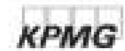


# SINGER FINANCE (LANKA) PLC

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024



KPMG  
(Chartered Accountants)  
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## TO THE SHAREHOLDERS OF SINGER FINANCE (LANKA) PLC

### Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Singer Finance (Lanka) PLC (the "Company"), which comprise the statement of financial position as at 31 March 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, 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 for professional Accountants 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

Risk Description	Our response
As at 31 March 2024, 76% of its total assets of the Company consisted of loans and advances and finance lease receivables amounting to Rs. 28 Bn. Higher degree of complexity and judgement are involved in estimating Expected Credit Loss (ECL) amounting to Rs. 1.2 Bn as at the reporting date.	Our audit procedures include ; <ul style="list-style-type: none"><li>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.</li><li>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.</li><li>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.</li></ul>
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. Management exercise significant judgement when evaluating the economic scenarios used and the judgemental post model adjustments. 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.	

Risk Description	Our response
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.	<ul style="list-style-type: none"><li>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.</li><li>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.</li><li>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.</li><li>Evaluating whether the disclosures on impairment of loans and advances and finance lease receivables meet the disclosure requirements of the prevailing accounting standards.</li></ul>
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.	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 : <ul style="list-style-type: none"><li>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.</li><li>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.</li><li>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.</li><li>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.</li><li>On sample basis, re-performed selected automated computations and compared our results with those from the system and the General Ledger.</li><li>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</li><li>Testing preventative controls designed to enforce segregation of duties between users within particular systems.</li></ul>
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.	

#### 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 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 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 mis-statement of this other information, we are required to report the 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.

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 relevant ethical requirements 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, actions taken to eliminate safeguards applied.

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.

24 May 2024

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.	C.P. Jayatilaka FCA Ms S. Joseph FCA G.A.U. Karunaratne FCA R.H. Rajan, FCA A.M.K.P. Alahakoon ACA	T.J.S. Rajakarier FCA W.K.D.C. Abeyaratne FCA R.M.D.B. Rajapakse FCA M.N.M. Shameed FCA Ms P.M.K. Sumanasekara FCA	W.W.J.C. Perera FCA S.T.D.L. Perera FCA Ms B.K.D.T.N. Rodrigo FCA Ms C.T.K.N. Perera ACA E.W.M.D.W.D. Rathnayakkan FCA
Principals - S.R.L. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. E.R. Ziyad FCMA (UK), FCI, K. Somasundaram ACMA (UK)			

STATEMENT OF PROFIT OR LOSS					
	Year Ended 31st March 2024 Rs. '000 (Audited)	As a % of Interest Income	Year Ended 31st March 2023 Rs. '000 (Audited)	As a % of Interest Income	Change %
Interest Income	7,572,616	100%	7,142,823	100%	6%
Less : Interest Expense	4,792,620	63%	4,528,451	63%	(6%)
<b>Net Interest Income</b>	<b>2,779,996</b>	<b>37%</b>	<b>2,614,372</b>	<b>37%</b>	6%
Fee and Commission Income	378,111	5%	339,799	5%	11%
Trading Income	1,374	0%	596	0%	131%
Other Operating Income	161,269	2%	69,682	1%	131%
<b>Total Operating Income</b>	<b>3,320,750</b>	<b>44%</b>	<b>3,024,449</b>	<b>42%</b>	10%
Less : Impairment charges and Other Credit Losses on Financial Assets	(126,973)	-2%	(43,504)	-1%	(192%)
<b>Net Operating Income</b>	<b>3,447,723</b>	<b>46%</b>	<b>3,067,953</b>	<b>43%</b>	12%
<b>Less : Expenses</b>					
Personnel Cost	988,665	13%	876,035	12%	(13%)
Depreciation and Amortization	276,194	4%	245,119	3%	(13%)
Other Administration and Selling Expenses	1,210,610	16%	951,513	13%	(27%)
<b>Operating Profit Before VAT on Financial Services</b>	<b>972,254</b>	<b>13%</b>	<b>995,286</b>	<b>14%</b>	(2%)
Less : VAT on Financial Services	280,808	4%	289,293	4%	3%
Social Security Contribution Levy	39,048	1%	27,420	0%	100%
<b>Profit Before Income Tax</b>	<b>652,398</b>	<b>9%</b>	<b>678,573</b>	<b>10%</b>	(4%)
Less : Income Tax Expense	248,163	3%	269,529	4%	8%
<b>Profit For The Year</b>	<b>404,235</b>	<b>5%</b>	<b>409,044</b>	<b>6%</b>	(1%)
Earnings per Share	2.00		2.02		

STATEMENT OF OTHER COMPREHENSIVE INCOME					
	Year Ended 31st March 2024 Rs. 000	As a % of Interest Income	Year Ended 31st March 2023 Rs. 000	As a % of Interest Income	Change %
<b>Profit For The Year</b>	<b>404,235</b>	<b>5%</b>	<b>409,044</b>	<b>6%</b>	<b>(1%)</b>
<b>Other Comprehensive Income</b>					
Acturial(Loss)/Gain on Retirement Benefit Obligation	(5,127)	0%	5,932	0%	(186%)
Deferred Tax on Actuarial Losses on Defined Benefit Obligation	1,538	0%	(1,780)	0%	(186%)
Gain from revaluation of Financial Assets measured at FVOCI	65	0%	2,079	0%	(97%)
<b>Total other Comprehensive Expenses for the Year</b>	<b>(3,524)</b>	<b>0%</b>	<b>6,231</b>	<b>0%</b>	<b>(157%)</b>
<b>Total Comprehensive Income for the Year</b>	<b>400,711</b>	<b>5%</b>	<b>415,275</b>	<b>6%</b>	<b>(4%)</b>

STATEMENT OF FINANCIAL POSITION				
	As At 31st March 2024 Rs. 000 (Audited)	As a % of Total Assets	As At 31st March 2023 Rs. 000 (Audited)	As a % of Total Assets
<b>ASSETS</b>				
Cash and Cash Equivalents	3,825,976	10.46%	2,535,435	7.94%
Placements with Banks	254,023	0.69%	1,413,997	4.43%
Financial assets measured at fair value through profit or loss (FVTPL)	463,761	1.27%	-	0.00%
Financial assets at amortised cost-Finance Lease Receivables	10,935,835	29.88%	8,887,364	27.82%
Financial assets at amortised cost-Loans and Advances	16,774,012	45.84%	15,309,935	47.92%
Financial assets measured at fair value through other Comprehensive Income/Financial Instruments - Available-for-Sale	2,185	0.01%	2,120	0.01%
Financial assets at amortised cost-Debt and other financial instruments/Financial Instruments - Head-to-Maturity	2,478,591	6.77%	2,013,992	6.30%
Other Debtors & Pre-payments	342,725	0.94%	293,905	0.92%
Deferred Tax Assets	93,093	0.25%	113,392	0.35%
Intangible Assets	87,825	0.24%	80,387	0.25%
Property, Plant and Equipment	638,235	1.74%	623,902	1.95%
Right-of-use Assets/Lease Assets	698,183	1.91%	674,409	2.11%
<b>Total Assets</b>	<b>36,594,444</b>	<b>100.00%</b>	<b>31,948,838</b>	<b>100.00%</b>
<b>LIABILITIES &amp; EQUITY</b>				
<b>LIABILITIES</b>				
Other Financial Liabilities Due to Customers	22,179,511	60.61%	19,195,604	60.08%
Financial Liabilities at amortised cost-Interest Bearing Loans and Borrowings	6,870,504	18.77%	6,067,366	18.99%
Lease Liabilities	839,484	2.29%	757,645	2.37%
Trade and other payables	591,831	1.62%	473,935	1.48%
VAT Payable	7,722	0.02%	1,586	0.00%
Due to Related Companies	105,046	0.29%	115,795	0.36%
Bank Overdraft	531,809	1.45%	4,247	0.01%
Current Tax Liabilities	92,241	0.25%	228,893	0.72%
Retirement Benefit Obligations	161,997	0.44%	128,520	0.40%
<b>Total Liabilities</b>	<b>31,380,145</b>	<b>85.75%</b>	<b>26,973,591</b>	<b>84.43%</b>
<b>EQUITY</b>				
Stated Capital	1,996,444	5.46%	1,996,444	6.25%
Reserve Fund	335,411	0.92%	254,564	0.80%
Fair Value Reserve of Financial Assets of FVOCI	2,144	0.01%	2,079	0.01%
Regulatory Loss Allowance Reserve	51,093	0.14%	-	0.00%
Retained Earnings	2,829,207	7.73%	2,722,160	8.52%
<b>Total Equity</b>	<b>5,214,299</b>	<b>14.25%</b>	<b>4,975,247</b>	<b>15.57%</b>
<b>Total Liabilities &amp; Equity</b>	<b>36,594,444</b>	<b>100.00%</b>	<b>31,948,838</b>	<b>100.00%</b>

STATEMENT OF CHANGES IN EQUITY						
Attributable to Equity Holders of the Company						
	Stated Capital Rs.'000	Reserve Fund Rs. '000	Fair Value Reserve of Financial Assets at FVOCI Rs. '000	Regulatory Loss Allowance Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
For the Year ended 31st March 2024						
<b>Balance as at 01st April 2022</b>	<b>1,996,444</b>	<b>234,112</b>	-	-	<b>2,491,075</b>	<b>4,721,631</b>
<b>Total Comprehensive Income for the Year</b>						
Profit for the Year	-	-	-	-	409,044	409,044
<b>Other Comprehensive Income</b>						
Employee Benefit Plan Actuarial Gain	-	-	-	-	5,932	5,932
Related Tax	-	-	-	-	(1,780)	(1,780)
Gain from revaluation of Financial Assets measured at FVOCI	-	-	2,079	-	-	2,079
<b>Total Comprehensive Income for the Year</b>	-	-	<b>2,079</b>	-	<b>413,196</b>	<b>415,275</b>
<b>Transactions with Owners, Recorded Directly in Equity</b>						
Transferred to/(from) during the Year	-	20,452	-	-	(20,452)	-
Dividends	-	-	-	-	(161,659)	(161,659)
<b>Total Transactions with Equity Owners</b>	-	<b>20,452</b>	-	-	<b>(182,111)</b>	<b>(161,659)</b>
<b>Balance as at 31st March 2023</b>	<b>1,996,444</b>	<b>254,564</b>	<b>2,079</b>	-	<b>2,722,160</b>	<b>4,975,247</b>
<b>Total Comprehensive Income</b>						
Profit for the Year	-	-	-	-	404,235	404,235
<b>Other Comprehensive Income</b>						
Employee Benefit Plan Actuarial Loss	-	-	-	-	(5,127)	(5,127)
Tax on Other Comprehensive Income	-	-	-	-	1,538	1,538
Gain from revaluation of Financial Assets measured FVOCI	-	-	65	-	-	65
<b>Total Other Comprehensive Income for the Year</b>	-	-	<b>65</b>	-	<b>(3,589)</b>	<b>(3,524)</b>
<b>Total Comprehensive Income for the Year</b>	-	-	<b>65</b>	-	<b>400,646</b>	<b>400,711</b>
<b>Transactions with Owners, Recorded Directly in Equity</b>						
Transferred to/(from) during the Year	-	80,847	-	51,093	(131,940)	-
Dividends	-	-	-	-	(161,659)	(161,659)
<b>Total Transactions with Equity Owners</b>	-	<b>80,847</b>	-	<b>51,093</b>	<b>(293,599)</b>	<b>(161,659)</b>
<b>Balance as at 31st March 2024</b>	<b>1,996,444</b>	<b>335,411</b>	<b>2,144</b>	<b>51,093</b>	<b>2,829,207</b>	<b>5,214,299</b>

SELECTED PERFORMANCE INDICATORS				
Indicator	As At 31st March 2024 (Audited)		As At 31st March 2023 (Audited)	
<b>Regulatory Capital Adequacy</b>	<b>Actual</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>
Tier 1 Capital Adequacy Ratio	15.62%	8.50%	20.01%	8.50%
Total Capital Adequacy Radio	18.54%	12.50%	25.60%	12.50%
Capital Funds to Total Deposit Liabilities Ratio	23.51%	10.00%	25.92%	10.00%
<b>Quality of Loans Portfolio</b>				
Gross Stage 3 Loans Ratio		11.22%		11.91%
Net Stage 3 Loans Ratio		7.78%		7.78%
Net Stage 3 Loans to Core Capital Ratio		45.12%		41.70%
Stage 3 Impairment Coverage Ratio		30.68%		34.70%
Total Impairment Coverage Ratio		4.12%		5.54%
<b>Profitability (%)</b>				
Net Interest Margin		9.58%		9.41%
Return on Assets (Before Tax)		1.90%		2.18%
Return on Equity (After Tax)		7.93%		8.44%
Cost to Income Ratio		74.55%		68.53%
<b>Liquidity (%)</b>				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)		288%		210%
Liquid Assets to External Funds		29.20%		21.20%
<b>Memorandum Information</b>				
Number of Employees		942		751
Number of Branches		52		50
External Credit Rating		Fitch BBB (Ika) Outlook Stable		Fitch BBB+ (Ika) Outlook Stable

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

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

(Sgd.) T.A. Amarasuriya Director/Chief Executive Officer	(Sgd.) B.S.E.T. Fernando Chief Financial Officer	(Sgd.) M.N.S. De Silva Compliance Officer
28.06.2024	28.06.2024	28.06.2024

A Subsidiary of Singer (Sri Lanka) PLC, Licensed by the Monetary Board of the Central Bank of Sri Lanka under