



KPMG
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25th February 2015

The Board of Directors
Singer Finance (Lanka) PLC
No 80, Nawam Mawatha
Colombo 2

Dear Sirs,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF SINGER FINANCE (LANKA) PLC

This report has been prepared for the inclusion in the Prospectus issued in connection with issue of Ten Million (10,000,000) Rated, Secured, Redeemable debentures with value of Ten Million (10,000,000) Listed Rated Secured Redeemable Debentures ("Debentures") of the par value of Rupees One Thousand Million (Rs. 1,000,000,000) with an option of issuing up to a further Five Million (5,000,000) Debentures of the par value Rupees One Hundred (Rs.100) each, aggregating to a value of Rupees Five Hundred Million (Rs. 500,000,000).

We have examined the financial statements of Singer Finance (Lanka) PLC from the year ended 31 March 2010 to 31 March 2014, included in the prospectus and report as follows.

1. INCORPORATION

Singer Finance (Lanka) PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The Registered Office of the Company is located at No. 80, Nawam Mawatha, Colombo 02 and the principle place of the business is situated at the above address.

2. FINANCIAL STATEMENTS OF THE COMPANY

2.1 Five Years Summary of Financial Statements

A summary of the Statement of Comprehensive Income and Statement of Financial Position of the Company for the financial years ended 31 March 2010 to 31 March 2014, based on the audited financial statements of the Company are set out in section 11.1 of the Prospectus.

2.2 Audited Financial Statements for the year ended 31 March 2014

The Statement of Financial Position of the Company as at 31 March 2014 and related Statement of Comprehensive Income, for the year then ended are set out in section 11.1 of the Prospectus. We have audited these financial statements and our report dated 29 May 2014 is attached to the Financial Statements.



2.3 Audit Reports

We have audited the financial statements of the Company for the years ended 31 March 2010 to 31 March 2014. Unqualified audit opinions have been issued for the said financial years.

2.4. Application of Accounting Standards and Accounting Policies

The financial statements of the Company for the years ended 31 March 2010 to 31 March 2014 complied with applicable Sri Lanka Accounting Standards.

The accounting policies of the Company are stated in detail in the audited financial statements of Singer Finance (Lanka) PLC for the year ended 31 March 2014. The adoption of revised/ new accounting standards and related amendments to the accounting policies of the Company since 31 March 2010 to 31 March 2014 are given below.

Financial Year	Adoption of revised/ new accounting standards and related changes in Accounting Policies
31 March 2010	There were no material changes.
31 March 2011	There were no material changes.
31 March 2012	There were no material changes.
31 March 2013	Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRSs), all existing / new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS (refer to as SLFRS in these financial Statements) to represent Sri Lanka Accounting Standard Corresponding to International Financial Reporting Standards and Sri Lanka Accounting Standards Corresponding to International Accounting Standards (IASs), respectively. Accordingly, the Company adopted these new Sri Lanka Accounting Standards (which are commonly known as SLFRSs) applicable for financial periods commencing from 1 January 2012.
31 March 2014	There were no material changes.

2.5. Dividends

The Company has declared the following dividends in respect of Ordinary Shares during the five financial years ended up to 31 March 2014.

Financial Year	Dividend Declared/paid (Rs.000)	Dividend Per Share (Rs.)
2010	20,000	0.25
2011	42,667	0.40
2012	85,333	0.80
2013	107,467	0.65
2014	107,467	0.65



2.6. Events after the Reporting Date

Directors recommended the payment of a final dividend of 0.65/- rupees per share for the year ended 31 March 2014. This was approved by the directors on 29 May 2014.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'K. M. G.' or similar, written in a cursive style.

Chartered Accountants
Colombo
TR/SC

Statement Of Comprehensive Income

For the year ended 31st March	2014	2013	2012	2011	2010
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Income	1,879,252	1,755,601	1,277,360	1,002,382	705,115
Interest Income	1,799,637	1,695,034	1,220,426	948,158	687,062
Interest Expense	(743,940)	(742,013)	(407,774)	(283,008)	(316,422)
Net Interest Income	1,055,697	953,021	812,652	665,150	370,640
Net Fee and Commission Income	50,301	40,500	41,514	34,825	12,311
Net Trading Income	51	-	-	-	-
Other Operating Income	29,264	20,067	15,419	19,399	5,742
Total Operating Income	1,135,313	1,013,587	869,586	719,374	388,693
Impairment on Trade and Other Receivables	(213,665)	(64,641)	(13,205)	1,686	(30,320)
Net Operating Income	921,648	948,946	856,380	721,060	358,373
Less:- Operating Expenses					
Personnel Cost	(175,755)	(153,413)	(114,935)	(81,862)	(42,947)
Administration & Selling Expenses	(342,971)	(451,233)	(429,111)	(379,564)	(206,707)
Operating Profit Before Value Added Tax	402,921	344,300	312,334	259,634	108,719
Value Added Tax on Financial Services	(28,428)	(20,908)	(26,595)	(34,808)	(21,700)
Profit Before Tax	374,493	323,391	285,739	224,826	87,019
Income Tax Expense	(105,897)	(66,857)	(70,058)	(105,371)	(32,900)
Profit for the Year	268,597	256,535	215,681	119,456	54,119
Other Comprehensive Income					
Less: Re-measurement of Defined Benefit Liability	(447)	-	-	-	-
Total Comprehensive Income for the Year	268,149	256,535	215,681	119,456	54,119

Statement of Financial Position

As at 31st March	2014 Rs.000	2013 Rs.000	2012 (Restated) Rs.000	2011 (Restated) Rs.000	2010 Rs.000
Assets					
Liquid assets	815,542	402,973	325,844	211,141	174,094
Investments	41	41	41	41	41
Advances	7,047,463	6,590,722	6,182,774	4,007,415	2,981,079
Other Assets	116,219	151,236	174,967	124,203	61,954
Property, Plant & Equipment	72,711	53,461	29,554	27,993	22,928
Intangible Assets	32,383	25,262	13,650	12,346	7,314
Deffered Tax Assets	66,838	33,780	11,858	13,420	8,581
Income Tax Receivable	-	-	9,288	-	-
Total Assets	8,151,197	7,257,475	6,747,976	4,396,559	3,255,991
Liabilities					
Interest-Bearing Loans & Borrowings	1,325,231	1,009,276	1,223,338	81,968	40,017
Deposit from customers	4,277,335	3,318,927	2,740,998	1,882,620	1,518,043
Amount due to Related companies	28,679	661,651	1,299,856	1,187,515	997,250
Retirement Benefit Obligations	14,947	11,521	7,479	5,572	3,751
Defferd Tax Liability	81,381	34,755	4,879	3,986	2,904
Other Liabilities	339,100	297,504	359,292	295,779	228,247
Total Liabilities	6,066,673	5,333,634	5,635,842	3,457,440	2,790,212
Equity					
Stated Capital	1,445,333	1,445,333	800,000	800,000	400,000
Capital Reserve	136,128	108,437	65,161	20,990	10,748
Retained Earnings	503,063	370,071	246,973	118,129	55,031
Total Equity	2,084,524	1,923,841	1,112,134	939,119	465,779
Total Liabilities & Equity	8,151,197	7,257,475	6,747,976	4,396,559	3,255,991

Statement Of Cash Flows

For the year ended 31st March	2014 Rs.000	2013 Rs.000	2012 (Restated) Rs.000	2011 (Restated) Rs.000	2010 Rs.000
Cash Flows from Operating Activities	723,028	(461,445)	(1,594,798)	(365,718)	152,730
Cash Flows from Investing Activities	(40,301)	(48,696)	(12,789)	(17,368)	(5,784)
Cash Flows from Financing Activities	(266,514)	576,137	1,351,904	339,294	(121,657)
Net Increase in Cash	416,213	65,996	(255,683)	(43,792)	25,289