SINGER FINANCE (LANKA) PLC

FOR THE YEAR ENDED 31st MARCH 2023

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF SINGER FINANCIAL (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 31 March 2023, 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 to the financial statements, including
a summary of significant accounting policies and other explanatory notes set out on pages from 172 to 256.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the
Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial 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.

Risk Description	Our response
As at 31 March 2023, 76% of its total assets of the Company consisted of loans and advances and finance lease receivables amounting to Rs. 24 Bn. Higher degree of complexity and judgement are involved in estimating Expected Credit loss (ECL) amounting to Rs. 1.42 Bn as at the reporting date. Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables and finance lease receivable balances to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR). SLFRS 9 Financial Instruments require the Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loan and lease receivable portfolios. We exercise significant judgement when evaluating the economic scenarios used and the judgmental post model adjustments the Company applies to the ECL results. The Company's criteria selected to identify a SICR are key areas of judgement within the Company's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded. Additional subjectivity and judgement have been introduced into the Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Company's customers, increasing our audit effort thereon. The disclosures regarding the Company's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.	Our audit procedures include ; @ Understanding and assessing the design and implementation and operating effectiveness of management key internal controls over the approval, recording and monitoring of loans and advances and finance lease receivables, and the measurement of provisions for impairment. @ 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 current economic uncertainty of the Country. @ 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 extreme volatility in economic scenarios caused by the current economic uncertainty and government responses. @ Recalculating the amount of credit loss allowance for loans and advances and finance lease receivables to verify the calculation accuracy of the credit loss allowance. @ We have involved our FRM specialist to assess 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 FRM specialist 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
02. IT systems and controls over financial reporting	
Risk Description	**Our response**
The Company's businesses utilize many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of financial statements which provides a true and fair view of the Company's financial position and performance. The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT controls.	We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures include : @ Assessing the design, implementation, and operating effectiveness of key internal controls over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations. @ Examining the framework of governance over the Company's IT organization and the controls over program development and changes, access to programs and data and IT operations, including compensating controls when required. @ Evaluating the design, implementation and operating effectiveness of the significant accounts related to IT process controls by assessing the operating effectiveness of IT application controls by assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the company's compliance activities and assessing the consistency of data transmission and data migration. @ Assessing the availability and stability of key operating systems, taking into consideration the rapid development of business types and transaction volumes as well as IT projects that have a significant impact on business continuity. @ On sample basis, re-performed selected automated computations and compared our results with those from the system and the general Ledger. @ On sample basis, testing the access rights given to staff by checking them to approved records and inspecting the reports over the granting and removal of access rights @ Testing preventative controls designed to enforce segregation of duties between users within particular systems.

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. The annual report is expected to be made available to us after the date of this auditor's report.
Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

@ Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

@ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group'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 Group'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 Group 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 Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 3707.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka.

04 May 2023

STATEMENT OF PROFIT OR LOSS

	For the Year Ended 31st March 2023 Rs. 000	As a % of Interest	For the year Ended 31st March 2022 Rs. 000	As a % of Interest Income	Change %
Interest Income	7,142,823	100%	5,113,433	100%	40%
Less : Interest Expense	4,528,451	63%	1,946,514	38%	(133%)
Net Interest Income	**2,614,372**	**37%**	**3,166,919**	**62%**	**(17%)**
Net Free and Commission Income	339,799	5%	293,029	6%	16%
Trading Income	596	0%	133	0%	348%
Other Operating Income	69,682	1%	79,910	2%	(13%)
Total Operating Income	**3,024,449**	**42%**	**3,539,991**	**69%**	**(15%)**
Less : Allowances for Impairment charges for Loan and Other Losses	(43,504)	-1%	412,726	8%	111%
Net Operating Income	**3,067,953**	**43%**	**3,127,265**	**61%**	**(2%)**
Less : Expenses					
Personnel Cost	924,502	13%	847,223	17%	(9%)
Depreciation and Amortization	1,001,477	14%	841,527	16%	(19%)
Other Administration and Selling Expenses	146,689	2%	192,275	4%	24%
Operating Profit Before VAT on Financial Services & Social Security Contribution Levy	**995,285**	**14%**	**1,246,240**	**24%**	**(20%)**
Less : VAT on Financial Services	289,293	4%	287,570	6%	(1%)
Social Security Contribution Levy	27,420	0%	-	0%	
Profit Before Income Tax	**678,572**	**10%**	**958,670**	**19%**	**(29%)**
Less : Income Tax Expense	269,529	4%	337,529	7%	20%
Profit For The Period	**409,044**	**6%**	**621,141**	**12%**	**(34%)**
Earnings per Share	2.02		3.07		

STATEMENT OF OTHER COMPREHENSIVE INCOME

	For the Year Ended 31st March 2023 Rs. 000	As a % of Interest	For the year Ended 31st March 2022 Rs. 000	As a % of Interest Income	Change %
Profit For The Period	**409,044**	**6%**	**621,141**	**12%**	**(34%)**
Other Comprehensive Income					
Acturial Gain/(Loss) on Retirement Benefit Obligation	5,932	0%	(4,346)	0%	(236%)
Deferred Tax on Acturial (Gain)/Loss on Defined Benefit Obligation	(1,779)	0%	1,043	0%	(271%)
Gain Arising on remeasurement of FVOCI	2,079	0%	-	0%	0%
Other Comprehensive Income for the Period, Net of Tax	**6,232**	**0%**	**(3,303)**	**0%**	-
Total Comprehensive Income for the Period	**415,275**	**6%**	**617,838**	**12%**	**(33%)**

STATEMENT OF FINANCIAL POSITION

	As At 31st March 2023 Rs. 000	As a % of Total Assets	As At 31st March 2022 Rs. 000	As a % of Total Assets
ASSETS				
Cash and Cash Equivalents	2,535,435	7.94%	837,562	2.77%
Placements with Banks	1,413,997	4.43%	177,450	0.59%
Financial assets at amortised cost-Hire Purchase Receivables	-	0.00%	-	0.00%
Financial assets at amortised cost-Finance Lease Receivables	8,887,364	27.82%	12,954,049	42.80%
Financial assets at amortised cost-Loans and Advances	15,309,935	47.92%	13,395,955	44.27%
Financial assets measured at fair value through other Comprehensive Income	2,120	0.01%	41	0.00%
Financial assets at amortised cost-Debt and other financial instruments	2,013,992	6.30%	1,412,979	4.67%
Due from related Companies	-	0.00%	-	0.00%
Other Debts & pre-payments	293,905	0.92%	246,508	0.81%
Deferred Tax Assets	113,392	0.35%	78,675	0.26%
Intangible Assets	80,387	0.25%	69,459	0.23%
Property, Plant and Equipment	623,902	1.95%	444,453	1.47%
Right-of-use Assets/Lease Assets	674,409	2.11%	645,887	2.13%
Total Assets	**31,948,838**	**100.00%**	**30,263,018**	**100.00%**
LIABILITIES & EQUITY				
LIABILITIES				
Other Financial Liabilities Due to Customers	19,195,604	60.08%	12,295,391	40.63%
Financial Liabilities at amortised cost-Interest Bearing Loans and Borrowings	6,067,366	18.99%	10,777,766	35.61%
Lease Liabilities	757,644	2.37%	721,891	2.39%
Trade and other payables	473,935	1.49%	659,117	2.18%
VAT Payable	1586	0.00%	-	0.00%
Due to Related Companies	115,795	0.36%	72,461	0.24%
Bank Overdraft	4,247	0.01%	599,909	1.98%
Current Tax Liabilities	228,857	0.72%	260,378	0.86%
Retirement Benefit Obligations	128,520	0.40%	101,458	0.34%
Total Liabilities	**26,973,554**	**84.43%**	**25,488,371**	**84.22%**
EQUITY				
Stated Capital	1,996,444	6.25%	1,996,444	7%
Reserve Fund	254,566	0.80%	234,112	1%
Fair Value Reserve of Financial Assets of FVOCI	2,079	0.01%	-	0%
Retained Earnings	2,722,195	8.52%	2,544,091	8%
Total Equity	**4,975,284**	**15.57%**	**4,774,647**	**16%**
Total Liabilities & Equity	**31,948,838**	**100.00%**	**30,263,018**	**100%**
Net Assets Per Share	**24.62**		**23.63**	

STATEMENT OF CHANGES IN EQUITY

Attributable to Equity Holders of the Company

	Stated Capital Rs.'000	Reserve Fund Rs. '000	FVOCI Fund Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Balance as at 31st March 2021	**1,996,444**	**203,055**	**-**	**2,118,970**	**4,318,470**
Total Comprehensive Income					
Profit for the Period	-	-	-	621,140	621,140
Other Comprehensive Income					
Employee Benefit Plan Actuarial Loss	-	-	-	(4,345)	(4,345)
Deferred Tax on Actuarial Losses on Defined Benefit Obligation	-	-		1,043	1,043
Total Other Comprehensive Income for the Period	-	-		**(3,303)**	**(3,303)**
Total Comprehensive Income for the Period	-	-		**617,837**	**617,837**
Transactions with Owners, Recorded Directly in Equity					
Dividends	-	-	-	(161,659)	(161,659)
Transferred to/(from) during the Period	-	31,057	-	(31,057)	-
Total Transactions with Equity Owners	**-**	**31,057**	**-**	**(192,716)**	**(161,659)**
Balance as at 31st March 2022	1,996,444	234,112	-	2,544,091	4,774,648
Transactions with Owners,, Recorded Directly in Equity					
Surcharge Tax	-	-	-	(53,016)	(53,016)
Balance as at 01st April 2022	**1,996,444**	**234,112**	**-**	**2,491,075**	**4,721,631**
Total Comprehensive Income					
Profit for the Period	-	-	-	409,044	409,444
Other Comprehensive Income					
Actuarial Loss on Retirement Benefit Obligation				5,932	5,932
Tax on Other Comprehensive Income				(1,179)	(1,779)
Gain arising on re-measurement of FVOCI			2,079	-	2,079
Total Other Comprehensive Income for the Period			**2,079**	**4,152**	**6,231**
Total Comprehensive Income for the Period			2,079	413,196	415,275
Transactions with Owners, Recorded Directly in Equity					
Transferred to/(from) during the year	-	20,454	-	(20,454)	-
Dividends Paid	-	-	-	(161,659)	(161,659)
Total Transactions with Equity Owners	**-**	**20,454**	**-**	**(182,113)**	**(161,659)**
Balance as at 31st March 2023	**1,996,444**	**254,566**	**2,079**	**2,722,160**	**4,975,247**

SELECTED PERFORMANCE INDICATORS

Indicator	As At 31st March 2023		As At 31st March 2022	
Regulatory Capital Adequacy	**Actual**	**Required**	**Actual**	**Required**
Core Capital to Risk Weighted Assets Ratio	20.01%	8.50%	15.89%	7.00%
Total Capital to Risk Weighted Assets Ratio	25.60%	12.50%	21.74%	11.00%
Capital Funds to Total Deposit Liabilities Ratio	25.92%	10.00%	38.83%	10.00%
Core Capital (Tier 1 Capital), Rs. '000'	4,779,389		4,705,188	
Total Capital Base, Rs. '000'	6,112,722		6,438,521	
Assets Quality (Quality of Loan Portfolio)				
Gross Stage 3 Loans Ratio %	11.91%		6.65%	
Net Stage 3 Loans Ratio %	7.78%		2.58%	
Net Stage 3 Loans to Core Capital Ratio	41.70%		15.29%	
Stage 3 Impairement Coverage Ratio	34.70%		61.15%	
Total Impairement Coverage Ratio, %	5.54%		5.43%	
Profitability (%)				
Net Interest Margin	37.00%		62.00%	
Return on Assets (Before Tax)	2.18%		3.49%	
Return on Equity (After Tax)	8.44%		13.66%	
Cost to Income Ratio	69.00%		53.00%	
Regulatory Liquidity (Rs. '000)				
Required Minimum Amount of Liquid Assets	2,295,072		1,597,795	
Available Amount of Liquid Assets	4,821,227		2,394,483	
Required Minimum Amount of Government Securities	1,621,938		1,343,092	
Available Amount of Government Securities	2,013,992		1,411,470	
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	210%		150%	
Liquid Assets to External Funds	21.20%		15.31%	
Memorandum Information				
Number of Employees	751		818	
Number of Branches	50		43	
Number of Service Centers	-		-	
Number of Pawning Centers	-		-	
External Credit Rating	BBB+(lka)-RWN		A (lka)	

We, the understand being the Chief Executive Officer, the Financial Controller and the Compliance Officer of Singer Finance (Lanka) PLC certify that :

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka ;

(b) the information contained in these statements has been extracted from the Audited Financial Statements of the Singer Finance (Lanka) PLC.

(Sgd.) T.A. Amarasuriya
Director/Chief Executive Officer
4th May 2023

(Sgd.) B.S.E.T. Fernando
Financial Controller
4th May 2023

(Sgd.) S. Jayaweera
Compliance Officer
4th May 2023