31.03.2021)

The Report of the Remuneration Committee on page 153 contains a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during financial year are given in Note no 39.5 to the Financial Statements on pages 237.

Board Nomination Committee

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

Mr. Jayanth Perera (Senior Independent Non-Executive Director w.e.f. 22.03.2021) - 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 150 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. Ranil De Silva (appointed on 09.03.2021) represents Singer Finance (Lanka) PLC at the BRPTRC by Invitation after the resignation of Mr. Jayendran Setukavalar on 22.03.2021 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 Wijeyeratne (Independent Non-Executive Director)

Mr. Mahesh Wijewardene (Executive Director)

Hayleys Group Services (Pvt) Ltd -Secretary

The report of the Board-Related Party Transactions Review Committee on pages 154 to 155 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 245 to 248 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 Ms. Darshini Talpahewa and Mr. Sadeep Perera who retire by rotation and being eligible, is recommended for re-election.

In terms of Article 24(9) of the Article of Association of the Company, Mr. Ranil

De Silva who has been appointed to the Board since the last Annual General Meeting, being eligible for re-election and the shareholders will be requested to re-elect him at the forthcoming Annual General Meeting.

Mr. Jayendran Setukavalar, Senior Independent Non-Executive Director ceased to be on the Board with effect from 22nd March 2021.

Mr. Lalith Yatiwella, Alternate Director to Ms. Darshini Talpahewa ceased to be on the Board with effect from 31st March 2021.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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	
	31.03.2021 No of shares	01.04.2020 No of shares	31.03.2021 No of Debenture	01.04.2020 No of Debenture
Mr. Aravinda Perera	-	-	-	-
Mr. Jayanth Perera	-	-	-	-
Mr. Priyath Salgado	12,224	12,224	-	-
Mr. Ranil De Silva (appointed on 09.03.2021)	-	-	-	-
Mr. Thushan Amarasuriya	50,155	50,155	-	-
Mr. Mahesh Wijewardene	-	-	-	-
Ms. Darshini Talpahewa	-	-	-	-
Mr. Sadeep Perera	-	-	-	-
Mr. Jayendran Setukavalar (resigned w.e.f. 22.03.2021)	-	-	-	-
Mr. Lalith Yatiwella (Alternate Director to Ms. Darshini Talpahewa - resigned w.e.f. 31.03.2021)	-	-	-	-

The names of Directors of the Company as at 31st March 2021 and their brief profiles are shown on pages 16 to 19.

Employment

The number of persons employed by the Company as at 31st March 2021 was 701 (2019 – 624).

Independence of Directors

In accordance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, and subsequent amendments, 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. Priyath Salgado, Mr. Jayanth Perera and Mr. Ranil De Silva (appointed on 09.03.2021) 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. Jayanth Perera (w.e.f. 22.03.2021) upon registration of to Mr. Jayendran Setukavalar (resigned w.e.f. 22.03.2021) 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. Jayanth Perera (Senior Independent Non-Executive Director w.e.f. 22.03.2021)

Mr. Priyath Salgado (Independent Non-Executive Director)

Mr. Ranil De Silva (Independent Non-Executive Director – Appointed on 09.03.2021)

Corporate Governance

Director's Declaration

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

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

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

Donations

During the year, the Company has made Rs. 714,098/- as donations. (2020 - Rs. 350,454/-)

At the last Annual General Meeting shareholders approved a sum not exceeding Rs. 600,000/- in respect of donations. Accordingly, the ratification by the shareholders of the excess amount of Rs. 114,098/- made as donations for 2020/21 will be sought at the Annual General Meeting.

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

Cyber Security risks of the Company are monitored by the IT division of both the Company and Parent Company. Consultants are also engaged from time to time to review cyber security risks and to establish relevant controls.

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 2021/22.

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 195 in this Annual Report.

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

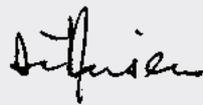
The Audit Committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditors. Details on the work of the Audit Committee are set out in the Audit Committee Report.

Notice of Meeting

The 14th Annual General Meeting will be held via online meeting platform on 28th June 2021 at 10.30 a.m.

The Notice of the Annual General Meeting of the shareholders is given on page 252.

For and on behalf of the Board,



Ranil De Silva
Independent Non-Executive Director



Thushan Amarasuriya
Executive Director/CEO



Hayleys Group Services (Pvt) Ltd
Secretaries for
Singer Finance (Lanka) PLC

Colombo
06th May 2021

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.

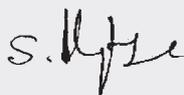
The Directors have a reasonable expectation, that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore, have continued to adopt the going concern basis in preparing the accounts.

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 169 to 171 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
6th May 2021

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, 2021, 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 as set out on pages 172 to 240 of this 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, 2021, 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 statements 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 and finance lease receivables

Refer Note 17 to the financial statements and the accounting policies in Note 3.25 to the Financial Statements.

Risk Description	Our Responses
<p>At 31 March 2021, 85% of its total assets of the Company consisted of loans and advances and finance lease receivables totaling to Rs. 21.1 Bn., net of impairment allowance of Rs. 1.18 Bn.</p> <p>The determination of impairment allowance 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 allowance 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.</p> <p>The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk.</p>	<p>Our audit procedures included the following:</p> <p>Understanding and assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans and advances and finance lease receivables, and the measurement of provisions for impairment.</p> <p>Assessing the reliability of the expected credit loss model used by management 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. As part of this work we assessed the reasonableness of the Company's considerations of the economic uncertainty relating to COVID-19;</p>

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

M.R. Mithular FCA P.Y.S. Perera FCA C.P. Jayalake FCA
 T.J.S. Rajakarier FCA W.W.J.C. Perera FCA Ms. S. Joseph FCA
 Ms. S.M.B. Jayasekara FCA 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 FCA Ms. C.T.K.N. Perera ACA
 A.M.R.P. Alahakoon ACA
Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,
 Ms. P.M.K. Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS



Impairment allowance for loans and advances and finance lease receivables

Refer Note 17 to the financial statements and the accounting policies in Note 3.25 to the Financial Statements.

Risk Description

We identified the impairment of loans and advances and finance lease 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 and finance lease receivables (and impairment allowance thereof).

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, particularly in light of the extreme volatility in economic scenarios caused by the current COVID-19 pandemic and government responses.

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

Working with our own internal specialist, we assessed the reasonability of the adjustments made by the Company to the forward looking macro economic factors and assumptions used in the ECL model.

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 and finance lease receivables meet the disclosure requirements of the prevailing accounting standards.

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 6, 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March

	Note	2021 Rs.	2020 Rs.
Gross Income	5	4,713,703,792	4,598,411,872
Interest Income	6	4,428,484,685	4,310,448,981
Interest Expense	7	(1,920,500,382)	(1,991,391,914)
Net Interest Income		2,507,984,303	2,319,057,067
Fee and Commission Income	8	236,665,395	215,531,416
Other Operating Income	9	48,553,712	72,431,475
Total Operating Income		2,793,203,410	2,607,019,958
Impairment charges for Receivables and Other Losses	10	(482,546,340)	(358,386,480)
Net Operating Income		2,310,657,070	2,248,633,478
Expenses			
Personnel Expenses	11.1	(715,807,091)	(546,203,395)
Depreciation & Amortization		(155,009,985)	(128,597,346)
Other Operating Expenses		(625,352,454)	(683,656,336)
Operating Profit Before VAT, NBT & DRL on Financial Services	11	814,487,540	890,176,401
Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services	12	(212,687,011)	(259,866,782)
Profit Before Income Tax		601,800,529	630,309,619
Income Tax Expense	13	(191,673,605)	(241,268,542)
Profit for the Year		410,126,924	389,041,077
Other Comprehensive Income			
Items that will never be Classified to Profit or Loss			
Actuarial Gain / (Loss) on Defined Benefit Plan	31.1	(1,104,981)	1,347,550
Deferred tax on Actuarial (Gain) / Loss	30.1	265,195	(377,314)
Total Other Comprehensive Income / (Expenses) for the Year, Net of Tax		(839,786)	970,236
Total Comprehensive Income for the Year		409,287,138	390,011,313
Earnings per Share	14	2.03	1.93

The Notes on pages 176 through 240 form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2021 Rs.	2020 Rs.
ASSETS			
Cash and Cash Equivalents	15.1	1,020,922,167	214,376,260
Placement with Banks	16	60,934,823	101,393,778
Financial Assets at Amortised Cost-Hire Purchase Receivables	17.1	-	3,909,547
Financial Assets at Amortised Cost-Finance Lease Receivables	17.2	13,719,773,282	14,958,657,140
Financial Assets at Amortised Cost-Loans and Advances	17.3	7,370,770,718	5,194,999,539
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	813,262,058	789,889,126
Due From Related Companies	28	418,491,945	185,521,961
Other Debtors and Prepayments	20	260,804,066	260,165,963
Deferred Tax Assets	30.1	5,206,643	-
Intangible Assets	21	44,414,164	42,276,587
Property, Plant and Equipment	22	372,601,527	327,720,448
Right-Of-Use Assets	23	583,988,544	468,490,131
Total Assets		24,671,211,237	22,547,441,780
LIABILITIES & EQUITY			
Liabilities			
Financial Liabilities at Amortised Cost-Due to Customers	24	10,643,164,211	7,175,552,218
Financial Liabilities at Amortised Cost-Interest Bearing Loans and Borrowings	25	7,470,667,885	9,228,198,557
Lease Liabilities	26	615,277,570	476,002,315
Trade and Other Payables	27	586,524,420	467,552,033
Due to Related Companies	28	455,906,159	404,512,176
Bank Overdraft	15.2	301,734,383	618,329,553
Current Tax Liabilities	29	196,222,480	117,350,832
Deferred Tax Liabilities	30	-	77,364,355
Retirement Benefit Obligations	31	83,244,646	73,397,396
Total Liabilities		20,352,741,754	18,638,259,435
Equity			
Stated Capital	32	1,996,444,457	1,996,444,457
Statutory Reserves	33	203,054,547	182,548,200
Retained Earnings		2,118,970,479	1,730,189,688
Total Equity		4,318,469,483	3,909,182,345
Total Liabilities & Equity		24,671,211,237	22,547,441,780
Commitment and Contingencies	37	332,730,000	287,486,663
Net Assets Per Share	37	21.37	19.35

The Notes on pages 176 through 240 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



Thushan Amarasuriya
Director/Chief Executive Officer

Colombo.
06th May 2021

STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to Equity Holders of the Company			
		Stated Capital Rs.	Reserve Fund Rs.	Retained Earnings Rs.	Total Rs.
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	33	-	19,452,054	(19,452,054)	-
Total Transactions with Equity Owners		-	19,452,054	(19,452,054)	-
Balance as at 31st March 2020	32, 33	1,996,444,457	182,548,200	1,730,189,688	3,909,182,345
Total Comprehensive Income for the year					
Profit for the Year		-	-	410,126,924	410,126,924
Other Comprehensive Income		-	-	(839,786)	(839,786)
Total Comprehensive Income for the Year		-	-	409,287,138	409,287,138
Transactions with Owners, Recognized Directly in Equity					
Distribution to Owners of the Company					
Transferred to/(from) during the year	33	-	20,506,347	(20,506,347)	-
Total Transactions with Equity Owners		-	20,506,347	(20,506,347)	-
Balance as at 31st March 2021	32, 33	1,996,444,457	203,054,547	2,118,970,479	4,318,469,483

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 176 through 240 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

For the Year Ended 31st March

	Note	2021 Rs.	2020 Rs.
Cash Flows from Operating Activities			
Profit Before Tax		601,800,529	630,309,619
Adjustments For			
Non-Cash Items Included In Profit Before Income Tax			
Interest Income from Investing Activities		(47,131,557)	(66,216,522)
Interest Income from Placement With Banks		(31,677,129)	(8,692,807)
Finance Cost		1,854,139,515	1,865,305,895
Depreciation/Amortisation		155,009,985	128,597,346
Retirement Benefit Obligation	31.1	17,964,293	15,769,407
Impairment Charges for Loan and Other Losses	10	482,546,340	358,386,480
Loss On Disposal of Property, Plant & Equipment		1,049,210	7,676,733
Securitization Issue Cost		42,530,198	24,955,862
Debenture Issue Cost		2,818,082	5,478,651
Operating Profit Before Changes in Operating Assets And Liabilities		3,079,049,466	2,961,570,664
Changes in:			
Decrease / (Increase) in Lease Rentals Receivables		937,024,126	(1,221,316,848)
Decrease in Hire Purchase Receivables		4,683,028	12,366,618
Increase in Loans and Advances		(2,357,231,268)	(1,458,871,227)
Increase in Other Debtors and Prepayments		(943,410)	(39,192,805)
Increase in Due From Related Companies		(233,142,823)	(93,077,742)
Increase in Public Deposits		3,473,320,511	1,021,154,126
Increase in Amounts Due To Related Companies		451,393,983	3,037,580
Increase / (Decrease) in Trade and Other Payables		118,980,965	(159,152,596)
Cash Flows from Operations		5,473,134,578	1,026,517,770
Finance Costs Paid		(1,633,097,410)	(1,652,086,982)
Retiring Gratuity Paid	31	(9,049,185)	(4,238,173)
ESC Paid		-	(22,670,369)
Income Tax Paid		(194,802,453)	(204,098,728)
Net Cash from / (Used in) Operating Activities		3,636,185,530	(856,576,482)
Cash Flows from Investing Activities			
Acquisition of Property Plant & Equipment		(115,429,951)	(171,350,104)
Proceeds From Sale of Property, Plant and Equipment		2,076,856	2,239,219
Incurred on Software Development	21	(8,663,385)	(2,164,668)
Net Change in Investment Securities		(19,894,477)	(160,558,403)
Net Change in Bank Deposits		39,505,475	(20,000,000)
Interest Income Received		76,283,712	70,881,125
Net Cash Flows Used In Investing Activities		(26,121,770)	(280,952,831)
Cash Flows From Financing Activities			
Issue Of Debenture		1,008,000,000	-
Proceeds from Securitization Loan	25.3	3,097,802,676	950,000,000
Loans Obtained During the Year from Banks	25.2	8,200,000,000	5,625,000,000
Loans Obtained During the Year From Related Party	28.2.1	-	500,000,000
Lease Rentals Paid	26	(127,957,796)	(106,578,525)
Repayment of Bank Loans	25.2	(10,418,242,824)	(3,024,077,659)
Repayment of Interest Bearing Loans - Related Party	28.2.1	(400,000,000)	(1,100,000,000)
Repayment of Debenture		(2,090,700,000)	(409,300,000)
Repayment of Securitization Loan	25.3	(1,719,299,999)	(640,720,000)
Securitization Loan Issue Cost		(36,516,161)	(21,904,276)
Dividends Paid		(8,579)	(221,316,814)
Net Cash Flows (Used in) / from Financing Activities		(2,486,922,683)	1,551,102,726
Net Increase in Cash And Cash Equivalents		1,123,141,077	413,573,413
Cash And Cash Equivalents At The beginning of the year		(403,953,293)	(817,526,706)
Cash And Cash Equivalents At The end of the year	15	719,187,784	(403,953,293)

The Notes on pages 176 through 240 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”), a Licenced Finance Company registered 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 2021 was 701 (624 as at 31st March 2020).

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.

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 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 06th May 2021

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 basis except for following material items in the statement of financial position:

- Financial Assets measured at Fair Value through Other Comprehensive Income.
- 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.

An analysis on recovery or settlement within 12 months after the reporting date (current), and more than 12 months after the reporting date (non-current) is presented in Note 35 to 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. Refer note 40 of the annual report.

1.2.9. Offsetting

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

1.2.10. Rounding

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

1.2.11. Comparative Information

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

1.2.12. Events After the Reporting Date

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

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

1.2.13. Use of Judgments and Estimates

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

The most significant areas of estimation, uncertainty and

NOTES TO THE FINANCIAL STATEMENTS

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

Note 3.5 - Determination of Lease Term and Estimating incremental Borrowing Rate.

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.

purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.' These amendments had no impact on the Company Financial Statements of, nor is there expected to be any future impact.

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 178 to 192 to all periods presented in these Financial Statements.

2.1 New and amended standards and interpretations

A number of amendments to Accounting Standards, which are effective for annual periods beginning on or after April 1, 2020 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 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

2.1.2 Amendments to the conceptual framework for financial reporting

CA Sri Lanka issued a revised Conceptual Framework which included some new concepts, updated definitions and recognition criteria for assets and liabilities and clarified some important concepts. Key changes include:

- New 'bundles of rights' approach to assets
- New 'practical ability' approach for recognising liabilities
- New control-based approach to derecognition

These amendments had no impact on the financial statements of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

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 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.

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

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

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.

value of money.(e.g. periodical reset of interest rates.)

rewards of ownership and it does not retain control of the financial asset.

Financial assets – Subsequent measurement and gains and losses

Reclassifications

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.

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.

3.1.2.2 Financial Liabilities

The Company classifies its financial liabilities other than financial guarantees and loan commitments as measured

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

NOTES TO THE FINANCIAL STATEMENTS

using the effective interest rate method.

During the year, the Company has granted moratorium facilities to some customers as per the guidance of the Central Bank of Sri Lanka. Accordingly, the respective financial assets have been assessed for contract modification to incorporate the changes to the repayment terms of the moratorium customers.

The Company modified contracts of an outstanding of Rs. 254 Mn due to the impact of granting moratorium facilities to customers. However, the Company didn't record a day one loss, as the net off balance between the interest income recognition and the day one loss is not material to the financial statements. Further, no contracts were transferred from lifetime expected credit loss to 12-month expected credit loss subsequent to the modifications.

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 assets 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

3.5.1 Application as per SLFRS 16

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. This policy is applied to contracts entered into (or changed) on or after 1 April 2019.

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 compromise 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 lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the

asset leased.

Lease payments included in the measurement of the lease liability comprise of following;

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

The lease liability is measured at amortised cost using the effective interest method. it is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in company's estimate of amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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.

Short-term leases and leases of low-value assets

The company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The company recognizes the lease payments associated with leases as an expense on a

NOTES TO THE FINANCIAL STATEMENTS

straight-line basis over the lease term.

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 non lease component, the Company allocates consideration based on the guidelines given in SLFRS 15.

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.

3.6 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 Payable

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 /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.

NOTES TO THE FINANCIAL STATEMENTS

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 cash benefits, non-cash benefits and provisions relating to terminal benefits.

The amount of VAT charged in determining the profit or loss for the period is given in note no.12 on page 196.

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 was 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, NBT was abolished with effect from December 01, 2019.

The amount of NBT charged in determining the profit or loss for the period is given in note no.12 on page 196.

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 was 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 196.

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.

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 ECL

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 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.

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and expert credit assessment and including forward looking information.

The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 60 days past due.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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;
- 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.

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 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, 2021, 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 SLFRS 16 - COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 01, 2020.

This amendment is not expected to have a material impact on the Financial Statements of the Group/Bank in the foreseeable future.

4.1.2 Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of

assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Company does not anticipate this amended to have a significant impact.

4.1.3 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment applies to annual reporting periods beginning on or after 1 January 2022.

4.1.4 Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

The amendments in Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

The Key amendments are as follows:

- the classification of liabilities as current or non-current should be based on rights that

are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment applies to annual reporting periods beginning on or after 1 January 2023.

4.1.5 Annual Improvements to SLFRS Standards 2018–2020

As part of its process to make non-urgent but necessary amendments to accounting Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Key Aspects covered is as follow:

- I. SLFRS 1 First-time Adoption of International Financial Reporting Standards - This amendment simplifies the application of SLFRS 1 for a subsidiary that becomes a first-time adopter of SLFRS Standards later than its parent
- II. SLFRS 9 Financial Instruments - This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March

2021

2020

Rs.

Rs.

5 Gross Income

5.1 Summary

Gross Income	4,713,703,792	4,598,411,872
--------------	----------------------	---------------

5.2 Analysis of Gross Income

Interest Income (Note 6)	4,428,484,685	4,310,448,981
Fee and Commission Income (Note 8)	236,665,395	215,531,416
Other Operating Income (Note 9)	48,553,712	72,431,475
	4,713,703,792	4,598,411,872

6 Interest Income

Interest Income on Hire Purchase Receivables	293,847	1,282,307
Interest Income on Lease Receivables	2,975,615,119	2,952,142,868
Interest Income on Loans and Advances	1,092,707,773	973,674,111
Income on Financial Instruments at Amortised Cost	47,131,557	66,216,522
Interest Income on Placements with Banks	31,677,129	8,692,807
Interest Income on Inter Company Receivables	38,105,630	41,339,788
Interest on Over Due Rentals	242,953,630	267,100,578
	4,428,484,685	4,310,448,981

7 Interest Expense

Interest on Other Financial Liabilities Due to Customers	811,368,763	827,951,050
Interest on Bank Loans	305,709,600	370,015,258
Interest on Lease Liabilities - SLFRS 16	70,673,269	67,061,036
Interest on Inter Company Payable	21,012,587	95,651,506
Interest on Debenture	150,965,024	229,864,659
Interest on Securitization loans	536,950,442	327,814,197
Interest on Bank Overdraft	23,820,697	73,034,208
	1,920,500,382	1,991,391,914

8 Fee and Commission Income

Service Charge Income	130,989,332	108,287,859
Commission Income	2,601,827	11,378,742
Reimbursement Fee Credit Cards	-	294,133
Insurance Commission Income	92,260,212	81,486,121
Suraksha Income	10,960,718	10,127,941
Other Credit & Debit Card Related Income / (Expense)	(146,694)	3,956,620
	236,665,395	215,531,416

For the Year Ended 31st March		2021	2020
		Rs.	Rs.
9	Other Operating Income		
	Income from Foreign Exchange Operations	21,510	928,251
	Gain on Translation of Foreign Currency	3,664,547	3,114,755
	Unwinding Interest Income on Employee Loans	5,245,937	16,308,425
	Loss on disposal of Property, Plant and Equipment	(1,049,210)	(7,676,733)
	Loan Loss Recoveries	18,687,245	12,038,122
	Credit Income	2,212,794	661,461
	Income / (Expense) on Closure	(80,175)	29,151,019
	Other Income	19,851,064	17,906,175
		48,553,712	72,431,475
10	Impairment Charge for Receivables and Other Losses		
	Impairment Reversal on Hire Purchase Receivable (Note 17.1.3)	(773,481)	(1,692,267)
	Impairment Charge on Lease Receivable (Note 17.2.4)	301,859,732	212,907,394
	Impairment Charge on Loans and Advances (Note 17.3.4)	181,460,089	147,171,353
		482,546,340	358,386,480
11	Profit from ordinary activities before VAT, NBT & DRL on Financial Services and Tax Stated after charging all expenses including the following:		
	Auditors' Remuneration - Statutory Audit	1,150,000	1,100,000
	- Audit Related Services	790,000	991,180
	- Non-Audit Services	855,935	502,352
	Amortization of Intangible Assets (Note 21)	6,525,808	6,181,570
	Depreciation of Property Plant & Equipment (Note 22)	67,422,807	55,598,570
	Depreciation of Right-Of-Use Assets (Note 23)	81,061,368	66,817,204
	Legal Expense	3,800,000	7,604,000
	Personnel Expenses (Note 11.1)	715,807,091	546,203,395
	Operating Lease Rentals	20,693,161	11,802,969
	Deposit Insurance Expense	10,920,950	8,494,121
11.1	Personnel Expenses		
	Salaries and Other Staff Related Expenses	649,804,486	482,554,885
	Defined Benefit Plan Costs -Retiring Gratuity (Note 31.1)	17,964,293	15,769,407
	Defined Contribution Plan Costs - MSPS and ETF	48,038,312	47,879,103
		715,807,091	546,203,395

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March	2021 Rs.	2020 Rs.
-------------------------------	-------------	-------------

12 Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services

Value Added Tax (VAT)	208,193,126	175,046,332
Nation Building Tax (NBT)	1,219,717	14,053,755
Debt Repayment Levy (DRL)	3,274,168	70,766,695
	212,687,011	259,866,782

The Nations Building Tax (NBT) was abolished with effect from 1st December 2019, and Debt Repayment Levy (DRL) was abolished with effect from 1st January 2020. The amount reflected for the year ended 31st March 2021 represents the provision adjustments relating to previous year.

For the Year Ended 31st March	2021 Rs.	2020 Rs.
-------------------------------	-------------	-------------

13 Income Tax Expense

Current Income Tax Expense (Note 13.2)	273,979,408	202,231,781
Over Provision in respect of Prior Years	-	(63,213,012)
	273,979,408	139,018,769
Deferred Tax (Reversal) / Expenses (Note 30.1)	(82,305,803)	102,249,773
Income Tax Charge for The Year (Note 13.1)	191,673,605	241,268,542

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 Act No. 24 of 2017 and the amendments thereto at the schedule specified below,

Accounting Profit Before tax	601,800,529	630,309,619
Tax expenses as per accounting profit (28%)	-	136,841,968
Tax expenses as per accounting profit (24%)	144,432,127	33,981,193
Adjustments		
Tax effect of Capital Portion of lease rentals	70,948,617	(39,703,419)
Tax effect of Disallowed Expenses	227,102,720	214,469,294
Tax effect of Deductible Expenses	(168,548,856)	(143,357,255)
Tax on dividend	44,800	-
Tax on business Profit (based on taxable profit)	273,979,408	202,231,781
Over Provision in respect of Prior Years	-	(63,213,012)
	273,979,408	139,018,769
Deferred Tax Expenses / (Reversal) (Note 30.1)	(82,305,803)	102,249,773
Income tax expenses reported in the statement of comprehensive income at the effective tax rate	191,673,605	241,268,542

For the Year Ended 31st March 2021		Leasing Business Rs.	Other Business Rs.	Total Rs.
13.2 Reconciliation between Tax Expense and the Accounting Profit based on the Statutory Tax Rate				
Accounting profit before tax		387,525,975	214,274,554	601,800,529
Adjustments				
Disallowable expenses		2,662,074,741	327,990,456	2,990,065,197
Allowable expenses		(2,319,181,885)	(130,969,642)	(2,450,151,527)
Total statutory income		730,418,831	411,295,368	1,141,714,199
Less : Qualifying payments		-	-	-
Total Taxable Income		730,418,831	411,295,368	1,141,714,199
Profits From Dividend		-	320,000	320,000
Balance Taxable Income		730,418,831	410,975,368	1,141,394,199
Income tax rate (%)				
For Profits From Dividend		-	14	14
For Balance Taxable Income		24	24	24
Tax on Profits From Dividend		-	44,800	44,800
Tax on Balance Taxable Income		175,300,519	98,634,089	273,934,608
Effective tax rate (%)		45.24	46.05	45.53
Income tax (Note 13)		175,300,519	98,678,889	273,979,408

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				
Disallowable expenses		3,772,096,002	278,741,804	4,050,837,806
Allowable expenses		(3,700,465,108)	(233,883,756)	(3,934,348,864)
Non-taxable income/losses		-	(240,800)	(240,800)
Total statutory income		626,506,556	120,051,205	746,557,761
Less : 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
Effective tax rate (%)		30.59	43.09	32.08
Income tax (Note 13)		169,726,475	32,505,306	202,231,781

As instructed by the Ministry of Finance on January 31, 2020, changes to the current tax rate was proposed as below, pending formal amendments being made to the Act and to be implemented with effect from January 01, 2020. The Bill to amend the Inland Revenue Act No. 24 of 2017 was gazetted and issued on 18 March 2021. The Bill was presented at the Parliament for first reading and approved on 26th March 2021. Accordingly, the new tax rates disclosed below have been considered to be substantially enacted as at reporting date for the computation of Current and Deferred tax computation for the year ended 31st March 2021.

	2021	2020
Tax Rate	24%	28%

Dividend income of the Company is liable for tax at 14% from 01.01.2020 to 31.03.2021.

NOTES TO THE FINANCIAL STATEMENTS

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	2021	2020
	Rs.	Rs.
Amount Used as the Numerator		
Profit Attributable to Equity Holders of the Company (Rs.)	410,126,924	389,041,077
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.)	2.03	1.93
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

14.2 Diluted Earnings per Share

There were no potentially dilutive ordinary shares as at 31 March 2021 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

As at 31st March		2021	2020
		Rs.	Rs.
15	Cash and Cash Equivalents		
15.1	Favorable Cash and Cash Equivalent Balances		
	Cash in Hand	96,732,194	76,128,448
	Cheques In Hand	70,998,226	28,565,436
	Cash at Banks in Local Currency	789,158,095	60,875,820
	Cash at Banks in Foreign Currency	64,033,652	48,806,556
		1,020,922,167	214,376,260
15.2	Unfavorable Cash and Cash Equivalent Balances		
	Bank Overdraft	(301,734,383)	(618,329,553)
	Net Cash and Cash Equivalents for the purpose of Cash Flow Statement	719,187,784	(403,953,293)
16	Placement with Banks		
	Investment in Fixed Deposits	60,934,823	101,393,778
		60,934,823	101,393,778
17	Financial assets at amortised cost - Loans and Receivables from Customers		
17.1	Hire Purchase Receivables		
	Rentals Receivable	4,086,430	9,805,570
	Other Charges Receivable	1,491,151	1,749,268
	Unearned Interest Income	(217,834)	(1,196,798)
	Gross Receivables	5,359,747	10,358,040
	Allowance for Impairment for Hire Purchase Receivables (Note 17.1.3)	(5,359,747)	(6,448,493)
	Net Receivables	-	3,909,547
17.1.1	Hire Purchase Rentals Receivable within One Year from Reporting Date		
	Rentals Receivable within One Year	4,086,430	7,336,007
	Other Charges Receivable within One Year	1,491,151	1,749,268
	Unearned Interest Income	(217,834)	(812,811)
	Gross Receivables within One Year	5,359,747	8,272,464

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2021	2020
	Rs.	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
Unearned Interest Income	-	(383,987)
Gross Receivables after One Year but before Five Years	-	2,085,576
Gross Receivables	5,359,747	10,358,040
17.1.3 Movement in Allowance for Impairment Losses for Hire Purchase Receivables		
Balance as at beginning of the Year	6,448,493	8,576,165
Reversal for the year	(773,481)	(1,692,267)
Written off during the year	(315,265)	(435,405)
Balance as at end of the Year	5,359,747	6,448,493
17.2 Finance Lease Receivables		
Rentals Receivable	18,611,215,213	20,070,386,879
Other Charges Receivable	142,943,268	133,845,337
Unearned Interest Income	(4,409,492,364)	(4,895,580,826)
Gross Receivables	14,344,666,117	15,308,651,390
Allowance for Impairment on Lease Rentals Receivable (Note 17.2.4)	(624,892,835)	(349,994,250)
Net Receivables	13,719,773,282	14,958,657,140
17.2.1 Lease Rentals Receivables within One Year from Reporting Date		
Rentals Receivables within One Year	7,273,810,402	7,986,896,845
Other Charges Receivables within One Year	142,943,268	133,845,337
Unearned Interest Income	(2,070,415,111)	(2,239,215,617)
Gross Receivables within One Year	5,346,338,559	5,881,526,565
17.2.2 Lease Rentals Receivables after One Year but before Five Years from Reporting Date		
Rentals Receivable after One Year but before Five Years	11,320,757,030	12,068,695,303
Unearned Interest Income	(2,338,250,700)	(2,655,206,829)
Gross Receivables after One Year but before Five Years	8,982,506,330	9,413,488,474
17.2.3 Lease Rentals Receivables after Five Years from Reporting Date		
Rentals Receivable after Five Years	16,647,781	14,794,731
Unearned Interest Income	(826,553)	(1,158,380)
Gross Receivables after Five Years	15,821,228	13,636,351
Gross Receivables	14,344,666,117	15,308,651,390

As at 31st March	2021 Rs.	2020 Rs.
17.2.4 Movement in Allowance for Impairment Losses for Lease Rentals Receivable		
Balance as at beginning of the year	349,994,250	248,345,208
Charge for the year	301,859,732	212,907,394
Written off during the year	(26,961,147)	(111,258,352)
Balance as at end of the Year	624,892,835	349,994,250
17.3 Loans and Advances		
Loans and Advances	8,503,332,534	5,954,795,835
Other Charges Receivable	22,688,730	15,328,650
Unearned Interest Income	(774,948,645)	(463,257,402)
Receivables on Loans against Fixed Deposits	171,113,979	94,751,100
Gross Receivables	7,922,186,598	5,601,618,183
Allowance for Impairment for Loans and Advances (Note 17.3.4)	(551,415,880)	(406,618,644)
Net Receivables	7,370,770,718	5,194,999,539
17.3.1 Loans and Advances Receivable within One Year from Reporting Date		
Loans and Advances Receivable within One Year	6,103,964,262	4,772,105,901
Other Charges Receivable within One Year	22,688,730	15,328,650
Receivables on Loans against Fixed Deposits	171,113,979	94,751,100
Unearned Interest Income	(377,088,352)	(300,328,415)
Gross Receivables	5,920,678,619	4,581,857,236
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	2,386,118,143	1,178,116,677
Unearned Interest Income	(397,407,206)	(162,775,343)
Gross Receivables after One Year but before Five Years	1,988,710,937	1,015,341,334
17.3.3 Loans and Advances Receivable after Five Years from Reporting Date		
Loans and Advances Receivable after Five Years	13,250,129	4,573,257
Unearned Interest Income	(453,087)	(153,644)
Gross Receivables after Five Years	12,797,042	4,419,613
Gross Receivables	7,922,186,598	5,601,618,183
17.3.4 Movement in Allowance for Impairment for Loans & Advances		
Balance as at beginning of the year	406,618,644	323,203,252
Charge for the year	181,460,089	147,171,353
Written off during the year	(36,662,853)	(63,755,961)
Balance as at end of the Year	551,415,880	406,618,644

NOTES TO THE FINANCIAL STATEMENTS

As At 31st March	2021 Rs.	2020 Rs.
17.4 Allowance for Impairment		
17.4.1 Movement in Allowance for Impairment		
Balance as at beginning of the Year	763,061,387	580,124,625
Charge for the year	482,546,340	358,386,480
Written off during the year	(63,939,265)	(175,449,718)
Balance as at end of the Year	1,181,668,462	763,061,387
17.4.2 Allowance for Impairment consist of Provisioning Against		
Hire Purchase Receivables (Note 17.1.3)	5,359,747	6,448,493
Lease Receivables (Note 17.2.4)	624,892,835	349,994,250
Loans and Advances (Note 17.3.4)	551,415,880	406,618,644
Balance as at end of the Year	1,181,668,462	763,061,387

17.4.3 The table below shows the ECL (Expected Credit Loss) charges on financial instruments recorded in the statement of profit or loss:

As at 31st March 2021	Individual Rs.	Collective Rs.	Total Rs.
Financial assets at amortised cost-Hire Purchase Receivables			
Stage 1	-	(27,140)	(27,140)
Stage 2	-	(13,068)	(13,068)
Stage 3	40,500	(773,773)	(733,273)
	40,500	(813,981)	(773,481)
Financial assets at amortised cost-Finance Lease Receivables			
Stage 1	-	(6,280,844)	(6,280,844)
Stage 2	-	49,204,391	49,204,391
Stage 3	5,007,191	253,928,994	258,936,185
	5,007,191	296,852,541	301,859,732
Financial assets at amortised cost-Loans and Advances			
Stage 1	-	(1,194,095)	(1,194,095)
Stage 2	-	13,117,083	13,117,083
Stage 3	8,166,888	161,370,213	169,537,101
	8,166,888	173,293,201	181,460,089
Financial assets at amortised cost -Total			
Stage 1	-	(7,502,079)	(7,502,079)
Stage 2	-	62,308,406	62,308,406
Stage 3	13,214,579	414,525,434	427,740,013
	13,214,579	469,331,761	482,546,340

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	2021 Rs.	2020 Rs.
------------------	-------------	-------------

17.4.4 Movement in Impairment during the year

Stage 1		
Balance as at the beginning of the year	71,316,775	146,386,155
Net impairment charge for the year	(7,502,079)	(75,069,380)
Closing balance as at 31st March	63,814,696	71,316,775
Stage 2		
Balance as at the beginning of the year	120,249,814	124,978,390
Net impairment charge for the year	62,308,406	(4,728,576)
Closing balance as at 31st March	182,558,220	120,249,814
Stage 3		
Balance as at the beginning of the year	571,494,798	308,760,080
Net impairment charge for the year	427,740,013	438,184,436
Written off during the year	(63,939,265)	(175,449,718)
Closing balance as at 31st March	935,295,546	571,494,798

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2021 Rs.	2020 Rs.
Total		
Balance as at the beginning of the year	763,061,387	580,124,625
Net impairment charge for the year	482,546,340	358,386,480
Written off during the year	(63,939,265)	(175,449,718)
Closing balance as at 31st March	1,181,668,462	763,061,387

17.4.5 Breakdown of Gross Loans & Provision

Stage 1		
Net Receivables	16,797,573,326	18,314,544,925
Impairment Allowance	63,814,696	71,316,774
Gross Receivables	16,861,388,022	18,385,861,699
Stage 2		
Net Receivables	3,109,227,745	1,449,732,689
Impairment Allowance	182,558,220	120,249,814
Gross Receivables	3,291,785,965	1,569,982,503
Stage 3		
Net Receivables	1,183,742,929	393,288,612
Impairment Allowance	935,295,546	571,494,799
Gross Receivables	2,119,038,475	964,783,411
Total		
Net Receivables	21,090,544,000	20,157,566,226
Impairment Allowance	1,181,668,462	763,061,387
Gross Receivables	22,272,212,462	20,920,627,613

17.4.6 Provision for Impairment (ECL) movement

The following table shows reconciliation from the opening to closing balance of the provision for impairment:

As at 31st March 2021	Stage 1 12 months ECL Rs.	Stage 2 Lifetime ECL not Credit- Impaired Rs.	Stage 3 Lifetime ECL Credit- Impaired Rs.	Total ECL Rs.
Financial assets at amortised cost - Total				
Balance as at the beginning of the year	71,316,775	120,249,814	571,494,798	763,061,387
Transferred from 12 months ECL	(12,218,052)	5,495,168	6,722,884	-
Transferred from lifetime ECL not Credit- Impaired	7,567,044	(29,532,125)	21,965,081	-
Transferred from lifetime ECL Credit- Impaired	2,767,285	429,424	(3,196,709)	-
New Assets Originated	39,939,687	131,022,891	171,828,168	342,790,746
Financial Assets Derecognized	(32,522,595)	(75,172,124)	(78,636,614)	(186,331,333)
Write offs			(63,939,265)	(63,939,265)
Net remeasurement loss allowance	(13,035,448)	30,065,172	309,057,203	326,086,927
Balance as at 31st March 2021	63,814,696	182,558,220	935,295,546	1,181,668,462

As at 31st March 2021	Stage 1 12 months ECL	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit -Impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.
Financial assets at amortised cost - Hire Purchase Receivables				
Balance as at the beginning of the year	27,140	13,068	6,408,285	6,448,493
Transferred from 12 months ECL	(299)	-	299	-
Transferred from lifetime ECL not Credit- Impaired	-	-	-	-
Transferred from lifetime ECL Credit- Impaired	-	-	-	-
New Assets Originated	-	-	-	-
Financial Assets Derecognized	(26,841)	(13,068)	(764,251)	(804,160)
Write offs	-	-	(315,265)	(315,265)
Net remeasurement loss allowance	-	-	30,679	30,679
Balance as at 31st March 2021	-	-	5,359,747	5,359,747
Financial assets at amortised cost - Finance Leases Receivables				
Balance as at the beginning of the year	38,137,184	77,286,838	234,570,228	349,994,250
Transferred from 12 months ECL	(5,143,221)	3,108,887	2,034,334	-
Transferred from lifetime ECL not Credit- Impaired	6,411,714	(14,378,930)	7,967,216	-
Transferred from lifetime ECL Credit- Impaired	2,246,932	248,969	(2,495,901)	-
New Assets Originated	18,631,836	101,210,739	131,775,320	251,617,895
Financial Assets Derecognized	(20,562,605)	(58,778,540)	(57,906,744)	(137,247,889)
Write offs	-	-	(26,961,147)	(26,961,147)
Net remeasurement loss allowance	(7,901,610)	17,758,517	177,632,819	187,489,726
Balance as at 31st March 2021	31,820,230	126,456,480	466,616,125	624,892,835
Financial assets at amortised cost - Loans and Advances				
Balance as at the beginning of the year	33,152,451	42,949,908	330,516,285	406,618,644
Transferred from 12 months ECL	(7,074,532)	2,386,281	4,688,251	-
Transferred from lifetime ECL not Credit- Impaired	1,155,330	(15,153,195)	13,997,865	-
Transferred from lifetime ECL Credit- Impaired	520,353	180,455	(700,808)	-
New Assets Originated	21,307,851	29,812,152	40,052,848	91,172,851
Financial Assets Derecognized	(11,933,149)	(16,380,516)	(19,965,619)	(48,279,284)
Write offs	-	-	(36,662,853)	(36,662,853)
Net remeasurement loss allowance	(5,133,838)	12,306,655	131,393,705	138,566,522
Balance as at 31st March 2021	31,994,466	56,101,740	463,319,674	551,415,880

17.5 Analysis by Sector

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

As at 31st March	2021		2020	
	Rs.	%	Rs.	%
Agriculture	1,448,185,582	6.9	1,741,878,885	8.6
Tourism	130,679,972	0.6	126,034,846	0.6
Transport	12,544,947,913	59.5	8,536,206,533	42.3
Construction	228,708,539	1.1	178,193,110	0.9
Services	2,321,133,292	11.0	2,820,204,118	14.1
Individual	4,416,888,702	20.9	6,755,048,734	33.5
	21,090,544,000	100.0	20,157,566,226	100.0

The Company's credit risk management practices and how they relate to the recognition and measurement of expected credit losses have been disclosed in note 36.1.1

18 Financial assets measured at fair value through other comprehensive income

As at 31st March	No. of Ordinary Shares	2021	2020
		Fair Value of the Investment Rs.	Fair Value of the Investment Rs.
Unquoted Shares			
Credit Information Bureau of Sri Lanka	100	41,300	41,300

As at 31st March	2021	2020
	Rs.	Rs.

19 Financial assets at amortised cost-Debt and other financial instruments

Investment in Treasury Bills	714,026,006	548,582,609
Investment in Treasury Bonds	99,236,052	241,306,517
	813,262,058	789,889,126

20 Other Debtors and Prepayments

Loans to Employees (Note 20.1)	94,711,631	97,036,046
Prepayments and Advances	128,891,997	126,818,968
Other Receivables	37,200,438	36,310,949
	260,804,066	260,165,963

As at 31st March		2021 Rs.	2020 Rs.
20.1	Loans to Employees		
	Balance as at beginning of the Year	97,036,046	79,660,357
	Loans granted during the year	41,688,346	64,477,931
	Loan recoveries during the Year	(42,095,865)	(46,925,126)
	Provision for Impairment (Note 20.2)	(1,916,896)	(177,116)
	Balance as at 31st March	94,711,631	97,036,046
	Due within one Year	25,769,073	30,008,497
	Due after one Year	68,942,558	67,027,549
		94,711,631	97,036,046
20.2	Movement in Provision for Impairment		
	Balance as at beginning of the Year	177,116	177,116
	Charge for the Year	1,739,780	-
	Balance as at 31st March	1,916,896	177,116
21	Intangible Assets		
21.1	Cost		
	Balance as at Beginning of the Year	127,761,149	125,596,481
	Additions during the Year	8,663,385	2,164,668
	Balance as at 31st March	136,424,534	127,761,149
21.2	Accumulated Amortization		
	Balance as at Beginning of the Year	(85,484,562)	(79,302,992)
	Amortization During the Year	(6,525,808)	(6,181,570)
	Balance as at 31st March	(92,010,370)	(85,484,562)
21.3	Carrying Amount		
	Total Carrying Amount of EDP Software	44,414,164	42,276,587

21.4 During the financial year, the Company acquired Software to the aggregated value of **Rs. 8,663,385** (2019/20 - Rs. 2,164,668)

21.5 EDP Software included in fully amortized and impaired assets having cost amounting to **Rs. 64,695,264** (2019/20 - Rs. 64,695,264)

	Balance as at 1st April 2019 Rs.	Additions & Transfers Rs.	Disposals Rs.	Balance as at 1st April 2020 Rs.	Additions & Transfers Rs.	Disposals Rs.	Balance as at 31st March 2021 Rs.	
22	Property, Plant and Equipment							
22.1	Cost							
	Improvement on Leasehold Premises	184,225,592	110,767,853	(21,159,414)	273,834,031	45,326,120	(2,014,856)	317,145,295
	Equipment	73,306,533	39,457,176	(2,030,979)	110,732,730	20,537,978	(2,917,862)	128,352,846
	EDP Equipment	80,517,091	17,085,352	(1,447,981)	96,154,462	23,939,501	(483,456)	119,610,507
	Furniture and Fittings	35,060,268	19,475,490	(2,098,129)	52,437,629	6,804,516	(427,565)	58,814,580
		373,109,484	186,785,871	(26,736,503)	533,158,852	96,608,115	(5,843,739)	623,923,228

NOTES TO THE FINANCIAL STATEMENTS

	Balance as at 1st April 2019	Depreciation Charge for the year	Disposals	Balance as at 1st April 2020	Depreciation Charge for the year	Disposals	Balance as at 31st March 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
22.2 Accumulated Depreciation							
Improvement on Leasehold Premises	(89,189,128)	(29,827,915)	12,916,170	(106,100,873)	(36,398,557)	-	(142,499,430)
Equipment	(18,774,777)	(9,409,428)	1,267,744	(26,916,461)	(11,563,091)	1,954,884	(36,524,668)
EDP Equipment	(46,532,147)	(12,245,385)	1,414,763	(57,362,769)	(14,526,224)	438,873	(71,450,120)
Furniture and Fittings	(16,269,899)	(4,115,842)	1,221,873	(19,163,868)	(4,934,935)	323,917	(23,774,886)
	(170,765,951)	(55,598,570)	16,820,550	(209,543,971)	(67,422,807)	2,717,674	(274,249,104)

	1st April 2019	Additions	Transfers	1st April 2020	Additions	Transfers	31st March 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capital Work in Progress	19,541,334	-	(15,435,767)	4,105,567	22,927,403	(4,105,567)	22,927,403
	19,541,334	-	(15,435,767)	4,105,567	22,927,403	(4,105,567)	22,927,403

22.3 Carrying Amount

As At 31st March	2021	2020
	Rs.	Rs.
Improvement on Leasehold Premises	174,645,865	167,733,158
Equipment	91,828,178	83,816,269
EDP Equipment	48,160,387	38,791,693
Furniture and Fittings	35,039,694	33,273,761
Capital Work In Progress	22,927,403	4,105,567
	372,601,527	327,720,448

22.4 During the financial year, the company acquired Property, Plant and Equipment to the aggregated value of Rs. 115,429,951 (2019/20 - Rs. 171,350,103)

As At 31st March	2021	2020
	Rs.	Rs.

22.5 Cost of fully depreciated assets which are still in use as at reporting date is as follows:

Improvement on Leasehold Premises	60,447,371	49,151,670
Equipment	3,651,085	3,591,534
EDP Equipment	34,535,905	23,708,925
Furniture and Fittings	6,541,660	4,844,823
	105,176,021	81,296,952

22.6 There were no items of Property Plant & equipment pledge as security for liabilities of the Company as at the reporting date.

22.7 There was no temporarily idle Property, Plant and Equipment as at 31st March 2021.

22.8 There was no capitalized borrowing cost relating to acquisition of Property, Plant and Equipment during the Year (2019/20 - Nil)

As At 31st March			2021		2020		
			Rs.		Rs.		
23	Right-Of-Use Assets						
23.1	Gross carrying amount						
	At Cost						
	As at beginning of the year		535,307,335		-		
	Adjustment on Initial Application of SLFRS 16		-		450,644,384		
	Adjusted balance as at beginning of the Year		535,307,335		450,644,384		
	Additions during the year		197,138,957		84,662,951		
	Disposals during the year		(579,176)		-		
	Balance as at 31st March		731,867,116		535,307,335		
23.2	Accumulated Depreciation						
	As at beginning of the year		(66,817,204)		-		
	Charge for the Year		(81,061,368)		(66,817,204)		
	Balance as at 31st March		(147,878,572)		(66,817,204)		
23.3	Net Book Value		583,988,544		468,490,131		
For the year ended 31st March			2021		2020		
			Rs.		Rs.		
23.4	Amounts recognised in profit or loss:						
	Depreciation expense of right-of-use assets		81,061,368		66,817,204		
			81,061,368		66,817,204		
As At 31st March			2021		2020		
			Rs.		Rs.		
24	Financial Liabilities at Amortised Cost-Due to Customers						
	Fixed Deposits at Amortized Cost		10,523,505,384		7,078,217,688		
	Saving Deposits		119,658,827		97,334,530		
			10,643,164,211		7,175,552,218		
As At 31st March			2021		2020		
			Rs.		Rs.		
25	Interest-Bearing Loans and Borrowings						
	Debtentures (Note 25.1)	98,774,683	1,008,000,000	1,106,774,683	2,161,650,958	-	2,161,650,958
	Bank Loans (Note 25.2)	1,034,148,649	1,508,793,314	2,542,941,963	3,884,310,251	871,753,322	4,756,063,573
	Securitization Loans (Note 25.3)	2,241,102,700	1,579,848,539	3,820,951,239	1,161,504,026	1,148,980,000	2,310,484,026
		3,374,026,032	4,096,641,853	7,470,667,885	7,207,465,235	2,020,733,322	9,228,198,557

NOTES TO THE FINANCIAL STATEMENTS

							As at 31st March	
Type		No of Debenture Listed	Face Value Rs.	Interest Rate %	Issued Date	Maturity Date	2021 Rs.	2020 Rs.
25.1 Debentures								
60 Months Secured Debentures	Senior, Listed, Rated	15,000,000	1,500,000,000	9.95	17-June-2015	16-June-2020	-	1,536,527,253
48 Months Secured Debentures	Senior, Listed, Rated	5,907,000	590,700,000	12.00	06-April-2016	06-April-2020	-	625,123,705
36 Month Unsecured Debentures	Senior, Listed, Rated	7,530,000	753,000,000	13.00	09-Apr-2020	09-Apr-2023	843,457,373	-
36 Month Unsecured Debentures	Senior, Listed, Rated	2,500,000	250,000,000	6 month T-bill rate +3.75% P.A.	09-Apr-2020	09-Apr-2023	257,773,993	-
60 Month Unsecured Debentures	Senior, Listed, Rated	50,000	5,000,000	13.25	19-May-2020	19-May-2025	5,543,317	-
		30,987,000	3,098,700,000				1,106,774,683	2,161,650,958

2020/21	As at 1st April 2020 Rs.	Loans Obtained Rs.	Repayments Rs.	Accrued Interest Rs.	As at 31st March 2021 Rs.
25.2 Bank Loans					
Movement of Bank Loans					
Sampath Bank	594,376,636	1,000,000,000	(1,594,376,636)	-	-
Cargills Bank	205,896,756	550,000,000	(655,896,756)	47,260	100,047,260
Commercial Bank	349,167,330	-	(120,274,955)	198,150	229,090,525
Nations Trust Bank	1,034,583,445	2,650,000,000	(3,188,469,956)	2,232,879	498,346,368
Seylan Bank	1,688,724,130	2,300,000,000	(2,634,242,567)	2,391,784	1,356,873,347
National Development Bank	124,118,756	1,000,000,000	(1,124,118,756)	-	-
Bank of Ceylon	759,196,520	700,000,000	(1,100,863,198)	251,141	358,584,463
	4,756,063,573	8,200,000,000	(10,418,242,824)	5,121,214	2,542,941,963

2019/20	As at 1st April 2019 Rs.	Loans Obtained Rs.	Repayments Rs.	Accrued Interest Rs.	As at 31st March 2020 Rs.
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

As at				31st March 2021
Bank	Rate of interest (p.a.)	Repayment Terms	Security	Rs.
(a) Bank Loans Repayable within One Year				
Seylan Bank	Fixed Rate	Quartely Repayment	Lease Receivable	548,413,345
Nations Trust Bank	Fixed Rate	Quartely Repayment	Lease Receivable	166,346,370
Bank of Ceylon	AWPLR + Margin	Monthly Repayment	Lease Receivable	100,251,149
Commercial Bank	Fixed Rate	Quartely Repayment	Lease Receivable	119,090,525
Cargills Bank	Fixed Rate	Monthly Repayment	Lease Receivable	100,047,260
				1,034,148,649
(b) Bank Loans Repayable after One Year				
Seylan Bank	Fixed Rate	Quartely Repayment	Lease Receivable	808,460,000
Nations Trust Bank	Fixed Rate	Quartely Repayment	Lease Receivable	332,000,000
Bank of Ceylon	AWPLR + Margin	Monthly Repayment	Lease Receivable	258,333,314
Commercial Bank	Fixed Rate	Quartely Repayment	Lease Receivable	110,000,000
				1,508,793,314

As at				31st March 2020
Bank	Rate of interest	Repayment Terms	Security	Rs.
(c) Bank Loan Repayable within One Year				
Sampath Bank	AWPLR + Margin	Monthly Repayment	Lease Receivable	594,376,636
Seylan Bank	AWPLR + Margin	Monthly Repayment	Lease Receivable	1,405,304,130
Nations Trust Bank	AWPLR + Margin	Monthly Repayment	Lease Receivable	1,034,583,445
National Development Bank	AWPLR + Margin	Monthly Repayment	Lease Receivable	124,118,756
Bank of Ceylon	AWPLR + Margin	Monthly Repayment	Lease Receivable	400,863,198
Commercial Bank	AWPLR + Margin	Monthly Repayment	Lease Receivable	119,167,329
Cargills Bank	AWPLR + Margin	Monthly Repayment	Lease Receivable	205,896,757
				3,884,310,251
(d) Bank Loan Repayable after One Year				
Seylan Bank	AWPLR + Margin	Monthly Repayment	Lease Receivable	283,420,000
Bank of Ceylon	AWPLR + Margin	Monthly Repayment	Lease Receivable	358,333,322
Commercial Bank	AWPLR + Margin	Monthly Repayment	Lease Receivable	230,000,000
				871,753,322

	As at Beginning of the year Rs.	Obtained during the year Rs.	(Repayments) Rs.	Unamortised Issue Cost Rs.	Accrued Interest Rs.	As at 31st March Rs.
25.3 Securitization						
As at 31st March 2021						
Securitization	2,310,484,026	3,097,802,676	(1,719,299,999)	(13,315,337)	145,279,873	3,820,951,239
	2,310,484,026	3,097,802,676	(1,719,299,999)	(13,315,337)	145,279,873	3,820,951,239
As at 31st March 2020						
Securitization	1,909,345,887	950,000,000	(640,720,000)	3,051,586	88,806,553	2,310,484,026
	1,909,345,887	950,000,000	(640,720,000)	3,051,586	88,806,553	2,310,484,026

NOTES TO THE FINANCIAL STATEMENTS

Issue No.	Face Value	Maximum Period (Months)	Trustee	Balance as at	Balance as at	Security
				31st March 2021	31st March 2020	
				Rs.	Rs.	
25.4 Details of Securitization as at 31st March is as follows						
Syndication 01 - Tranch 01	1,250,000,000	36	Hatton National Bank	224,127,724	668,254,705	Lease Receivables
Securitization 01 -Trust 01	300,000,000	36	Hatton National Bank	83,194,708	327,821,427	Lease Receivables
Securitization 02 -Trust 02 -Tranch 01	300,000,000	36	Hatton National Bank	157,469,753	275,743,087	Lease Receivables
Securitization 02 -Trust 02 -Tranch 01	150,000,000	36	Hatton National Bank	78,735,668	137,941,443	Lease Receivables
Securitization 02 -Trust 02 -Tranch 02	150,000,000	36	Hatton National Bank	88,655,937	144,107,210	Lease Receivables
Securitization 03 -Trust 03	500,000,000	36	Hatton National Bank	345,809,854	461,564,395	Lease Receivables
Securitization 04 -Trust 04	300,000,000	36	Hatton National Bank	186,298,709	295,051,759	Lease Receivables
Securitization 05 -Trust 05 -Tranch 01	303,709,239	30	Hatton National Bank	333,766,389	-	Lease Receivables
Securitization 05 -Trust 05 -Tranch 02	100,318,980	18	Hatton National Bank	109,934,993	-	Lease Receivables
Securitization 05 -Trust 05 -Tranch 03	402,774,457	36	Hatton National Bank	349,108,398	-	Lease Receivables
Securitization 06 -Trust 06	400,000,000	12	Hatton National Bank	179,651,445	-	Lease Receivables
Securitization 07 -Trust 01 -Tranch 01	681,000,000	36	National Savings Bank	614,538,015	-	Lease Receivables
Securitization 07 -Trust 01 -Tranch 02	20,000,000	36	National Savings Bank	21,821,440	-	Lease Receivables
Securitization 08 -Trust 07	250,000,000	36	Hatton National Bank	253,129,551	-	Lease Receivables
Syndication 02- Tranch 01	200,000,000	42	Hatton National Bank	199,131,920	-	Lease Receivables
Syndication 02- Tranch 02	200,000,000	48	Hatton National Bank	198,566,934	-	Lease Receivables
Syndication 02- Tranch 03	200,000,000	54	Hatton National Bank	198,522,600	-	Lease Receivables
Syndication 02- Tranch 04	200,000,000	60	Hatton National Bank	198,487,201	-	Lease Receivables
	5,907,802,676			3,820,951,239	2,310,484,026	

As At 31st March

26 Lease Liabilities

	2021	2020
	Rs.	Rs.
As at beginning of the year	476,002,315	-
Adjustment on Initial Application of SLFRS 16	-	430,856,853
Adjusted balance as at beginning of the year	476,002,315	430,856,853
New contracts liabilities during the year	197,138,958	84,662,951
Interest Charge for the Year	70,673,269	67,061,036
Lease Rental Payments for the Year	(127,957,796)	(106,578,525)
Disposal	(579,176)	-
Balance as at 31st March	615,277,570	476,002,315

Maturity analysis of undiscounted contractual lease payments are as follows;

As At 31st March		2021	2020
		Rs.	Rs.
26.1	Maturity analysis of Lease Liabilities		
	Less than one year	56,123,346	23,382,987
	Between one and five years	296,034,173	186,208,446
	More than five years	263,120,051	266,410,882
		615,277,570	476,002,315
26.2	Amounts recognised in profit or loss:		
	Interest expense on lease liabilities	70,673,269	67,061,036
	Expense relating to leases of low-value assets (included in Other Operating Expenses)	20,693,161	11,802,969
	Gain arising from changes in lease payments and rent concessions	3,353,939	-
		94,720,369	78,864,005
26.3	Information on the Company's variable lease payments, including the magnitude in relation to fixed payments:		
	Fixed rent	127,957,796	106,578,525
		127,957,796	106,578,525

The Company has applied the practical expedient to all rent concessions that meet the conditions.

As At 31st March		2021	2020
		Rs.	Rs.
27	Trade and Other Payables		
	Trade Payables	167,502,086	131,202,001
	VAT on Financial Services & DRL	55,546,611	28,003,467
	VAT Payable	-	627,251
	Accrued Expenses	152,679,777	68,770,066
	Insurance Payable	63,842,443	63,231,273
	Dividend Payable	6,880,427	6,889,006
	Deferred Revenue-Suraksha & Moratorium Loan	25,605,148	7,112,216
	Un Identified Customer Deposits	10,972,114	67,352,973
	Other Payables	103,495,814	94,363,780
		586,524,420	467,552,033

As At 31st March		2021	2020
		Rs.	Rs.
28	Amount due to/(From) Related Companies		
28.1	Amount due from Related Companies		
	Trade		
	Relationship		
	Singer (Sri Lanka) PLC	Parent Company	418,491,945
	184,151,084		
	Non-Trade		
	Hayleys Travels	Affiliated Company	-
	1,370,877		
		418,491,945	185,521,961
28.2	Amount due to Related Companies		
	Non-Trade		
	Relationship		
	Hayleys PLC	Ultimate Parent	3,121,134
	4,512,176		
	Fentons Ltd	Affiliate Company	40,840
	-		
	Singer (Sri Lanka) PLC	Parent Company	452,744,185
	-		
	Loan from Related Party		
	Singer (Sri Lanka) PLC	Parent Company	-
	400,000,000		
		455,906,159	404,512,176

NOTES TO THE FINANCIAL STATEMENTS

	As at 1st April 2020 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31st March 2021 Rs.
28.2.1 Movement of Loan from Related Party				
Singer (Sri Lanka) PLC	400,000,000	-	(400,000,000)	-
	400,000,000	-	(400,000,000)	-

	As at 1st April 2019 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31st March 2020 Rs.
Movement of Loan from Related Party				
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

The Company settled the short term loan during the year under review. Interest was charged based on the lowest AWPLR prevail in the respective month +0.5%.

As At 31st March	2021 Rs.	2020 Rs.
29 Current Tax Liabilities		
Balance as at beginning of the Year	117,350,832	220,581,391
Expenses recognised in Profit or Loss (Note 13)	273,979,408	139,018,769
Income Tax Paid	(194,802,453)	(204,098,728)
WHT Set-off	(305,307)	(411,345)
ESC Set-off	-	(37,739,255)
Balance as at 31st March	196,222,480	117,350,832

30 Deferred Tax (Assets) / Liabilities

30.1 Movement of Deferred Tax (Assets)/Liabilities

Balance as at 1st April	77,364,355	(15,632,099)
Adjustment on Initial Application of SLFRS 16	-	(9,630,633)
Reduction in Tax rate-recognized in Profit or Loss (Note 13)	(11,052,051)	-
Origination of timing differences - recognized in Profit or Loss (Note 13)	(71,253,752)	102,249,773
Origination of timing differences - recognized in Other Comprehensive Income	(265,195)	377,314
Balance as at 31st March	(5,206,643)	77,364,355

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.

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	2021		
	Temporary Difference Rs.	Tax Rate %	Tax effect Rs.
Deferred tax liabilities on:			
Property, Plant and Equipment	(112,269,294)	24	(26,944,631)
Intangible Assets	(27,842,395)	24	(6,682,175)
Lease Rental Receivables	(309,576,264)	24	(74,298,303)
	(449,687,953)		(107,925,109)
Deferred tax assets on:			
Impairment Provision	286,105,749	24	68,665,380
Retirement Benefit Obligation	83,244,646	24	19,978,715
ROU Assets & Lease Liabilities	102,031,904	24	24,487,657
	471,382,299		113,131,752
Net Deferred Tax Assets			5,206,643

As At 31st March	2020		
	Temporary Difference Rs.	Tax Rate %	Tax effect Rs.
Deferred tax liabilities on:			
Property, Plant and Equipment	(98,112,514)	28	(27,471,504)
Intangible Assets	(30,723,661)	28	(8,602,625)
Lease Rental Receivables	(593,200,925)	28	(166,096,259)
	(722,037,100)		(202,170,388)
Deferred tax assets on:			
Impairment Provision	300,857,368	28	84,240,063
Retirement Benefit Obligation	73,397,396	28	20,551,271
ROU Assets & Lease Liabilities	71,481,068	28	20,014,699
	445,735,832		124,806,033
Net Deferred Tax Liabilities			(77,364,355)

Impact due to corporate income tax rate change

As provided for in LKAS-12 Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the assets will be realised or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the reporting date.

As instructed by the Ministry of Finance on January 31, 2020, changes to the current tax rate was proposed as below, pending formal amendments being made to the Act and to be implemented with effect from January 01, 2020 pending legislative procedures. Accordingly, the new tax rates were not considered to be substantially enacted as at 31st March 2020. The Bill to amend the Inland Revenue Act No. 24 of 2017 was gazetted and issued on 18 March 2021. The Bill was presented at the Parliament for first reading and approved on 26th March 2021. Accordingly, the new tax rates disclosed below have been considered to be substantially enacted as at reporting date for the computation of Current and Deferred tax computation for the year ended 31st March 2021.

NOTES TO THE FINANCIAL STATEMENTS

As At 31st March	2021 Rs.	2020 Rs.
31 Retirement Benefit Obligations		
Present Value of Unfunded Gratuity	83,244,646	73,397,396
	83,244,646	73,397,396
Provision for Retiring Gratuity		
Balance as at 1 April	73,397,396	63,118,414
Expenses recognised in Profit or Loss (Note 31.1)	17,964,293	15,769,407
Transfer of employees from/(to) Related Company	(172,839)	95,298
Actuarial (Gain) / Loss in Other Comprehensive Income	1,104,981	(1,347,550)
	92,293,831	77,635,569
Benefits Paid during the Year	(9,049,185)	(4,238,173)
Balance as at 31 March	83,244,646	73,397,396

The Company maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees expressed in term of final monthly salary and service. The Gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by a professionally qualified actuary Mr. Pushpakumara Gunasekara of Smiles Global (Pvt) Limited who is a qualified Actuary, Associate of the Institute of Actuaries of Australia (AIAA).

As At 31st March	2021 Rs.	2020 Rs.
31.1 Expense recognized in Profit or Loss:		
Current Service Cost	10,624,554	8,826,381
Interest Cost	7,339,739	6,943,026
	17,964,293	15,769,407
Actuarial (Gain) / Loss in Other Comprehensive Income	1,104,981	(1,347,550)

31.2 Actuarial Assumptions

Following key assumptions were made in arriving at the above figures

	2021	2020
(a) Rate of Discount	8% p.a. (net of tax)	10% p.a. (net of tax)
(b) Salary Increment Rate	7%	9%
(c) Retirement Age	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.

(e) Discount rate

LKAS 19 requires the risk discount rate to be based on the market yield of high quality Corporate bonds (AA and above) of similar duration to the liability.

Due to the lack of long term high quality bonds available in the Sri Lankan market, discount rate is determined by examining short and medium term government and corporate bonds. For the purpose of this valuation, the Company has considered discount rate of 8%. A rate of discount of 10% has been used at the previous valuation.

Assumptions regarding valuation of the retirement benefits based on published statistics. The discount rate has been changed compared to previous year, in order to reflect the current market conditions.

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 and 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 2021.

Increase (decrease) in Discount rate	Increase (decrease) in Salary Increment rate	Sensitivity Effect on Statement of Comprehensive Income increase /(decrease) in results for the year Rs.	Sensitivity Effect on Retirement Benefit Obligation increase / (decrease) Rs.
1%		4,091,773	(4,091,773)
-1%		(4,533,761)	4,533,761
	1%	(4,684,779)	4,684,779
	-1%	4,301,716	(4,301,716)

As At 31st March	2021 Rs.	2020 Rs.
------------------	-------------	-------------

31.4 Distribution of Retirement Benefit Obligation over Future Working Lifetime

Less than or equal 1 year	1,766,129	1,891,050
Over 1 year and less than or equal 5 years	4,446,067	3,930,083
Over 5 year and less than or equal 10 years	77,032,450	67,576,263
	83,244,646	73,397,396

32 Stated Capital

32.1 Issued and Fully Paid

	As at 1st April 2020 Number	Issued for Cash during the Year Number	Issued for Non-Cash Consideration Number	As at 31st March 2021 Number
Number of 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	2021 Rs.	2020 Rs.
------------------	-------------	-------------

33 Statutory Reserves

Reserve Fund (Note 33.1)	203,054,547	182,548,200
	203,054,547	182,548,200

33.1 Reserve Fund

Balance as at 1st April	182,548,200	163,096,146
Amount Transferred During the Year	20,506,347	19,452,054
Balance as at 31 March	203,054,547	182,548,200

NOTES TO THE FINANCIAL STATEMENTS

The balance in the reserve fund will be used only for the purpose specified in the Central Bank Direction No. 1 of 2003.

The Reserve Fund is maintained in compliance with direction No 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies.

As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

Capital Funds to Deposit Liabilities	% of transfer to Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

Accordingly, 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		Loan & Advances		Other		Total	
	2021 Rs.000	2020 Rs.000	2021 Rs.000	2020 Rs.000	2021 Rs.000	2020 Rs.000	2021 Rs.000	2020 Rs.000	2021 Rs.000	2020 Rs.000
Interest	3,175,047	3,175,614	475	1,705	1,136,048	1,016,882	116,915	116,248	4,428,485	4,310,449
Net Fee and Commission Income	124,029	111,935	19	60	112,436	103,368	181	168	236,665	215,531
Other Operating Income	22,260	30,529	3	16	16,998	21,239	9,293	20,647	48,554	72,431
Total Revenue	3,321,336	3,318,078	497	1,781	1,265,482	1,141,489	126,389	137,063	4,713,704	4,598,411
Interest Expense	(1,376,922)	(1,467,107)	(206)	(788)	(492,670)	(469,791)	(50,702)	(53,706)	(1,920,500)	(1,991,392)
Depreciation & Amortization	(114,150)	(97,367)	(17)	(52)	(40,843)	(31,178)	-	-	(155,010)	(128,597)
Administration and Selling Expenses	(987,632)	(931,181)	(148)	(500)	(353,380)	(298,179)	-	-	(1,341,160)	(1,229,860)
Allowances for Impairment charges for Loans and Other Losses	(301,860)	(212,907)	773	1,692	(181,460)	(147,171)	-	-	(482,547)	(358,386)
VAT, NBT and DRL on Financial Services	(152,488)	(191,450)	(23)	(103)	(54,561)	(61,305)	(5,615)	(7,009)	(212,687)	(259,867)
Profit Before Tax	388,284	418,066	876	2,030	142,568	133,865	70,072	76,348	601,800	630,309
Income Tax Expense	(123,669)	(160,026)	(279)	(777)	(45,408)	(51,241)	(22,318)	(29,225)	(191,674)	(241,269)
Profit For The Year	264,615	258,040	597	1,253	97,160	82,624	47,754	47,123	410,126	389,040
Segment Assets	15,122,159	15,883,625	-	4,151	8,124,184	5,516,232	1,424,868	1,143,434	24,671,211	22,547,442
Segment Liabilities	12,475,163	13,129,788	-	3,432	6,702,120	4,559,851	1,175,459	945,188	20,352,742	18,638,259
Segment assets include the additions to non current assets	64,526	133,107	-	35	34,666	46,227	6,080	9,582	105,272	188,951

35 Maturity Analysis of Assets and Liabilities

As at 31 March	2021					
	Less than 3 months	3-12 months	1-3 years	3-5 years	over 5 years	Total
Interest Earning Assets						
Cash and Cash Equivalents	1,020,922,167	-	-	-	-	1,020,922,167
Placement with Banks	60,934,823	-	-	-	-	60,934,823
Financial Assets at Amortised Cost-Finance Lease Receivables	1,432,884,724	3,288,561,000	6,769,411,439	2,213,094,891	15,821,228	13,719,773,282
Financial Assets at Amortised Cost-Loans and Advances	1,979,963,378	3,389,299,361	1,395,255,606	593,455,331	12,797,042	7,370,770,718
Financial Assets at Amortised Cost-Debt and Other Financial Instruments	714,026,006	99,236,052	-	-	-	813,262,058
Loans to Employees	14,418,523	11,350,550	50,533,232	15,503,993	2,905,333	94,711,631
Due From Related Companies	418,491,945	-	-	-	-	418,491,945
Total Interest Earning Assets	5,641,641,566	6,788,446,963	8,215,200,277	2,822,054,215	31,523,603	23,498,866,624
Percentage(%)	24.0	28.9	35.0	12.0	0.1	100.0
Interest Bearing Liabilities						
Financial Liabilities at Amortised Cost-Due to Customers	2,414,831,740	6,137,200,721	1,436,947,232	637,174,864	17,009,654	10,643,164,211
Financial Liabilities at Amortised Cost-Interest Bearing Loans and Borrowings	1,243,689,247	1,935,380,230	3,158,896,454	1,132,701,954	-	7,470,667,885
Due to Related Companies	455,906,159	-	-	-	-	455,906,159
Bank Overdraft	301,734,383	-	-	-	-	301,734,383
Total Interest Bearing Liabilities	4,416,161,529	8,072,580,951	4,595,843,686	1,769,876,818	17,009,654	18,871,472,638
Percentage(%)	23.4	42.8	24.3	9.4	0.1	100.0

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	2020					Total
	Less than 3 months	3-12 months	1-3 years	3-5 years	over 5 years	
Interest Earning Assets						
Cash and Cash Equivalents	214,376,260	-	-	-	-	214,376,260
Placement 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 Overdraft	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

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 customers, Amount 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 obligor 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 honor 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 requires transaction-specific or counter party-specific approvals from the Company risk.

(ii) Management of Credit Risk

(a) Overview of Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Company Delegated 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; and
- 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.

NOTES TO THE FINANCIAL STATEMENTS

(b) Exposure to credit risk

(i) Maximum Credit exposure

Carrying amount of financial assets represents the maximum credit exposure. The maximum exposure and net exposure to credit risk at the reporting date :

As at 31st March	Maximum Exposure		Net Exposure	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash at Banks	924,189,973	138,247,812	924,189,973	138,247,812
Placement with Banks (Note 36.1.1 (ii) (c) (v) (a))	60,934,823	101,393,778	60,934,823	101,393,778
Loans & receivables from Customers (Note 36.1.1 (ii) (c) (i))	22,272,212,462	20,920,627,613	21,090,544,000	20,157,566,226
Financial assets at amortised cost-Debt and other financial instruments (Note 36.1.1 (ii) (c) (v) (b))	813,262,058	789,889,126	813,262,058	789,889,126
Loans to Employees	94,711,631	97,036,046	94,711,631	97,036,046
Due From Related Companies	418,491,945	185,521,961	418,491,945	185,521,961
	24,583,802,892	22,232,716,336	23,402,134,430	21,469,654,949

The maximum to credit risk for receivables at the reporting date by type of Counter party was

As At 31st March	Net Exposure (Net of Impairment)	
	2021 Rs.	2020 Rs.
Individual Customers	20,744,531,999	19,808,220,487
Corporate Customers	346,012,001	349,345,739
	21,090,544,000	20,157,566,226

(ii) Collateral held and other credit enhancement

As at 31st March	Percentage of exposure that is subject to collateral requirements		Types of Collateral Held
	2021 %	2020 %	
Type of credit exposure			
Hire Purchase Receivables (Note 17.1)	100	100	Vehicles/ Consumer Durables
Finance Lease Receivables (Note 17.2)	100	100	Vehicles
Loans and Advances- Vehicle backed Loans (Note 17.3)	100	100	Vehicles
Loans and Advances- Consumer Fiance Loans (Note 17.3)	100	100	Consumer Durables
Loans and Advances- Gold Loans (Note 17.3)	100	100	Pawning Articles
Loans and Advances- Loans against Deposits (Note 17.3)	100	100	Lien Deposits
Loans and Advances- Personal Loans (Note 17.3)	-	-	Guarantors
Loans to Employees (Note 20.1)	100	100	Vehicles and Guarantors
Due From Related Companies (Note 28.1)	-	-	None
Placement with Banks	100	100	Cash
Financial Assets at Amortised Cost-Debt and Other Financial Instruments (Note 19)	100	100	Marketable Securities

(iii) Credit Quality by Class of Financial Assets - As at 31st March 2021

Financial assets	Not subject to ECL	12 Month ECL – (Stage 1)	Life time ECL – not credit impaired (Stage 2)	Life time ECL – credit impaired (Stage 3)	Total
Cash and Cash Equivalents	1,020,922,167	-	-	-	1,020,922,167
Placement with Banks	60,934,823	-	-	-	60,934,823
Financial assets at amortised cost-Hire Purchase Receivables	-	-	-	5,359,747	5,359,747
Financial assets at amortised cost-Finance Lease Receivables	-	10,763,443,951	2,545,550,341	1,035,671,825	14,344,666,117
Financial assets at amortised cost-Loans and Advances	-	6,097,944,071	746,235,624	1,078,006,903	7,922,186,598
Financial assets measured at fair value through other comprehensive income	41,300	-	-	-	41,300
Financial assets at amortised cost-Debt and other financial instruments	813,262,058	-	-	-	813,262,058
	1,895,160,348	16,861,388,022	3,291,785,965	2,119,038,475	24,167,372,810

(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			
	2021		2020	
	Rs.	%	Rs.	%
Leasing	14,344,666,117	64%	15,308,651,390	73%
Hire Purchase	5,359,747	0%	10,358,040	1%
Loans and Advances	7,922,186,598	36%	5,601,618,183	26%
	22,272,212,462	100%	20,920,627,613	100%

As At 31st March	Net Exposure			
	2021		2020	
	Rs.	%	Rs.	%
Leasing	13,719,773,282	65%	14,958,657,140	74%
Hire Purchase	-	0%	3,909,547	1%
Loans and Advances	7,370,770,718	35%	5,194,999,539	25%
	21,090,544,000	100%	20,157,566,226	100%

NOTES TO THE FINANCIAL STATEMENTS

(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.

As At 31st March	Net Exposure (Net of Impairment)			
	2021		2020	
	Rs.	%	Rs.	%
Central	2,284,335,697	11%	2,129,639,725	11%
Eastern	435,812,087	2%	517,473,839	3%
North Central	1,446,986,655	7%	1,559,002,839	8%
North Western	5,057,069,481	24%	5,469,036,774	27%
Northern	526,330,322	2%	519,159,558	3%
Sabaragamuwa	936,085,502	4%	829,153,007	4%
Southern	2,265,210,605	11%	2,267,837,931	11%
Uva	543,800,329	3%	573,190,144	3%
Western	7,594,913,322	36%	6,293,072,409	30%
	21,090,544,000	100%	20,157,566,226	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 (Net of Impairment)			
	2021		2020	
	Rs.	%	Rs.	%
Agriculture	1,448,185,582	7%	1,741,878,885	9%
Tourism	130,679,972	1%	126,034,846	1%
Transport	12,544,947,913	59%	8,536,206,533	42%
Construction	228,708,539	1%	178,193,110	1%
Services	2,321,133,292	11%	2,820,204,118	14%
Individual	4,416,888,702	21%	6,755,048,734	33%
	21,090,544,000	100%	20,157,566,226	100%

(iv) Allowance for Impairment

The Company's exposure to credit risk on installment credit/hire purchase contracts is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base has a lesser influence on credit risk. Geographically, there is no concentration of credit risk. Leased assets, subject to collateral undertakings so that in the event of non-payment, the Company can have a secured claim.

The Company assesses the impairment for Loans and 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	2021			2020		
	Gross Rs.	Impairment Rs.	Net Rs.	Gross Rs.	Impairment Rs.	Net Rs.
Not past due	12,573,246,997	105,532,150	12,467,714,847	11,650,075,883	21,034,414	11,629,041,469
Past due 1-30 days	3,168,571,491	49,216,161	3,119,355,330	3,958,112,826	27,788,643	3,930,324,183
Past due 31-120 days	4,135,911,429	154,391,174	3,981,520,255	4,098,039,330	106,252,529	3,991,786,801
Past due 121-180 days	934,110,756	116,964,772	817,145,984	409,825,917	57,925,047	351,900,870
Past due 181-360 days	839,823,397	276,065,335	563,758,062	420,887,883	231,076,026	189,811,857
Past due more than 360 days	620,548,392	479,498,870	141,049,522	383,685,774	318,984,728	64,701,046
	22,272,212,462	1,181,668,462	21,090,544,000	20,920,627,613	763,061,387	20,157,566,226

(v) Financial Investments

(a) Placement with Banks

As At 31st March Bank	2021		2020	
	Rating	Rs.	Rating	Rs.
People's Bank	AA+	-	AA+	20,059,171
NDB	A+	20,102,466	A+	20,201,370
Cargills Bank	A+	20,265,753	A	20,545,040
HNB	AA-	-	AA-	20,191,096
Seylan Bank	A-	-	A-	20,397,101
PABC	BBB-	20,566,604	BBB-	-
		60,934,823		101,393,778

(b) Financial assets at amortised cost-Debt and other financial instruments

As At 31st March	2021	2020
	Rs.	Rs.
Rating		
AA+	813,262,058	789,889,126
	813,262,058	789,889,126

** Primary dealer - Commercial Bank of Ceylon PLC, the entire portfolio consist of Government Treasury Bills.

NOTES TO THE FINANCIAL STATEMENTS

(c) Cash & Cash Equivalents

Cash and cash equivalents comprise of cash in hand and cash at bank and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments.

The cash 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 2021	Carrying Amount	Contractual Cash flows	6 months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Non Derivative Financial Liabilities	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Secured Bank Loans	2,542,941,962	2,838,076,993	688,422,298	384,177,179	1,551,413,707	214,063,809	-
Securitization Loans	3,820,951,239	4,398,794,445	1,430,192,169	850,669,923	917,717,713	1,200,214,640	-
Secured Debenture issues	1,106,774,684	1,389,426,126	-	-	1,389,426,126	-	-
Due to Related Companies	455,906,159	481,664,857	481,664,857	-	-	-	-
Trade Other payables	586,524,420	586,524,420	586,524,420	-	-	-	-
Financial liabilities at amortised cost-Due to Customers	10,643,164,211	11,208,626,988	4,131,607,071	4,623,649,081	1,687,915,778	748,445,403	17,009,655
Bank Overdrafts	301,734,383	301,734,383	301,734,383	-	-	-	-
	19,457,997,058	21,204,848,212	7,620,145,198	5,858,496,183	5,546,473,324	2,162,723,852	17,009,655

31st March 2020	Carrying Amount	Contractual Cash flows	6 months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Non Derivative Financial Liabilities	Rs	Rs	Rs	Rs	Rs	Rs	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	618,329,553	-	-	-	-
	17,796,743,753	19,608,741,135	12,087,747,465	3,887,933,319	2,552,786,613	1,063,846,761	16,426,977

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 which the Company is exposed 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

	2021 Rs.	2020 Rs.
Fixed Rate Instruments		
Financial Assets	22,059,493,812	21,145,926,476
Financial Liabilities	(16,395,141,665)	(11,647,687,202)
	5,664,352,147	9,498,239,274
Variable Rate Instruments		
Financial Liabilities	(2,020,424,814)	(4,542,246,196)
	(2,020,424,814)	(4,542,246,196)

Cash Flow Sensitivity for Variable Rate Instruments

A reasonable possible change of 100 basis points (1%) in interest rate at the Reporting date would increase/ (decrease) equity and profit or loss by amounts shown as below. This analysis assumes that all other variables remains constant:

	Profit or Loss		Equity Net of Tax	
	1% Increase Rs.	1% Decrease Rs.	1% Increase Rs.	1% Decrease Rs.
31st March 2021				
Variable Rate Instruments	(20,204,248)	20,204,248	(15,355,228)	15,355,228
Cash Flow Sensitivity (Net)	(20,204,248)	20,204,248	(15,355,228)	15,355,228
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

NOTES TO THE FINANCIAL STATEMENTS

(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:

- 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 2021		Amortised Cost	Fair value through OCI	Other Financial Liabilities	Total	Fair Value	Fair Value Measurement
Non Derivative Financial Liabilities	Note	Rs.	Rs.	Rs.	Rs.	Rs	Rs
Financial Assets							
Cash and Cash Equivalents	15.1	1,020,922,167	-	-	1,020,922,167	-	-
Placement with Banks	16	60,934,823	-	-	60,934,823	-	-
Financial assets at amortised cost- Finance Lease Receivables	17.2	13,719,773,282	-	-	13,719,773,282	-	-
Financial assets at amortised cost-Loans and Advances	17.3	7,370,770,718	-	-	7,370,770,718	-	-
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	813,262,058	-	-	813,262,058	812,439,300	Level 2
Total Financial Assets		22,985,663,048	41,300	-	22,985,704,348	812,480,600	-
Financial Liabilities							
Other Financial Liabilities Due to Customers	24	-	-	10,643,164,211	10,643,164,211	-	-
Debenture	25.1	-	-	1,106,774,683	1,106,774,683	-	-
Bank Loans	25.2	-	-	2,542,941,963	2,542,941,963	-	-
Securitization	25.3	-	-	3,820,951,239	3,820,951,239	-	-
Due to Related Companies	28.2	-	-	455,906,159	455,906,159	-	-
Lease Liabilities	26	-	-	615,277,570	615,277,570	-	-
Bank Overdraft	15.2	-	-	301,734,383	301,734,383	-	-
Total Financial Liabilities		-	-	19,486,750,208	19,486,750,208	-	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2020		Amortised Cost	Fair value through OCI	Other Financial Liabilities	Total	Fair Value	Fair Value Measurement
Non Derivative Financial Liabilities	Note	Rs.	Rs.	Rs.	Rs.	Rs	Rs
Financial Assets							
Cash and Cash Equivalents	15.1	214,376,260	-	-	214,376,260	-	-
Placement with Banks	16	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	25.1	-	-	2,161,650,958	2,161,650,958	-	-
Bank Loans	25.2	-	-	4,756,063,573	4,756,063,573	-	-
Securitization	25.3	-	-	2,310,484,026	2,310,484,026	-	-
Due to Related Companies	28.2	-	-	404,512,176	404,512,176	-	-
Lease Liabilities	26	-	-	476,002,315	476,002,315	-	-
Bank Overdraft	15.2	-	-	618,329,553	618,329,553	-	-
Total Financial Liabilities		-	-	17,902,594,819	17,902,594,819	-	-

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.

	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
As at 31st March 2021					
Financial assets measured at fair value through other comprehensive income	18	-	-	41,300	41,300
				41,300	41,300
As at 31st March 2020					
Financial assets measured at fair value through other comprehensive income	18	-	-	41,300	41,300
				41,300	41,300

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	2021					2020				
		Carrying Value Rs.	Fair Value Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Carrying Value Rs.	Fair Value Rs.	Fair Value Level 1	Level 2	Level 3
Financial Assets											
Cash and Cash Equivalents	15.1	1,020,922,167	1,020,922,167	-	-	-	214,376,260	214,376,260	-	-	-
Placement with Banks	16	60,934,823	60,934,823	-	-	-	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	13,719,773,282	13,719,773,282	-	-	-	14,958,657,140	14,958,657,140	-	-	-
Financial assets at amortised cost-Loans and Advances	17.3	7,370,770,718	7,370,770,718	-	-	-	5,194,999,539	5,194,999,539	-	-	-
Financial assets at amortised cost-Debt and other financial instruments	19	813,262,058	813,262,058	-	-	812,439,300	789,889,126	789,889,126	-	-	789,889,126
		22,985,663,048	22,985,663,048	-	-	812,439,300	21,263,225,390	21,263,225,390	-	-	789,889,126
Financial Liabilities											
Financial liabilities at amortised cost-Due to Customers	24	10,643,164,211	10,643,164,211	-	10,643,164,211	-	7,175,552,218	7,175,552,218	-	7,175,552,218	-
Debenture	25.1	1,106,774,683	1,106,774,683	-	1,106,774,683	-	2,161,650,958	2,161,650,958	-	2,161,650,958	-
Bank Loans	25.2	2,542,941,963	2,542,941,963	-	2,542,941,963	-	4,756,063,573	4,756,063,573	-	4,756,063,573	-
Securitization	25.3	3,820,951,239	3,820,951,239	-	3,820,951,239	-	2,310,484,026	2,310,484,026	-	2,310,484,026	-
Due to Related Companies	28.2	455,906,159	455,906,159	-	-	-	404,512,176	404,512,176	-	-	-
Bank Overdraft	15.2	301,734,383	301,734,383	-	-	-	618,329,553	618,329,553	-	-	-
		18,871,472,638	18,871,472,638	-	18,113,832,096	-	17,426,592,504	17,426,592,504	-	16,403,750,775	-

NOTES TO THE FINANCIAL STATEMENTS

36.5 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.

36.5.1 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 2021.

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.

Details of the computation and the resulting ratios are given below:

As at 31st March	Balance		Risk-Weighted Factor %	Risk-Weighted Balance	
	2021 Rs.	2020 Rs.		2021 Rs.	2020 Rs.
Assets					
Risk Weighted Amount for Credit Risk					
Notes and Coins	95,635,726	67,950,030	0%	-	-
Cash Items in the Process of Collection	70,998,226	28,565,436	20%	14,199,645	5,713,087
Fixed Assets	956,589,835	796,210,579	100%	956,589,835	796,210,579
Other Assets/Exposures	1,079,085,238	654,517,678	100%	1,079,085,238	654,517,678
Investments in Government Securities	813,262,057	789,889,125	0%	-	-
Bank deposits	60,934,822	101,393,778	20%	12,186,964	20,278,756
Retail claims in respect of motor vehicles and machinery	14,097,149,903	11,169,782,369	100%	14,097,149,903	11,169,782,369
Claims Secured by Gold					
Outstanding claim portion up to 70% of the market value	72,516,062	218,071,411	0%	-	-
Remaining outstanding claim portion over 70% of the market value	518,188,357	121,715,407	100%	518,188,357	121,715,407
Other retail claims	6,669,423,507	8,883,995,714	125%	8,336,779,383	11,104,994,643
Other Non-Performing Assets					
Specific provisions are equal or more than 20%	1,012,408,755	612,527,985	100%	1,012,408,755	612,527,985
Total Risk - Weighted Assets	25,446,192,488	23,444,619,512		26,026,588,080	24,485,740,504
Risk Weighted Amount for Operational Risk					
Interest Income	3,915,057,910	3,484,490,754	15%	587,258,687	522,673,613
Interest Expenses	(1,823,242,150)	(1,624,343,647)	15%	(273,486,323)	(243,651,547)
Non-interest income	554,035,932	512,508,361	15%	83,105,390	76,876,254
	2,645,851,692	2,372,655,468		396,877,754	355,898,320
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach				3,779,788,131	3,389,507,811
Total Risk - Weighted Assets	28,092,044,180	25,817,274,980		29,806,376,211	27,875,248,315
Total Capital Base Computation					
Stated Capital				1,996,444,457	1,996,444,457
Reserved Fund				203,054,547	182,548,200
Published Retained Earnings				2,118,970,479	1,730,189,688
Less:-					
Other Intangible Assets (net)				(44,414,165)	(42,276,587)
Total Core Capital				4,274,055,318	3,866,905,758
Supplementary Capital				-	-
Total Supplementary Capital				-	-
Capital Base				4,274,055,318	3,866,905,758

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March		2021	2020
		%	%
Capital Adequacy ratio			
Core Capital Ratio	Core Capital	14.34%	13.87%
	Risk- Weighted Assets		
Total Capital Ratio	Capital Base	14.34%	13.87%
	Risk- Weighted Assets		

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 31 March 2021, is as follows:**

Within one year **Rs. 14.66 million**

As at 31st March		2021	2020
(b) Unutilized Facilities			
	Revolving loan facility amount	300,280,000	255,036,663

37.2 Contingencies

(a) As at **31st March 2021**, the Company has provided letters of guarantee totalling to Rs. 3,100,000/- against Fixed Deposits of Rs. 7,502,814/-

(b) A Case bearing No.404 has been filled 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.13,711,346,797/- over the Company's Lease receivable for the following banks over Loans, Overdrafts, Securitization & Debentures having a carrying value of Rs.10,481,035,997/- as at 31st March 2021.

As at 31st March 2021			Outstanding Credit Facility	Carrying Value
Bank	Exposure	Type of Facility	Rs.	Rs.
		Loan	500,000,000	
Sampath Bank	130% of the Banks's exposure	Overdraft Facility	300,000,000	1,040,000,000
		Loan	230,000,000	
Commercial Bank	150% of the Banks's exposure	Overdraft Facility	200,000,000	645,000,000
		Loan	1,958,420,000	
Seylan Bank	130% of the Banks's exposure	Overdraft Facility	250,000,000	2,870,946,000
		Loan	1,300,000,000	
Nations Trust Bank	130% of the Banks's exposure	Overdraft Facility	200,000,000	1,950,000,000
		Loan	500,000,000	
National Development Bank	130% of the Banks's exposure	Overdraft Facility	100,000,000	780,000,000
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	658,333,322	855,833,319
Pan Asia Bank Corporation	130% of the Company exposure	Loan	500,000,000	650,000,000
Trustee (Hatton National Bank & National Savings Bank)	130% of the Banks's exposure	Securitization	3,584,282,675	4,659,567,478
			10,481,035,997	13,711,346,797

37.4 Net Asset Value Per Share

	2021	2020
Amounts Used as Numerators		
Total Equity attributable to Equity Holders	4,318,469,483	3,909,182,345
Number of ordinary shares Used as Denominators		
Total Number of Ordinary shares in Issue	202,074,075	202,074,075
Net Asset Value Per Share	21.37	19.35

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 Disclosures", 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.

NOTES TO THE FINANCIAL STATEMENTS

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	2021 Rs.	2020 Rs.
Hayleys PLC	Expenses Paid Through Hayleys PLC	33,783,189	25,731,725
(Ultimate Parent)	Balance Settlement	35,174,231	22,789,443
Singer (Sri Lanka) PLC	Debenture Interest Paid	-	80,671,010
(Parent Company)	Debenture Interest Expense	-	65,200,223
	Withdrawals of Rental Collections From Singer (Sri Lanka) PLC	2,308,823,285	2,928,358,683
	Sales Financed to purchase goods from Singer (Sri Lanka) PLC	414,018,641	733,701,852
	Loans Obtained During The Year- (Note-29.6.1)	-	500,000,000
	Loans Settled During The Year- (Note-29.6.1)	400,000,000	1,100,000,000
	Purchase of Assets	270,710	134,916
	Interest Income	17,093,043	54,311,718
	Rental Collections through Singer (Sri Lanka) PLC	3,099,750,446	4,443,491,491
	Service Charge Income	21,093,695	33,358,683
	Collection Commission Paid	23,961,900	38,983,378
	Royalty Expense Charged During The Period	49,523,698	48,069,761
	Rent Reimbursed	18,939,327	11,802,969
	Expenses Paid Through Singer (Sri Lanka) PLC	540,802,958	556,074,238
	Advance Paid	-	41,669,718
	Advance Balance Settlement	-	55,375,511
Singer Industries (Ceylon) PLC	Invested in Fixed Deposits	177,966,419	160,586,449
(Common Immediate Parent)	Deposits Interest Payment (Gross)	17,379,970	22,870,200
Fentons LTD	Purchased of Assets/ Services Obtained	10,352,538	18,958,770
(Common Ultimate Parent)	Balance Settlement	10,311,698	18,958,770
Energynet (Pvt) LTD	Purchased of Assets/ Services Obtained	1,040,744	13,800
(Common Ultimate Parent)	Balance Settlement	1,040,744	13,800
Ravi Industries LTD	Purchases	1,252,500	-
(Common Ultimate Parent)	Balance Settlement	1,252,500	-
Pan Asia Bank Corporation PLC	Investment in Saving Account	1,050,005,000	-
(Common Director)	Withdrawals from Saving Account	450,002,200	-
	Interest Income	916,056	-
	Saving Account Balance	600,918,856	-
	Current Account Balance (Overdraft)	887,300	-
	Unutilized Short Term Loan Facility	500,000,000	-

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
			2020/21 Rs.	2020/21 %	
Singer (Sri Lanka) PLC	Parent Company	Withdrawals of Rental Collections From Singer (Sri Lanka) PLC	2,308,823,285	49%	Interest rate at the market rate
		Rental Collections through Singer (Sri Lanka) PLC	3,099,750,446	66%	
		Expenses Paid Through Singer (Sri Lanka) PLC	540,802,958	11%	
Pan Asia Bank Corporation PLC	Common Director	Investment in Saving Account	1,050,005,000	22%	Interest rate at the market rate
		Withdrawals from Saving Account	450,002,200	10%	
		Unutilized Short Term Loan Facility	500,000,000	11%	

39.4 The amount due to Singer(Sri Lanka) PLC as at 31 March 2021, are disclosed in Note 28 of the Financial Statements.

39.5 Transactions with Key Management Personnel

(a) According to LKAS 24 - "Related Party Disclosures", 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.

	2021 Rs.	2020 Rs.
(i) Transactions Key Management Personnel or close Family Members		
Deposit kept by Key Management Personnel or their close family members	81,692,712	51,300,516
(ii) Compensation of Key Management Personnel		
Short-Term Employee Benefits	18,045,508	17,298,508
Post-Employment Benefit Paid	-	-

In addition to their salaries the Company provides non-cash benefits to the Key Management Personnel and contributes to a past employment defined benefit plan on their behalf. Directors emoluments are disclosed in Note 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.

39.6 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.

NOTES TO THE FINANCIAL STATEMENTS

40 COVID 19 Impact Assessment

The beginning of 2020 saw profound upheaval around the world as the COVID-19 pandemic crossed borders with ease, this resulted in the necessity of border closures, business closures, job losses and layoffs and much tragedy throughout the world. Social distancing and working from home became the new normal, changing our lifestyles dramatically and all who could afford it embedded digital platforms into their lifestyles. Restrictions imposed by the Government of Sri Lanka in order to curtail the pandemic early in the financial year greatly hindered the operations of the Company. However, in order to continue the business activities to a possible extent, the Company actioned its business continuity plans. This helped the Company to honor the requests of its deposit holders as well as its lending customers.

The Central Bank of Sri Lanka imposed guidelines to the NBFIs sector to offer concessions on financial obligations for individual customers and private businesses due to the adverse short-term impact on their source of income. The Company adhered to guidelines and acted upon with the intention of providing maximum possible relief to the customers. Accordingly, to avoid the unexpected risks to the business operation, the Company constantly evaluated the liquidity position to ensure the ability to sustain its operations with its available banking facilities.

The Company further stress tested the ability to continue its operation in the foreseeable future by forecasting its operation for the upcoming 12 months and is confident of the ability of the Company to manage its operations considering the amount of unutilized and excess cash available to the Company.

Impact of COVID-19 on the allowance for expected credit losses

The Company measures the allowance for Expected Credit Losses (ECL) using an expected credit loss impairment model as required by SLFRS 9 Financial Instruments. The Company's accounting policy for the recognition and measurement of the allowance for expected credit losses is described by Note 3.25 to the financial statements for the year ended 31 March 2021.

For facilities subject to the COVID-19 repayment deferral arrangements, an assessment of Significant Increase in Credit Risk (SICR) has been determined, based on various measures, which includes the sectors in which the customers operate categorized into risk categories and the customer's post moratorium payment patterns. SICR is then determined based on the resulting risk categorization. Based on the above characteristics the customers repayment capacity under the COVID-19 outbreak is evaluated and a staging change (significant changes in credit risk or default status) was considered in order to factor the same in the ECL model. There was no material impact to the ECL computation due to the granting of moratoriums.

Sensitivity analysis of the expected credit loss model

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:

As at 31 March 2021	Total collective impairment	Impact to the statement of profit or loss
	Rs. '000	Rs. '000
Change in weightage		
100% best case scenario	(35,481)	31,594
100% base case scenario	(22,263)	19,824
100% worst case scenario	51,815	(46,138)

Liquidity Risk assessment on COVID-19 impact

The steps taken by the Company to respond to possible future liquidity constraints arising from the COVID-19 pandemic are listed below,

- In April 2020, the Company issued a 3-year unsecured debenture with a face value amounting to Rs.1,008 Mn.
- Throughout the year, the Company obtained bank borrowings, amounting to Rs. 8.2 Bn, and Company have unutilized borrowing amounting to Rs. 4.8 Bn as of 31st March 2021.

Further, as disclosed in Note 35, the Company has sufficient net current assets to satisfy short-term working capital requirements of the Company.

The global situation on COVID-19 is extremely unstable, but with the approvals for multiple vaccines and the rollout of vaccination campaigns around the country, the Company expects that the business environment will gradually become stable. However, the Management will continue to monitor developments, and will take timely action to mitigate any risks to the financial stability of the Company.

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 K.D.D.Perera S.C. Ganegoda H.S.R. Kariyawasan Dr. H. Cabral L.R.V. Waidyaratne M.H.Jamaldeen M.Y.A. Perera J.Darmasena R.J. Karunarajah K.D.G. Gunaratne 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 S.C. Ganegoda M.H. Wijewardene D. Sooriyaarachchi D.H. Fernando M.H. Jamaldeen D.K.De S. Wijeyeratne H.M.G. De Alwis H.P.S. Perera A.A.K. Amarasinghe Mr. K.K.L.P. Yatiwella - resigned w.e.f. 31.03.2021

NOTES TO THE FINANCIAL STATEMENTS

Company Name	Principal Activity	Directors
Singer Industries (Ceylon) PLC	Manufacturing Sewing Machines	A.M.Pandithage S.C. Ganegoda M.H. Wijewardene D.K. De Silva Wijeyeratne K.D. Kospelawatta M.H.Jamaldeen N.L.S. Joseph K.D.G. Gunaratne V.G.K. Vidyaratne - resigned w.e.f. 31.03.2021 Mr. K.K.L.P. Yatiwella - resigned w.e.f. 31.03.2021
Hayleys Travels	Flight Tickets,Holiday Packages,VISA services,Travel Insurance & Rent a car	A.M. Pandithage S.C. Ganegoda E.J. Pietersz J.G. Victoria L.R.V. Waidyaratne V. Jayasundera S.J. Wijesinghe
Fentons LTD	Mechanical, Electrical and Plumbing services	A.M. Pandithage S.C. Ganegoda H.P.G.S.E.M. De Alwis H.C. Prematillake D. Rangalle T.G.Thoradeniya M.Y.A. Perera R.S.S. Perera

TEN YEAR SUMMARY

Year Ended 31st March	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Operating Results										
Operating Results										
Income	4,713,704	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
Interest Expense	1,920,500	1,991,392	1,645,624	1,287,378	978,996	688,135	669,413	759,449	742,013	407,774
Non-Interest Expense (Personal Cost, Admin and Selling and Impairment)	1,978,715	1,716,842	1,500,361	1,118,830	937,298	696,664	711,726	732,390	669,288	557,252
Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services	212,687	259,867	260,956	171,063	125,789	81,784	38,766	28,428	20,908	26,595
Profit Before Tax	601,801	630,310	722,904	700,299	568,214	646,813	566,135	374,493	323,391	285,739
Provision for Taxation	191,674	241,269	181,170	257,153	198,385	205,958	177,469	105,897	66,857	70,058
Profit After Tax	410,127	389,041	541,734	443,146	369,830	440,855	388,666	268,597	256,535	215,681
Other Comprehensive Income for the Year, Net of Taxes	(840)	970	(1,290)	(6,506)	1,159	720	1,563	447	-	-
Total Comprehensive Income for the Year	409,287	390,011	540,444	436,639	370,988	440,135	387,103	268,149	256,535	215,681
Dividend	-	-	222,281	196,011	175,253	248,000	206,667	107,467	107,467	85,333
As at 31st March	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Assets										
Liquid assets	1,895,119	1,105,660	1,024,006	1,048,590	797,195	666,326	766,506	815,542	402,973	325,844
Investments	41	41	41	41	41	41	41	41	41	41
Advances	21,090,544	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
Other Assets	260,804	260,166	290,636	210,265	192,113	185,872	141,412	116,219	151,236	174,967
Property, Plant & Equipment	372,602	327,720	221,885	120,587	124,658	111,233	66,728	72,711	53,461	29,554
Due From Related Companies	418,492	185,522	92,444	336,269	201,865	-	-	-	-	-
Intangible Assets	44,414	42,277	46,293	49,420	32,011	36,041	30,728	32,383	25,262	13,650
Deffered Tax Assets	5,207	-	15,632	-	-	-	-	-	33,780	11,858
Income Tax Receivable	-	-	-	-	-	-	-	-	-	9,288
Right-of-use assets / Lease assets	583,989	468,490	-	-	-	-	-	-	-	-
Total Assets	24,671,212	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
Liabilities										
Interest-Bearing Loans & Borrowings	7,772,403	9,846,529	6,631,191	4,990,518	5,493,345	3,978,929	1,592,323	1,325,231	1,009,276	1,223,338
Deposit from customers	10,643,164	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
Amount due to Related companies	455,906	404,512	1,001,570	1,465,346	771,235	421,199	51,325	28,679	661,651	1,299,856
Retirement Benefit Obligations	83,245	73,397	63,118	55,213	36,842	30,515	22,369	14,947	11,521	7,479
Deffered Tax Liability	-	77,364	-	154,876	39,942	54,345	31,972	14,543	34,755	4,879
Other Liabilities	782,747	584,903	2,203,438	774,462	627,817	779,425	634,614	339,100	297,504	359,292
Lease Liabilities	615,278	476,003	-	-	-	-	-	-	-	-
Total Liabilities	20,352,743	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
Equity										
Stated Capital	1,996,444	1,996,444	1,996,444	1,994,455	1,445,333	1,445,333	1,445,333	1,445,333	1,445,333	800,000
Statutory Reserves	203,055	182,548	163,096	136,009	113,852	95,361	73,318	136,128	108,437	65,161
Retained Earnings	2,118,970	1,730,190	1,384,395	1,204,648	1,161,431	1,056,934	845,509	503,063	370,071	246,973
Total Equity	4,318,469	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
Total Liabilities & Equity	24,671,212	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
Investor Information										
Gross Dividend (Rs.)	-	-	222,281	196,011	175,253	248,000	206,667	107,467	107,467	85,333
Dividend per share (Rs.)	-	-	1.10	0.97	1.06	1.50	1.25	0.65	0.65	0.79
Dividend Cover (Times)	-	-	2.44	2.26	2.11	1.78	1.88	2.50	2.39	2.53
Net Assets Per Share (Rs.)	21.37	19.35	17.54	16.50	16.46	15.71	14.30	12.61	13.17	10.33
Market Price Per Share (Rs.) -Maximum	19.40	14.70	16.40	21.00	23.60	27.90	21.40	15.70	18.50	44.20
Market Price Per Share (Rs.) -Minimum	7.40	8.00	12.50	14.90	16.60	16.50	12.00	10.50	10.90	15.20
Price as at Year End (Rs.)	13.70	8.60	12.60	15.40	17.10	18.10	18.30	12.10	12.60	16.20
Price Earning Ratio (Times)	6.75	4.47	4.70	6.11	7.63	6.79	7.78	7.45	7.18	8.09
Earning Per Share (After Tax)	2.03	1.93	2.68	2.52	2.24	2.67	2.35	1.62	1.76	2.00
Ratios										
Annual Income Growth (%)	2.51	11.35	26.00	25.56	23.51	6.41	4.82	7.93	37.44	27.43
Growth In Interest Expenses (%)	(3.56)	21.01	27.83	31.50	42.27	2.80	(11.86)	2.35	81.97	44.09
Growth In Non Interest Expenses (%)	15.25	14.43	34.10	19.37	34.54	(2.12)	(2.82)	9.43	20.11	21.21
Growth In Profit after tax (%)	5.42	(28.19)	22.25	19.82	(16.11)	13.43	44.70	4.70	18.94	80.55
Growth In Advances (%)	4.63	12.94	24.23	24.36	15.11	27.99	11.27	6.93	6.60	54.28
Growth In Deposits (%)	48.33	17.71	13.81	66.83	1.16	(23.53)	(2.97)	28.88	21.08	45.59
Growth In Shareholder's Fund (%)	10.47	10.31	6.26	22.59	4.73	9.88	13.41	8.35	72.99	18.42
Equity:Assets (%)	17.50	17.34	18.14	20.67	21.09	23.54	26.72	25.78	26.51	16.48
Debt:Equity (Times)	4.26	4.46	3.87	3.40	3.38	2.92	2.45	2.70	2.59	4.73

QUARTERLY FINANCIAL STATEMENTS

Income Statement - Company

For the 3 months ended	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2019 Rs.'000	30.06.2020 Rs.'000	30.09.2019 Rs.'000	30.09.2020 Rs.'000	31.12.2019 Rs.'000	31.12.2020 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000
Gross Income	1,144,904	1,207,823	1,117,564	1,091,767	1,141,825	1,165,619	1,194,119	1,248,496
Interest Income	1,081,775	1,170,703	1,054,102	1,007,357	1,088,191	1,094,261	1,086,382	1,156,164
Less: Interest Expense	512,692	514,231	506,980	480,215	497,413	460,032	474,307	466,023
Net Interest Income	569,083	656,472	547,122	527,142	590,778	634,229	612,075	690,141
Fee and Commission Income	53,499	34,906	53,983	75,559	52,593	59,692	55,456	66,509
Trading Income	303	-	418	-	136	-	71	22
Other Operating Income	9,327	2,214	9,061	8,851	905	11,666	52,209	25,801
Total Operating Income	632,212	693,592	610,584	611,552	644,412	705,587	719,811	782,473
Less: Allowances for Impairment charges for Loan and Other Losses	122,514	307,970	86,289	6,149	43,501	165,910	106,082	2,517
Net Operating Income	509,698	385,622	524,295	605,403	600,911	539,677	613,729	779,956
Less: Operating Expenses								
Staff Cost	147,930	125,313	145,344	162,001	148,728	174,381	104,200	254,114
Administration Expenses	173,860	136,981	168,084	178,935	173,088	170,006	151,107	193,921
Selling Expenses	39,471	6,272	39,607	49,761	29,214	7,463	37,823	37,022
Operating Profit Before Value Added Tax & DRL	148,437	117,056	171,260	214,706	249,881	187,827	320,599	294,899
Less: Value Added Tax, NBT on Financial Services & DRL	65,763	33,760	64,508	50,523	83,551	54,048	46,045	74,357
Profit Before Tax	82,674	83,296	106,752	164,183	166,330	133,779	274,554	220,542
Less: Income Tax expense	33,644	26,655	32,255	57,159	66,033	36,894	109,336	70,965
Net profit for the Period	49,030	56,641	74,497	107,024	100,297	96,885	165,218	149,577

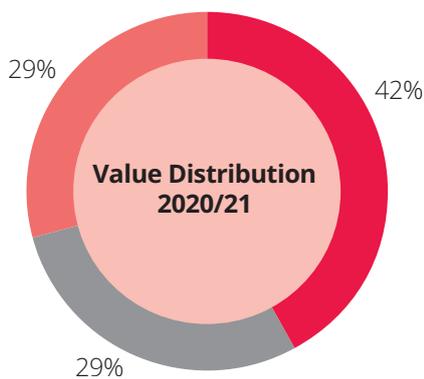
QUARTERLY FINANCIAL STATEMENTS

Statement of Financial Position - Company

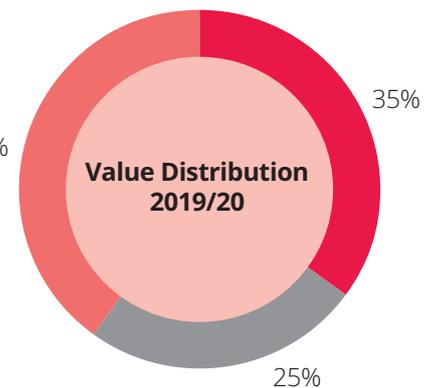
As at	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2019	30.06.2020	30.09.2019	30.09.2020	31.12.2019	31.12.2020	31.03.2020	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS								
Cash and Cash Equivalents	579,164	782,939	256,852	1,295,706	270,263	1,743,015	214,376	1,020,923
Placement with Banks	133,825	59,920	84,093	80,633	101,362	80,476	101,394	60,935
Hire Purchase Receivables	8,899	3,589	5,742	-	3,943	-0	3,910	0
Finance Lease Receivables	14,078,502	14,554,309	14,367,228	14,805,043	14,470,134	13,900,519	14,958,657	13,719,773
Loans and Advances	3,936,500	4,756,803	4,136,805	5,653,602	4,578,609	6,536,060	5,195,000	7,370,771
Financial Instruments - Available-for-Sale	41	41	41	41	41	41	41	41
Financial Instruments - Held-to-Maturity	722,570	636,529	693,450	599,109	737,085	668,039	789,889	813,262
Due From Related Companies	125,076	503,700	174,266	277,238	199,093	323,932	185,522	418,492
Deferred Tax Assets	25,263	-	25,263	-	25,263	-	0	5,207
Intangible Assets	44,850	40,700	43,866	39,123	43,811	43,066	42,277	44,414
Property, Plant & Equipment	259,807	326,616	301,556	336,584	311,038	343,273	327,720	372,602
Right-of-use assets / Lease assets	462,615	451,072	435,269	459,009	465,047	531,374	468,490	583,989
Other Assets	324,515	238,863	339,702	231,123	324,987	322,394	260,166	260,803
Total Assets	20,701,627	22,355,081	20,864,133	23,777,211	21,530,676	24,492,189	22,547,442	24,671,212
LIABILITIES								
Other Financial Liabilities Due to Customers	6,727,114	7,413,830	6,628,502	8,311,615	6,643,811	9,597,690	7,175,552	10,643,165
Interest Bearing Loans & Borrowings	7,293,601	9,741,637	7,841,533	9,650,915	8,756,119	8,673,197	9,228,199	7,470,668
Lease Liabilities	436,535	484,757	438,592	498,349	474,638	582,561	476,002	615,278
Due To Related Companies	701,893	5,158	704,096	135,542	404,667	260,306	404,512	455,906
Bank Overdraft	1,075,916	179,604	822,731	466,116	563,093	401,235	618,330	301,734
Current Tax Liabilities	201,363	109,582	137,824	80,162	154,169	72,372	117,351	196,222
Deferred Tax Liabilities	-	77,364	-	77,364	-	77,364	77,364	-
Retirement Benefit Obligations	68,503	79,017	73,485	84,475	79,171	90,350	73,397	83,245
Other Liabilities	628,502	298,309	574,672	399,825	712,013	567,382	467,552	586,525
Total Liabilities	17,133,427	18,389,258	17,221,435	19,704,363	17,787,681	20,322,457	18,638,259	20,352,743
EQUITY								
Stated Capital	1,996,444	1,996,444	1,996,444	1,996,444	1,996,444	1,996,444	1,996,444	1,996,444
Reserve Fund	163,096	182,548	163,096	182,548	163,096	182,548	182,548	203,055
Retained Earnings	1,408,660	1,786,831	1,483,158	1,893,856	1,583,455	1,990,740	1,730,191	2,118,970
Total Equity	3,568,200	3,965,823	3,642,698	4,072,848	3,742,995	4,169,732	3,909,183	4,318,469
Total Liabilities & Equity	20,701,627	22,355,081	20,864,133	23,777,211	21,530,676	24,492,189	22,547,442	24,671,212

VALUE ADDED STATEMENT

	2020/21		2019/20	
	Rs.		Rs.	
Income earned by providing financial services	4,428,484,685		4,310,448,981	
Cost of Services	(2,545,852,832)		(2,675,048,247)	
Value added by financial services	1,882,631,853		1,635,400,734	
Non-financial income	285,219,107		287,962,891	
Provision for Impairment Losses	(482,546,340)		(358,386,480)	
	1,685,304,620		1,564,977,145	
Value Allocated				
To employees as remuneration	715,807,091	42%	546,203,395	35%
To shareholders as dividend	-	0%	-	0%
To government as tax				
- Income Tax	273,979,412	16%	139,018,772	9%
- FS VAT	212,687,011	13%	259,866,782	17%
To business expansion and growth				
- as Depreciation	155,009,985	9%	128,597,346	8%
- as Retained earnings	410,126,924	24%	389,041,077	25%
- as Deferred Taxation	(82,305,803)	-4%	102,249,773	6%
	1,685,304,620	100%	1,564,977,145	100%



- To employees as remuneration 40%
- To shareholders as dividend
- To government as tax
- To business expansion and growth



SHARE INFORMATION

1. Stated Capital

	31st March 2021	31st March 2020
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 2021 No of Shares	31st March 2020 No of Shares
Mr. Aravinda Perera	-	-
Mr. Jayanth Perera	-	-
Mr. Jayendran Setukavalar (resigned w.e.f. 22nd March 2021)	-	-
Mr. Priyath Salgado	12,224	12,224
Mr. Ranil De Silva (appointed on 09th March 2021)	-	-
Ms. Darshini Talpahewa	-	-
Mr. Sadeep Perera	-	-
Mr. Mahesh Wijewardene	-	-
Mr. Thushan Amarasuriya (CEO / Executive Director)	50,155	50,155
Mr. Lalith Yatiwella (Alternate Director to Ms. Darshini Talpahewa) (resigned w.e.f. 31st March 2021)	-	-

SHARE INFORMATION

4. Analysis of Shareholders According to the Number of Shares as at 31st March 2021

No. of Shareholders: **31st March 2021 - 6,531** (31st March 2020 - 6,839)

		Resident Shareholders			Non Resident Shareholders			Total Shareholders		
		No. of Holders	Total Holdings	%	No. of Holders	Total Holdings	%	No. of Holders	Total Holdings	%
1- 1,000	Shares	4,640	1,941,303	0.97	15	8,810	0.00	4,655	1,950,113	0.97
1,001- 10,000	Shares	1,431	4,937,762	2.44	8	34,722	0.02	1,439	4,972,484	2.46
10,001- 100,000	Shares	375	11,527,715	5.70	7	278,770	0.14	382	11,806,485	5.84
100,001- 1,000,000	Shares	51	15,099,652	7.47	1	143,928	0.07	52	15,243,580	7.54
OVER 1,000,001	Shares	3	168,101,413	83.19	-	-	-	3	168,101,413	83.19
Total		6,500	201,607,845	99.77	31	466,230	0.23	6,531	202,074,075	100.00

5. Analysis of Shares

Categories of Shares	31st March 2021		31st March 2020	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares
Individuals	6,349	26,045,420	6,653	25,616,080
Institutions	182	176,028,655	186	176,457,995
Total	6,531	202,074,075	6,839	202,074,075

6. Market Value Per Share

For the Year Ended 31st March	2021		2020	
	Rs.	Date	Rs.	Date
Highest Value per share during the Year	19.40	25th January 2021	14.70	30th July 2019
Lowest Value per share during the Year	7.40	12th May 2020	8.00	20th March 2020
Last Traded	13.70	31st March 2021	8.60	20th March 2020

7. Dividends

Interim Dividend **2020/21 - Nil** (2019/20 -Rs. Nil)

Final Dividend **2020/21 - Nil** (2019/20 - Rs. Nil)

Dividend Payout Ratio % **2020/21 - Nil** (2019/20 - Nil)

8. Twenty Largest Shareholders

			31st March 2021	
Name	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	3,147,500		1.56
4	Mr. Amarakoon Mudiyansele Weerasinghe	1,000,000		0.49
5	Mr. Mark Lawrence Ajit Benedict	951,922		0.47
6	Mr. Atapattu Mudiyansele Chandrasoma Sunil Atapattu	743,264		0.37
7	Mr. Sandun Thushara Hettige Don	711,000		0.35
8	United Motors Lanka PLC	679,224		0.34
9	Mr. Subramaniam Vasudevan & Mrs. V. Saraswathi	625,000		0.31
10	Mrs. Hemalatha Gracelin Elizabeth Arumugampillai	590,000		0.29
11	Hatton National Bank PLC/Shakir Asgerally Lukmanjee	569,867		0.28
12	Mr. Dadimuni Chatura Pavitra De Silva Siriwardane	550,152		0.27
13	Mrs. Vasudevan Saraswathi & Mr. S. Vasudevan	550,000		0.27
14	Unimo Enterprises Ltd	521,885		0.26
15	People's Leasing & Finance PLC/L.P. Hapangama	473,202		0.23
16	A E C Properties (Pvt) Ltd.	440,000		0.22
17	Hatton National Bank PLC/Arunasalam Sithampalam	420,944		0.21
18	Mr. Ram Pritamdas, Mr. D. Pritamdas & Miss. L.P. Hathiramani	415,723		0.20
19	Mr. Loku Narangodage Sarath Kumara Samarasinghe	355,000		0.18
20	Mr. Annesly Roshan Hettiarachchi	314,690		0.16
		178,013,286		88.09
	Others	24,060,789		11.91
		202,074,075		100.00

			31st March 2020	
Name	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		0.33
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

SHARE INFORMATION

9. Public Holdings

Public holding as at **31st March 2021** is **20.04%** (31st March 2020 is 20.04%)

No. of Shareholders representing public holding- **6,528**

Float Adjusted Market Capitalization as at **31st March 2021** is **Rs.554,790,331.53**

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	2021	2020
Number of Transactions	8,791	4,816
Number of Shares Traded	22,072,449	9,858,064
Value of Shares Traded (Rs.)	318,291,863	127,601,982

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

Type	Face Value Rs.	Interest Fre- quency	Interest Rate	Date of Allotment	Interest rate of Comparable Government Securities
Type - A	753,000,000	Annually	13%	09-Apr.-2020	as at 15th April 2020 was 8.5%
Type - B	250,000,000	Semi-annually	6 Month T-Bill rate +3.75% P.A	09-Apr.-2020	as at 15th April 2020 was 8.5%
Type - C	5,000,000	Annually	13.25%	09-Apr.-2020	as at 15th April 2020 was 8.7%

Interest rate of Comparable Government Securities as at 31st March 2021 was 6.25%

The Listed Debentures were not traded during the period 01st April 2020 to 31st March 2021. Therefore, Highest Traded price, Lowest Traded Price, Last Traded Price as at 31st March 2021, Interest Yield and Yield to Maturity of trade were not available.

Debenture Proceeds Utilization as at 31st March 2021

Objective as per Prospectus	Amount allocated as per Prospectus in Rs.	Proposed date of utilization as per prospectus	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilized in Rs. (B)	% Utilized against allocation on (B/A)	Clarification if not fully utilized including where the funds are invested (eg: whether lent to related party/s etc)
Supporting the expansion of the lending portfolio of the company	Rs.1,000,000,000 with an option to raise a further Rs.500,000,000, in the event of oversubscription of the initial issue	09th April 2020	1,008,000,000	100%	1,008,000,000	100%	N/A
Reducing the mismatch of maturity periods between assets and liabilities		05th May 2020					
Diversifying the mix of funding		19th May 2020					

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.

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 Lossess (ECL)

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.

GLOSSARY OF FINANCIAL TERMS

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.

Financial Liabilities

A contractual obligation to deliver cash or other financial assets to another entity to exchange assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity

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.

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.

Lifetime Expected Credit Losses (LTECL)

Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial

instrument. According to SLFRS 9 on "Financial instruments", the ECL allowance should be based on LTECL unless there has

been no significant increase in credit risk since origination.

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.

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.

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.

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.

NPL Ratio

Total non-performing loans as a percentage of the total lending portfolio

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

Probability of Default (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

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.

Right of Use of Assets (ROU)

An asset that represents a lessee's right to use an underlying asset for the lease term.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Segment

Constituent business units grouped in terms of similarity of operations and location.

Significant Increase in Credit Risk (SICR)

According to SLFRS 9, an entity should assess whether the risk of default on a financial instrument has increased significantly since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable

presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due.

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.

Twelve Month Expected Credit Losses (12 Month ECL)

The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial

instrument that are possible within the 12 months after the reporting date.

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 Fourteenth Annual General Meeting of Singer Finance (Lanka) PLC will be held on Monday, 28th June 2021 at 10.30 a.m. via online meeting platform.

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 2021 with the Report of the Auditors thereon.
2. To re-elect as a Director Ms. D.G. Talpahewa 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 as a Director Mr. L.S.S. 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 re-elect as a Director Mr. D.T.R. De Silva, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 24(9) of the Articles of Association of the Company.
5. To ratify the sum of Rs. 114,098/- made as donations for the year 2020/21 in excess of the sum approved by the shareholders.
6. To authorise Directors to determine contribution to charities for the year 2021/22.
7. To re-appoint 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
02nd June 2021

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 02nd June 2021 and follow the instructions to join the meeting physically or virtually.

FORM OF PROXY

SINGER FINANCE (LANKA) PLC

[Company Registration No. PB 813 PQ]

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 (**)

of.....

or, 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 Fourteenth Annual General Meeting of the Company to be held on Monday, 28th June 2021 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 Statement of Accounts for the year ended 31st March 2021 with the Report of the Auditors thereon.		
2.	To re-elect as a Director Ms. D.G. Talpahewa 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 as a Director Mr. L.S.S. 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 re-elect as a Director Mr. D.T.R. De Silva, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 24(9) of the Articles of Association of the Company.		
5.	To ratify the sum of Rs. 114,098/- made as donations for the year 2020/21 in excess of the sum approved by the shareholders.		
6.	To authorise the Directors to determine contributions to charities for the financial year 2021/22.		
7.	To reappoint Messrs KPMG as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.		

(***) 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 of2021.

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.

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 or by a duly authorised Director. 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:

Hayleys Group Services (Pvt) Ltd,

Company Secretaries for Singer Finance (Lanka) PLC,
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.singerfinance.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

Pan Asia Banking Corporation PLC

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. Priyath Salgado - INED

Mr. Jayanth Perera - Senior INED

Mr. Thushan Amarasuriya- CEO/ED

Ms. Darshini Talpahewa - NED

Mr. M. Wijewardena - NED

Mr. Sadeep Perera - NED

Mr. Ranil De Silva - INED

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. 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

Ms. Harshani Mapatuna

Head of Legal

This Annual Report is
conceptualised, designed
and produced by
Redworks.



REDWORKS

Member of the Ogilvy Group

Singer Finance (Lanka) PLC

No. 498, R.A De Mel Mawatha,
Colombo 03.

Telephone : 94-11-2400400

Fax : 94-11-2303715

E-mail : financecompany@singersl.com