

# SINGER FINANCE (LANKA) PLC



## PROSPECTUS

**AN INITIAL ISSUE OF SEVEN MILLION FIVE HUNDRED THOUSAND (7,500,000) RATED UNSECURED REDEEMABLE DEBENTURES AT THE FACE VALUE OF LKR 100/- EACH TO RAISE SRI LANKA RUPEES SEVEN HUNDRED AND FIFTY MILLION (LKR 750,000,000/-)**

**WITH AN OPTION TO ISSUE UPTO A FURTHER FIVE MILLION (5,000,000) OF SAID DEBENTURES TO RAISE UPTO SRI LANKA RUPEES FIVE HUNDRED MILLION (LKR 500,000,000/-),  
AT THE DISCRETION OF THE COMPANY IN THE EVENT OF AN OVERSUBSCRIPTION OF THE INITIAL ISSUE**

**TO BE LISTED ON THE MAIN BOARD OF THE COLOMBO STOCK EXCHANGE**

**Rated 'BBB+' by Fitch Ratings Lanka Limited**

**ISSUE OPENS ON**

**29<sup>th</sup> August 2013**

**Financial Advisors and Managers to the Issue**





This Prospectus is dated 15<sup>th</sup> August 2013

**The delivery of this Prospectus will not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus.**

**If you are in doubt regarding the contents of this document, you should consult your stockbroker, bank manager, lawyer or any other professional advisor.**

### **Responsibility for the Content of the Prospectus**

This Prospectus has been prepared from information provided by Singer Finance (Lanka) PLC (hereinafter referred to as the “Company”, “SFLP” or the “Issuer”) and from publicly available sources.

The Directors of the Company have seen and approved this Prospectus and collectively and individually, accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate.

Where representations regarding the future performance of SFLP have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to SFLP and making assumptions that are considered to be reasonable at the present point in time in their best judgment.

SFLP accepts responsibility for the information contained in this Prospectus. While the Company has taken reasonable care to ensure full and fair disclosure of information, prospective investors are advised to carefully read this Prospectus and rely on their own examination and assessment of the Company including the risks involved prior to making any investment decision.

### **FOR ENQUIRIES, PLEASE CONTACT FINANCIAL ADVISORS AND MANAGERS TO THE ISSUE**

#### **Registration of the Prospectus**

A copy of the Prospectus has been delivered to the Registrar of Companies for registration in compliance with the provisions of Section 40 of the Companies Act No. 7 of 2007. The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to Section 40 (1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Company.
- b) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- c) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- d) The written consent of the Bankers to the Issue for the inclusion of their name in the Prospectus as Bankers to the Issue.

- e) The written consent of the Company Secretary for the inclusion of their name in the Prospectus as Company Secretary to the Company.
- f) The written consent of the Financial Advisors and the Managers to the Issue for the inclusion of their name in the Prospectus as Financial Advisors and the Managers to the Issue.
- g) The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- h) The declaration made and subscribed to, by each of the Directors of the Company herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Company and to the Issue, Lawyers to the Issue, Trustee to the Issue, Bankers to the Issue, Company Secretary, Financial Advisors and the Managers to the Issue and Registrars to the Issue have not, before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies in Sri Lanka withdrawn such consent.

### **Registration of the Prospectus in Jurisdictions Outside of Sri Lanka**

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-Resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

### **Representation**

The Debentures are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, sales person or any other person has been authorised to give any information or to make any representations in connection with the Issue other than the information and representations contained in this Prospectus, and if given or made, such information or representations must not be relied upon as having been authorised by the Company.

### **Forward Looking Statements**

Any statements included in this Prospectus that are not statements of historical fact constitute "Forward Looking Statements". These can be identified by the use of forward looking terms such as "expect", "anticipate", "intend", "may", "plan to", "believe", "could" and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

**The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for accuracy of the statements made, opinions expressed or reports included in this Prospectus. The interest rate, Redemption and other terms and conditions of the Debentures issued herein have been decided by the Company.**

#### **Presentation of Currency Information and Other Numerical Data**

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to "LKR", "Rupees" or "Rs." are to the lawful currency of Sri Lanka.

Certain numerical figures in the Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

All Applicants should indicate in the Application for Debentures, their Central Depository Systems (Private) Limited (CDS) account number.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

As per the directive of the Securities and Exchange Commission made under Circular No. 08/2010 dated 22<sup>nd</sup> November 2010 and Circular No. 13/2010 issued by the CDS dated 30<sup>th</sup> November 2010, all Debentures are required to be directly deposited in to the CDS. To facilitate compliance with this directive, all Applicants are required to indicate their CDS accounts number.

In line with this directive, THE DEBENTURES ALLOTTED TO AN APPLICANT WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH APPLICANT, the details of which is indicated in his Application Form.

**PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED.**

Debentures will not be allotted to Applicants who have not indicated their CDS account details in the Application Form. Applications which do not specify a CDS account number will be rejected.

Applicants who wish to open a CDS account, may do so through a Member/Trading Member of the CSE as set out in Annexure II or through any Custodian Bank as set out in Annexure III of this Prospectus.

If the CDS account number indicated in the Application Form is found to be inaccurate/incorrect or there is no CDS number indicated, the Application will be rejected and no allotments will be made.

## ISSUE AT A GLANCE

<b>Issuer</b>	Singer Finance (Lanka) PLC			
<b>Instrument</b>	Rated Unsecured Redeemable Debentures			
<b>Listing</b>	The Debentures will be listed on the Main Board of the Colombo Stock Exchange			
<b>Number of Debentures to be issued</b>	An initial Issue of Seven Million Five Hundred Thousand (7,500,000) Rated Unsecured Redeemable Debentures with an option to issue up to a further Five Million (5,000,000) of said Debentures, at the discretion of the Company, in the event of an oversubscription of the initial Issue			
<b>Amount to be Raised</b>	Sri Lanka Rupees Seven Hundred and Fifty Million (LKR 750,000,000/-) with an option to raise further up to Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-), at the discretion of the Company in the event of an oversubscription of the initial Issue			
<b>Company Rating</b>	'BBB+' by Fitch Ratings Lanka Limited			
<b>Issue Rating</b>	'BBB+' by Fitch Ratings Lanka Limited			
<b>Issue Price</b>	LKR 100/- per each Debenture			
<b>Face Value</b>	LKR 100/- per each Debenture			
<b>Types of Debentures (Fixed Rate Debentures)</b>				
	<i>Types of Debentures</i>	<i>Interest Rate (per annum) Payable Quarterly</i>	<i>Annual Effective Rate (per annum)</i>	<i>Redemption (from the Date of Allotment)</i>
	Type A	14.00%	14.75%	36 Months (3 Years)
	Type B	14.25%	15.03%	48 Months (4 Years)
	Type C	14.50%	15.31%	60 Months (5 Years)
<b>Number of Debentures to be Subscribed</b>	<p>Applicants are allowed to invest in either;</p> <ul style="list-style-type: none"> <li>▪ Debentures of Type A; and/or</li> <li>▪ Debentures of Type B; and/or</li> <li>▪ Debentures of Type C</li> </ul> <p>subject to the minimum subscription under each type Debentures;</p> <p>A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter</p>			

## ISSUE AT A GLANCE

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<b>Interest Payment Date(s)</b>	31 <sup>st</sup> March, 30 <sup>th</sup> June, 30 <sup>th</sup> September and 31 <sup>st</sup> December of each year from the Date of Allotment up to the Date of Redemption  Interest would be paid not later than Three (03) Working Days from each Interest Payment Date
<b>Mode of Payment of Principal Sum and Interest</b>	By cheque marked "ACCOUNT PAYEE ONLY" or through electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS
<b>Issue Opening Date</b>	29 <sup>th</sup> August 2013
<b>Closure Date of the Subscription List</b>	17 <sup>th</sup> September 2013 or such earlier date on which; <ul style="list-style-type: none"><li>▪ The maximum of 12,500,000 Debentures are fully subscribed; or</li><li>▪ Board of Directors of the Company decides to close the Issue upon the initial Issue of 7,500,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount referred to above becoming fully subscribed</li></ul>
<b>Date of Allotment</b>	The date on which the Debentures will be allotted by the Company to Investors subscribing thereto
<b>Basis of Allotment</b>	In the event of an over subscription, the Board of Directors will endeavor to decide the basis of allotment of the Debentures in a fair manner as soon as practicable



## TABLE OF CONTENTS

<b>1.0 CORPORATE INFORMATION.....</b>	<b>1</b>
<b>2.0 RELEVANT PARTIES TO THE ISSUE.....</b>	<b>2</b>
<b>3.0 LIST OF ABBREVIATIONS.....</b>	<b>3</b>
<b>4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE.....</b>	<b>4</b>
<b>5.0 PRINCIPAL FEATURES OF THE RATED UNSECURED REDEEMABLE DEBENTURES... 6</b>	<b>6</b>
5.1 INVITATION TO SUBSCRIBE .....	6
5.2 SUBSCRIPTION LIST .....	6
5.3 OBJECTIVES OF THE ISSUE.....	7
5.4 TYPES OF DEBENTURES.....	7
5.5 RATE OF INTEREST.....	7
5.6 DATE OF REDEMPTION .....	8
5.7 PAYMENT OF PRINCIPAL SUM AND INTEREST .....	9
5.8 TRUSTEE TO DEBENTURE HOLDERS .....	9
5.9 RATING OF THE DEBENTURES.....	10
5.10 CONSEQUENCES OF A TAX REVISION.....	10
5.11 RIGHTS AND OBLIGATIONS OF DEBENTURE HOLDERS.....	10
5.12 BENEFITS OF INVESTING IN DEBENTURES OFFERED BY THE COMPANY .....	11
5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES .....	12
5.14 TRANSFER OF DEBENTURES .....	13
5.15 LISTING.....	13
5.16 COST OF THE ISSUE.....	14
5.17 BROKERAGE FEE.....	14
5.18 UNDERWRITING.....	14
<b>6.0 PROCEDURE FOR APPLICATION .....</b>	<b>15</b>
6.1 INSPECTION OF DOCUMENTS.....	15
6.2 ELIGIBLE APPLICANTS .....	15
6.3 HOW TO APPLY.....	16
6.4 NUMBER OF DEBENTURES TO BE SUBSCRIBED .....	19
6.5 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS .....	19
6.6 REJECTION OF APPLICATIONS.....	21
6.7 BANKING OF PAYMENTS.....	22
6.8 BASIS OF ALLOTMENT OF DEBENTURES .....	22
6.9 REFUNDS.....	22
6.10 CDS ACCOUNTS AND SECONDARY MARKET TRADING .....	23
<b>7.0 THE COMPANY.....</b>	<b>24</b>
7.1 BACKGROUND OF THE COMPANY.....	24
7.2 VISION OF THE COMPANY.....	24
7.3 MISSION OF THE COMPANY.....	24
7.4 VALUES.....	24
7.5 NATURE OF BUSINESS .....	25
7.6 STATED CAPITAL .....	26
7.7 TOP 10 SHAREHOLDERS AS AT 31 <sup>ST</sup> JULY 2013.....	26

7.8	SUBSIDIARY/ ASSOCIATE COMPANIES OF SFLP .....	26
7.9	HUMAN RESOURCES.....	27
7.10	PARTICULARS OF LOAN FACILITIES.....	27
7.11	OTHER DEBT SECURITIES.....	27
7.12	CONVERTIBLE DEBT SECURITIES .....	27
7.13	COMMITMENTS AND CONTINGENT LIABILITIES.....	27
7.14	FINANCIAL RATIOS.....	28
7.15	FUTURE STRATEGIES, RISKS AND ASSUMPTIONS .....	28
7.16	CORPORATE GOVERNANCE PRACTICES.....	31
7.17	LITIGATION AGAINST THE COMPANY .....	32
7.18	DETAILS OF PENALTIES IMPOSED BY REGULATORY AND STATE AUTHORITIES ..32	
7.19	DETAILS OF MATERIAL CONTRACTS OF THE COMPANY .....	32
7.20	DEGREE OF DEPENDENCE ON KEY CUSTOMERS AND SUPPLIERS .....	33
7.21	DETAILS OF COMMISSIONS PAID.....	33
7.22	MANAGEMENT AGREEMENTS .....	33
7.23	TRANSACTIONS RELATING TO THE PROPERTY.....	33
7.24	DETAILS OF BENEFITS PAID TO PROMOTERS.....	33
7.25	DIVIDEND POLICY .....	33
7.26	TAXATION .....	33
<b>8.0</b>	<b>BOARD OF DIRECTORS.....</b>	<b>34</b>
8.1	DETAILS OF THE DIRECTORS.....	34
8.2	DIRECTORS' STATEMENT .....	37
8.3	DIRECTORS' INTEREST IN SHARES OF THE COMPANY .....	38
8.4	DIRECTORS' INTEREST IN ASSETS.....	38
8.5	DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS .....	38
8.6	DIRECTORS' EMOLUMENTS .....	38
<b>9.0</b>	<b>CORPORATE MANAGEMENT .....</b>	<b>39</b>
9.1	CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR .....	39
9.2	PROFILES OF THE CORPORATE MANAGEMENT .....	39
9.3	EMOLUMENTS OF THE CORPORATE MANAGEMENT .....	40
<b>10.0</b>	<b>STATUTORY DECLARATIONS.....</b>	<b>41</b>
10.1	STATUTORY DECLARATION BY THE DIRECTORS .....	41
10.2	STATUTORY DECLARATION BY FINANCIAL ADVISORS AND MANAGERS TO THE ISSUE.....	42
10.3	STATUTORY DECLARATION BY THE COMPANY .....	42
<b>11.0</b>	<b>FINANCIAL INFORMATION .....</b>	<b>43</b>
11.1	ACCOUNTANT'S REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS.....	43
11.2	AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 <sup>ST</sup> MARCH 2013.....	48
	<b>ANNEXURE I - COPY OF THE RATING CERTIFICATE.....</b>	<b>92</b>
	<b>ANNEXURE II - COLLECTION POINTS.....</b>	<b>94</b>
	<b>ANNEXURE III - CUSTODIAN BANKS.....</b>	<b>100</b>

## 1.0 CORPORATE INFORMATION

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<b>The Company/Issuer</b>	Singer Finance (Lanka) PLC
<b>Legal Status</b>	A public limited liability company incorporated in Sri Lanka on 19 <sup>th</sup> April 2004 under the Companies Act No. 17 of 1982 and Re-registered under the Companies Act No. 07 of 2007 on 16 <sup>th</sup> December 2008. Shares of the Company were listed on the Main Board of Colombo Stock Exchange on 17 <sup>th</sup> January 2011.
<b>Company Number</b>	PB 813 PQ
<b>Place of Incorporation</b>	Colombo, Sri Lanka
<b>Registered Address</b>	Singer Finance (Lanka) PLC No. 80, Nawam Mawatha Colombo 02  Tel :+94 11 2 303 717 Fax:+94 11 2 303 715
<b>Company Secretary</b>	Mr. K.K.L.P Yatiwella No. 80, Nawam Mawatha Colombo 02  Tel : +94 11 2 303 717 Fax: +94 11 2 303 715
<b>Ratings Agency</b>	Fitch Ratings Lanka Limited No. 15-04, East Tower World Trade Centre Colombo 01  Tel: +94 11 2 541 900 Fax: +94 11 2 501 903
<b>Auditors and Reporting Accountants</b>	M/s KPMG Chartered Accountants No. 32A, Sir Mohamed Macan Markar Mawatha Colombo 03  Tel: +94 11 5 426 426 Fax:+94 11 2 445 872
<b>Board of Directors</b>	Dr. S. Kelegama (Chairman) Mrs. M.A. Tharmarathnam Mr. J.A.Setukavalar Mr. M.P.A. Salgado Mr. R.S. Wijeweera (Director/Chief Executive Officer) Mr. Y.C. Joe Kan Mr. G.J. Walker Mr. J. J. Hyun Mr. J. Mendis (Alternate Director to Mr. G.J. Walker) Mr. P. J. P. De Silva (Alternate Director to Mr. Y.C. Joe Kan) Mr. S. Ramanathan (Alternate Director to Mr. J. J. Hyun)

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## 2.0 RELEVANT PARTIES TO THE ISSUE

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<b>Financial Advisors and Managers to the Issue</b>	NDB Investment Bank Limited No. 40, Nawam Mawatha Colombo 02  Tel: +94 11 2 300 385 Fax: +94 11 2 300 393
<b>Lawyers to the Issue</b>	Nithya Partners No. 97A, Galle Road Colombo 03  Tel: +94 11 4 712 625 Fax: +94 11 2 328 817
<b>Registrars to the Issue</b>	Business Intelligence Limited No. 08, Tickell Road Colombo 08  Tel: +94 11 5 579 936 Fax: +94 11 5 579 950
<b>Bankers to the Issue</b>	National Development Bank PLC No. 40, Nawam Mawatha Colombo 02  Tel: +94 11 2 488 448 Fax: +94 11 2 341 044
<b>Trustee to the Issue</b>	Deutsche Bank AG, Colombo Branch No. 86, Galle Road Colombo 03  Tel: +94 11 4 791 114 Fax: +94 11 2 343 336
<b>Auditors and Reporting Accountants to the Issue</b>	M/s KPMG Chartered Accountants No. 32A, Sir Mohamed Macan Markar Mawatha Colombo 03  Tel: +94 11 5 426 426 Fax: +94 11 2 445 872

### 3.0 LIST OF ABBREVIATIONS

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<b>AER</b>	Annual Effective Rate
<b>ATS</b>	Automated Trading System of the Colombo Stock Exchange
<b>CBSL</b>	Central Bank of Sri Lanka
<b>CDS</b>	Central Depository Systems (Private) Limited
<b>CSE</b>	Colombo Stock Exchange
<b>NIC</b>	National Identity Card
<b>POA</b>	Power of Attorney
<b>RTGS</b>	Real Time Gross Settlements
<b>SEC</b>	Securities and Exchange Commission of Sri Lanka
<b>SIA</b>	Securities Investment Account
<b>SLIPS</b>	Sri Lanka Inter Bank Payment System

#### 4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Applicant</b>	Any person who submits an Application Form under this Prospectus
<b>Application Form/ Application</b>	The application form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue
<b>Closure Date</b>	17 <sup>th</sup> September 2013 or such earlier date on which; <ul style="list-style-type: none"> <li>▪ The maximum of 12,500,000 Debentures are fully subscribed; or</li> <li>▪ Board of Directors of the Company decides to close the Issue upon the initial Issue of 7,500,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount referred to above becoming fully subscribed</li> </ul>
<b>Company/SFLP/ Issuer</b>	Singer Finance (Lanka) PLC
<b>Date of Allotment</b>	The date on which the Debentures will be allotted by the Company to Applicants subscribing thereto
<b>Date of Redemption</b>	The date on which Redemption of the Debentures will take place as referred to in Section 5.6 of this Prospectus
<b>Debentures</b>	Rated Unsecured Redeemable Debentures to be issued pursuant to this Prospectus
<b>Debenture Holder(s)</b>	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title
<b>Entitlement Date</b>	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Debenture Holder would need to be recorded as being a Debenture Holder on the list of Debenture Holders provided by the CDS to the Company in order to qualify for the payment of any interest or any redemption proceeds
<b>Face Value</b>	LKR 100/- per each Debenture
<b>Interest Payment Date(s)</b>	31 <sup>st</sup> March, 30 <sup>th</sup> June, 30 <sup>th</sup> September and 31 <sup>st</sup> December of each year from the Date of Allotment up to the Date of Redemption  Interest would be paid not later than Three (03) Working Days from each Interest Payment Date.
<b>Interest Period</b>	The three month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and will include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date)

## GLOSSARY OF TERMS RELATED TO THE ISSUE

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<b>Issue</b>	The offer of Debentures pursuant to this Prospectus
<b>Issue Price</b>	LKR 100/- per each Debenture
<b>Market Day</b>	Any day on which trading takes place at the CSE
<b>Non-Resident(s)</b>	Institutional investors, corporate bodies incorporated outside Sri Lanka, individuals resident outside Sri Lanka and Sri Lankans resident outside Sri Lanka
<b>Principal Sum</b>	The product of the number of Debentures allotted and the Face Value
<b>Prospectus</b>	This prospectus dated 15 <sup>th</sup> August 2013 issued by SFLP
<b>Redemption</b>	Repayment of the Principal Sum and unpaid and accrued interest (if any) with regard to a Debenture to a Debenture Holder by the Company
<b>Trust Deed</b>	Trust deed executed between SFLP and the Deutsche Bank AG, Colombo Branch on 08 <sup>th</sup> August 2013
<b>Trustee</b>	Deutsche Bank AG - Colombo Branch
<b>Unsecured</b>	Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of SFLP
<b>Working Day</b>	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka

## 5.0 PRINCIPAL FEATURES OF THE RATED UNSECURED REDEEMABLE DEBENTURES

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### 5.1 INVITATION TO SUBSCRIBE

Board of Directors of Singer Finance (Lanka) PLC (hereinafter also referred to as the “Board”) by resolution dated 04<sup>th</sup> July 2013 resolved to raise a sum of up to Sri Lanka Rupees Seven Hundred and Fifty Million (LKR 750,000,000/-) by an initial issue of up to Seven Million Five hundred Thousand (7,500,000) Debentures each with a Face Value of LKR 100/- and to raise a further sum of up to Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) by an issue of up to a further Five Million (5,000,000) of said Debentures, in the event of an oversubscription of the initial Issue.

As such, a maximum amount of Sri Lanka Rupees One Thousand Two Hundred and Fifty Million (LKR 1,250,000,000/-) would be raised by the issue of a maximum of Twelve Million Five Hundred Thousand (12,500,000) Debentures each with the Face Value of LKR 100/-.

The rights of the Debenture Holders with respect to payment of the Principal Sum and accrued interest due thereon upon a winding-up of the Company will rank equal and *pari passu* with all other unsecured creditors of the Company, but in priority to and over the rights of any preference and ordinary shareholders.

SFLP invites Applications for Debentures of Type A and/or; Debentures of Type B and/or; Debentures of Type C which will rank equal and *pari passu* with each other without any preference or priority of any one or more than over the others except for the Rate of Interest and the Date of Redemption of the Debentures, as morefully described in Section 5.5 and Section 5.6 respectively in this Prospectus. The face value of the Debentures will not be considered as forming part of Tier I and Tier II capital of the Company within the meaning of the Finance Business Act No. 42 of 2011 and any rules, regulations, directions or determinations issued thereunder for purposes of computation of its capital adequacy ratios.

It is the intention of the Company to list the Debentures on the Main Board of the Colombo Stock Exchange. The CSE has given its in-principle approval for the listing of the Debentures on the CSE.

### 5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 29<sup>th</sup> August 2013 and will remain open for fourteen (14) Market Days including the Issue Opening Date until closure at 4.30 p.m. on 17<sup>th</sup> September 2013.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with the notification to the CSE on the occurrence of the following;

- The maximum of 12,500,000 Debentures are fully subscribed; or
- Board of Directors of the Company decides to close the Issue upon the initial Issue of 7,500,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount referred to above becoming fully subscribed.



Applications can be made forthwith in the manner set out in Section 6.0 and duly completed Application Forms will be accepted at any one of the collection points set out in Annexure II of this Prospectus.

### 5.3 OBJECTIVES OF THE ISSUE

The Company proposes to utilise the entirety of the funds raised through this Issue for the purpose of;

- supporting the general business growth opportunities of the Company
- minimising the short term funding exposure and thereby restructure the balance sheet.

### 5.4 TYPES OF DEBENTURES

The Issue consists of three types of Debentures, namely Debentures of Type A, Debentures of Type B and Debentures of Type C, each with a Face Value of Rupees One Hundred (LKR 100/-).

The investors have the discretion of applying for Debentures issued under Debentures of Type A; and/or Debentures of Type B; and/or Debentures of Type C.

**However, an Applicant should apply only for one Type of Debentures (i.e. either Type A or Type B or Type C Debentures) under one Application Form.**

### 5.5 RATE OF INTEREST

The Debentures comprise of Debentures of Type A, Debentures of Type B and Debentures of Type C and will carry fixed rates of interest as described in the table below.

<b><i>Type A</i></b>	<p>Fourteen decimal Zero <i>per centum</i> (14.00%) per annum, payable quarterly on the Interest Payment Dates</p> <p><b><i>Annual Effective Rate of 14.75% per annum</i></b></p>
<b><i>Type B</i></b>	<p>Fourteen decimal Two Five <i>per centum</i> (14.25%) per annum, payable quarterly on the Interest Payment Dates</p> <p><b><i>Annual Effective Rate of 15.03% per annum</i></b></p>
<b><i>Type C</i></b>	<p>Fourteen decimal Five Zero <i>per centum</i> (14.50%) per annum, payable quarterly on the Interest Payment Dates</p> <p><b><i>Annual Effective Rate of 15.31% per annum</i></b></p>

Interest on the Debentures accruing on a daily basis will be paid quarterly in each year on 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The interest due on the Debentures for a particular Interest Period will be calculated based on the actual number of days in such Interest Period and will be paid not later than Three (03) Working Days from each Interest Payment Date.

In order to accommodate the debenture interest cycles in the Automated Trading System of the CSE, the payment of interest for a particular Interest Payment Date will include Debenture Holders holding Debentures in the CDS as of the Entitlement Date.

Payment of the interest on the Debentures will be made after deducting any taxes and charges thereon (if any) in Sri Lanka Rupees as per the applicable law prevalent at the time of interest payment to the Debenture Holders.

As per Section 9(o) of the Inland Revenue (Amendment) Act No. 18 of 2013, the interest income from any investment made on or after the January 1, 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempt from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the same Act, the profits and income earned from any such investment have also been exempted from income tax.

## 5.6 DATE OF REDEMPTION

Redemption of the Debentures will take place on the respective Dates of Redemption in respect of each type of Debentures as described in the table below in accordance with the provisions of the Trust Deed. The Principal Sum and unpaid and accrued interest (if any) payable on the Redemption of Debentures will be paid not later than Three (03) Working Days from the Date of Redemption.

### Redemption Schedule

Type of Debentures	Date of Redemption
<i>Type A</i>	The date on which a period of Thirty Six (36) months from the Date of Allotment expires or if such date on which a period of Thirty Six (36) months from the Date of Allotment expires is not a Market Day, the Market Day immediately succeeding such date.
<i>Type B</i>	The date on which a period of Forty Eight (48) months from the Date of Allotment expires or if such date on which a period of Forty Eight (48) months from the Date of Allotment expires is not a Market Day, the Market Day immediately succeeding such date.
<i>Type C</i>	The date on which a period of Sixty (60) months from the Date of Allotment expires or if such date on which a period of Sixty (60) months from the Date of Allotment expires is not a Market Day, the Market Day immediately succeeding such date.

These Debentures shall not be subject to Redemption by the Company prior to the Date of Redemption other than in the circumstances set out in Section 5.10 below and in the Trust Deed.

## **5.7 PAYMENT OF PRINCIPAL SUM AND INTEREST**

The Company will redeem the Debentures on the respective Date of Redemption as specified in Section 5.6 and the interest payments will be made as specified in Section 5.5.

The payment of Principal Sum and interest will be made either by cheque/s marked "ACCOUNT PAYEE ONLY" dispatched to the address provided by the Debenture Holders to the CDS at the risk of the Debenture Holders or through electronic fund transfer mechanism recognised by the banking system of Sri Lanka to a bank account provided to the CDS by the Applicant, such as SLIPS and RTGS.

However, in the event such payment is over the maximum amount that can be accommodated through electronic fund transfer mechanism recognised by the banking system of Sri Lanka or if the Debenture Holder has not provided to the CDS accurate and correct details of his/her bank account for the payment of Principal Sum and interest, such payment to the Debenture Holder will be made by way of a cheque and sent by post at the risk of the Debenture Holder.

The payment of Principal Sum and interest will be made in Sri Lanka Rupees in favour of the Debenture Holders as of the Entitlement Date. In the case of joint Debenture Holders, the payment of Principal Sum and interest will be made to the one whose name stands first in the register of Debenture Holders.

## **5.8 TRUSTEE TO DEBENTURE HOLDERS**

Deutsche Bank AG, Colombo Branch has agreed to act as the Trustee to the Debenture Holders. The Company has entered into an agreement with the Trustee (hereinafter referred to as the "Trust Deed"). Debenture Holders in their Application Forms for subscription will be required to authorise the Trustee to act as their agent in entering into such deeds, writings, and instruments with the Company and to act as the agent and Trustee for the Debenture Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed.

The fee payable to the Trustee will be LKR 25,000.00 per month inclusive of statutory levies and taxes. There is no conflict of interest with the Company, except that the Trustee is one of the banks rendering banking services to the Company.

## 5.9 RATING OF THE DEBENTURES

Fitch Ratings Lanka Limited has assigned a credit rating of “BBB+ (lka)” to the Debentures.

*'BBB' National Ratings denote a moderate default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions are more likely to affect the capacity for timely repayment than is the case for financial commitments denoted by a higher rated category.*

*"+" or "-" may be appended to a credit rating to denote relative status within a major rating category.*

*Source: [www.fitchratings.com](http://www.fitchratings.com)*

A copy of the rating certificate is given in Annexure I of the Prospectus.

## 5.10 CONSEQUENCES OF A TAX REVISION

In the event of an imposition of income tax on interest on these Debentures whether by way of withholding or otherwise in Sri Lanka, the Rate of Interest as set out in Section 5.5 of this Prospectus on each type of Debenture will be increased by mutual agreement between the Debenture Holders of each type of Debenture and the Company to compensate the Debenture Holders for such tax, provided however that the increase to be so agreed shall in no event exceed One decimal Zero *per centum* (1.00%) per annum above the Rate of Interest as set out in Section 5.5 of this Prospectus with effect from the date of such imposition of tax. Provided however, that any such agreement will be subject to the prior approval of the Debenture Holders of two third (2/3) of the Face Value of each type of Debentures outstanding at that time.

In the event a mutual agreement cannot not reached by any type of Debenture Holders and the Company, the Company will pre pay such Debentures and such date will also be deemed to be a Date of Redemption as provided in the Trust Deed. Each type of Debenture can be pre paid only in its entirety and no part pre-payment will be permissible.

The pre payment of any type of Debenture as set out above will not have any effect howsoever on the other type of Debenture.

## 5.11 RIGHTS AND OBLIGATIONS OF DEBENTURE HOLDERS

- (a) Debenture Holders are entitled to the following rights:
- Receiving quarterly interest at the Rate of Interest as set out in Section 5.5 of this Prospectus and Principal Sum at the Date of Redemption as set out in Sections 5.6 of this Prospectus. In the event of a tax revision, interest will be paid at such mutually agreed interest rate as set out in Section 5.10
  - Ranking equal and *pari passu* with unsecured creditors in the event of liquidation and above the preference shareholders and ordinary shareholders
  - Calling and attending meetings of Debenture Holders as set out in the Trust Deed

- (b) Debenture Holders do not have the following rights:
- Attending and voting at meetings of holders of shares and other debentures
  - Sharing in the profits of the Company
  - Participating in any surplus in the event of liquidation
- (c) Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS is up to date and accurate. Each Debenture Holder shall absolve the Company from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS. Provided further that the Debenture Holder shall absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture Holders.

#### **5.12 BENEFITS OF INVESTING IN DEBENTURES OFFERED BY THE COMPANY**

- (a) Provides an opportunity to diversify the investment portfolio of the investors
- (b) Provides the investor with a regular cash inflow of quarterly interest payments
- (c) Provides the investor with an opportunity to invest in Debentures issued by a leading corporate in Sri Lanka
- (d) Being listed on the CSE, the Debentures will have a secondary market, thus providing the investor with an opportunity to exit at the market price prevailing at the time of divestiture
- (e) The Debentures may be used as collateral to obtain credit facilities from banks and financial institutions
- (f) As per Section 9(o) of the Inland Revenue (Amendment) Act No. 18 of 2013, the interest income from any investment made on or after the January 1, 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempt from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the same Act, the profits and income earned from any such investment have also been exempted from income tax.

### 5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES

Subscribers to the Debentures could be exposed to the following risks:

**(a) Interest Rate Risk**

Provided all other factors are equal, the market price of the debentures will generally fluctuate in the opposite direction to fluctuations in market interest rates. Thus, interest rate risk could be identified as the reduction in the market price of Debentures resulting from a rise in interest rates.

**(b) Reinvestment Risk**

Interest on Debentures are payable quarterly. An investor may decide to reinvest this interest payment and earn interest from that point onwards. Depending on the prevailing interest rates at the point of reinvestment, the risk of returns generated by Debenture Holders by reinvesting such interest received being higher or lower than the return offered by the Debentures is known as reinvestment risk.

**(c) Call Risk**

The uncertainty to the debenture holder when the issuer has the option of redeeming the debentures before maturity, thus being called upon to terminate the investment early is known as "Call Risk". However, these Debentures do not carry this risk as call options are not embedded with these Debentures. However in the event of an imposition of income tax on interest on these Debentures whether by way of withholding or otherwise in Sri Lanka, the Company is obliged to redeem the Debenture if a revision of Rate of Interest cannot be agreed mutually between the Company and the Debenture Holders as described in Section 5.10.

**(d) Credit Risk**

Credit Risk is also referred to as default risk. This is the risk that the issuer of a debenture may default, i.e. the issuer will not be able to pay interest and principal payments on a timely basis. This risk is gauged in terms of a rating assigned by different rating agencies. Fitch Ratings Lanka Limited has assigned a National Long-term Rating of BBB+(lka) to these Debentures and will be periodically reviewing the same.

**(e) Liquidity Risk**

Liquidity risk is associated with the ease with which an investment can be sold after the initial placement. In order to reduce the liquidity risk of the Debentures, the Company has applied for a listing of these Debentures on the CSE and has received in-principle approval for such listing. Thus Debenture Holders will be able to sell the Debentures through the CSE in order to convert the Debentures to cash and exit from the investment.

**(f) Duration Risk**

Duration is a measure of the price sensitivity of fixed income investments to a change in interest rates, based on the time to maturity of principal and coupon payment. The higher the duration, the greater the price volatility or duration risk, while the lower duration risk carries a lower risk.

#### 5.14 TRANSFER OF DEBENTURES

The Debentures will be transferable and transmittable in the manner set out in the Trust Deed, which is reproduced below.

- (a) These Debentures shall be freely transferable and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) The Debentures shall be transferable and transmittable through the CDS as long as the Debentures are listed in the CSE. Subject to the provisions contained herein, the Company may register without assuming any liability any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- (c) In the case of death of a Debenture Holder;
  - The survivor where the deceased was a joint holder; and
  - The executors or administrators of the deceased or where the administration of the estate of the deceased is in law not compulsory the heirs of the deceased where such Debenture Holder was the sole or only surviving holder; shall be the only persons recognized by the Company as having any title to his/her Debentures.
- (d) Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that he/she sustains the character in respect of which he/she proposes to act or his/her title as the Board of the Company thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Company, CDS, CSE and SEC.
- (e) No change of ownership in contravention to these conditions will be recognised by the Company.

#### 5.15 LISTING

An application has been made to the CSE for permission to obtain a listing for the Debentures and the CSE has granted its approval in-principle for the same. It is the intention of the Company to list the Debentures on the Main Board of the Colombo Stock Exchange upon the allotment thereof.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of the Company or of its Debentures.

## **5.16 COST OF THE ISSUE**

Directors estimate that the total cost of the Issue including fees to professionals, printing, advertising and other costs connected with the Issue will be approximately LKR 20.80 Million. Such costs will be financed by the internally generated funds of the Company.

## **5.17 BROKERAGE FEE**

Brokerage fee of 15 cents (LKR 0.15) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any bank operating in Sri Lanka or a member/trading member of the CSE or Managers to the Issue or any other intermediary appointed by the Company and/or Managers to the Issue involved in the marketing of the Issue.

## **5.18 UNDERWRITING**

This Issue is not underwritten.

The offering is not conditional to any minimum amount to be raised through this Issue. In the event of an under subscription, the Company is confident that any short fall in the funds required to meet the objectives of the Issue can be financed through internally generated funds and other credit facilities.



## 6.0 PROCEDURE FOR APPLICATION

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### 6.1 INSPECTION OF DOCUMENTS

Articles of Association, the Trust Deed, Auditors' Reports and Audited Financial Statements for the five (05) financial years ended 31<sup>st</sup> March 2013 (i.e. the five (05) financial years immediately preceding the date of this Prospectus) and all other documents referred to in Rule 3.2.16 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Company (if any) would be made available for inspection by the public during normal working hours at the registered office of the Company, No. 80, Nawam Mawatha, Colombo 02 until the Date of Redemption of the Debentures.

The Prospectus, the Trust Deed and Articles of Association of the Company will be available on the websites of CSE, [www.cse.lk](http://www.cse.lk) and website of the Company, [www.singerfinance.com](http://www.singerfinance.com) from the date of opening of the subscription list until the Date of Redemption of the Debenture as stipulated in Rule 3.2.16 (b) of the CSE Listing Rules.

Furthermore, the copies of the Prospectus and Application Forms will be made available free of charge from the collection points as set out in Annexure II.

### 6.2 ELIGIBLE APPLICANTS

Applications are invited for the subscription of Debentures from the following categories of applicants:

- (a) Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- (b) Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorised to invest in Debentures.
- (c) Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorised to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes, the Application should be in the name of the trustee/board of management.
- (d) Non-Residents: Foreign institutional investors, corporate bodies incorporated outside Sri Lanka, individuals resident outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Applications will not be accepted from individuals and Sri Lankans residing outside of Sri Lanka who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts.

"Individuals resident outside Sri Lanka" will have the same meaning as in the notice published under the exchange control act in gazette no. 15007 dated 21<sup>st</sup> April 1972.

### 6.3 HOW TO APPLY

The terms and conditions applicable to the Applicants are as follows;

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure II.

The Application Form can also be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk), the website of Singer Finance (Lanka) PLC, [www.singerfinance.com](http://www.singerfinance.com) and the website of Financial Advisors and Managers to the Issue, [www.ndbib.com](http://www.ndbib.com) from the date of opening of the subscription list until the Closure Date.

The Prospectus will be made available and can be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of SFLP, [www.singerfinance.com](http://www.singerfinance.com) from the date of opening of the subscription list until the Date of Redemption of the Debentures and from the website of Financial Advisors and Managers to the Issue, [www.ndbib.com](http://www.ndbib.com) from the date of opening of the subscription list until the Closure Date.

**Applications which do not strictly conform to instructions and the other conditions set out herein or which are incomplete or illegible may be rejected.**

- (b) **Applicants should apply only for one Type of Debentures (i.e. either Type A or Type B or Type C Debentures) under one Application Form.**
- (c) In the event an Applicant wishes to apply for more than one Type of Debentures, separate Application Forms should be used. Once an Application Form has been submitted for a particular Type of Debentures, it will not be possible for an Applicant to switch between the Types of Debentures.
- (d) More than one Application submitted by an Applicant under the same Type of Debentures will not be accepted. If two or more Application Forms are submitted for one Type of Debentures from a single Applicant, those would be construed as multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.
- (e) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (f) An Applicant of a joint Application will not be eligible to apply through a separate Application Form either individually or jointly. Such Applicants are also deemed to have made multiple Applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payment and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

The Company shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member).

Joint Applicants should note that all parties should either be residents of Sri Lanka or Non-Residents.

- (g) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their articles of association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the trustee/board of management.
- (h) All Applicants should indicate in the Application for Debentures, their CDS account number.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (i) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the "Margin Provider/Applicant's name" signed by the margin provider, requesting a direct deposit of the Debentures to the Applicant's margin trading account in CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can apply under their own name and such Applications will not be construed as multiple Applications.

- (j) Application Forms may be signed by third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. **Original of the POA should not be attached.**

- (k) Funds for the investments in Debentures and the payment for Debentures by Non-Residents should be made only out of funds **received as inward remittances or available to the credit of "Securities Investment Account" (SIA)** of the Non-Residents opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Controller of Exchange in that regard to commercial banks.

**An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the SIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the SIA.**

- (l) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

**Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application should be enclosed in an envelope marked "SINGER FINANCE (LANKA) PLC - DEBENTURE ISSUE 2013" on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to Registrars to the Issue or collection points mentioned in Annexure II.**

Applications sent by post or courier or delivered to any collection point set out in Annexure II should reach the office of the Registrars to the Issue, Business Intelligence Limited, No. 08, Tickell Road, Colombo 08, at least by 4.30 p.m. on the following Business Day immediately upon the Closure Date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date or carry a postmark dated prior to the Closure Date.

Applications delivered by hand to the Registrars to the Issue after the Closure Date of the Issue will also be rejected.

Please note that Applicant information such as full name, address, National Identity Card (NIC) number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.

Care must be taken to follow the instructions on the reverse of the Application Form.

Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

**PLEASE NOTE THAT ALLOTMENT OF DEBENTURES WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.**

Please note that upon the allotment of Debentures under this issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated. Hence, **Debenture Certificates shall not be issued.**

#### 6.4 NUMBER OF DEBENTURES TO BE SUBSCRIBED

Applicants are allowed to invest in either;

- Debentures of Type A; and/or
- Debentures of Type B; and/or
- Debentures of Type C

subject to the minimum subscription under each type;

A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter for each type of Debentures.

**An Applicant should apply only for one Type of Debentures (i.e. either Type A or Type B or Type C Debentures) under one Application Form.**

#### 6.5 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS

- (a) Payment in full for the total value of Debentures applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to (b) below.

- (b) Payments for Applications for values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either a;
- Bank guarantee issued by a licensed commercial bank; or
  - Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
  - RTGS transfer with value on the date of opening the Issue.

**Multiple cheques or RTGS transfers will not be accepted for Application value below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).**

- (c) Cheques or bank drafts should be made payable to **“SINGER FINANCE (LANKA) PLC - DEBENTURE ISSUE ACCOUNT 2013”** and crossed **"Account Payee Only"**, and must be honoured on the first presentation.
- (d) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of **“SINGER FINANCE (LANKA) PLC - DEBENTURE ISSUE ACCOUNT 2013”** in a manner acceptable to the Company, and be valid for a minimum of one (01) month from the Issue Opening Date (i.e. 29<sup>th</sup> August 2013).

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (e) In case of RTGS transfers (only for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), such transfers should be made to the credit of **“SINGER FINANCE (LANKA) PLC - DEBENTURE ISSUE ACCOUNT 2013”** bearing the account number **101000275353** at **National Development Bank PLC** with value on the issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

The Applicant should obtain a confirmation from the Applicant's bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of **“SINGER FINANCE (LANKA) PLC - DEBENTURE ISSUE ACCOUNT 2013”** bearing the account number **101000275353** at **National Development Bank PLC** with value on the date of opening the Issue (i.e. the funds to be made available to the above account on the Issue opening date) and should be attached with the Application Form.

For RTGS transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of Seven *per centum* (7.00%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers are not realised before the end of the Closure Date. Furthermore, even if such RTGS transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (f) Cash will not be accepted.
- (g) Payment for the Debentures by Non-Residents should be made through a “Securities Investment Account” (SIA) maintained with any licensed commercial bank in Sri Lanka in accordance with directions given by the Controller of Exchange in that be regard to commercial banks.
- (h) The amount payable should be calculated by multiplying the number of Debentures applied for under a particular Type by the Face Value (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee, the Application will be rejected.
- (i) In the event that cheques are not realised prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (j) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Business Day immediately following the Closure Date.

## 6.6 REJECTION OF APPLICATIONS

Application Forms and the accompanying cheques/bank drafts/bank guarantees or RTGS transfers, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of SFLP.

Applications from individuals and Sri Lankans residing outside of Sri Lanka who are under the age of 18 years or in the names of sole proprietorships, partnerships, unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number will be rejected.

More than one Application submitted by an Applicant under the same Type of Debentures will not be accepted. If two or more Application Forms are submitted for one Type of Debentures from a single Applicant, those would be considered as multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.

Any Application Form with more than three (03) natural persons as joint Applicants for any Type of Debentures will be rejected.

Applications delivered by hand to the Registrars to the Issue after the subscription list is closed will be rejected. Applications received by post or courier after 4.30 p.m. on the Business Day immediately following the Closure Date, will also be rejected even if they carry a post mark dated prior to the Closure Date.

Applications delivered to any place mentioned in Annexure II should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Business Day immediately following the Closure Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date.

In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

## **6.7 BANKING OF PAYMENTS**

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Business Day immediately after the Closure Date as set out in Section 5.2, in terms of the CSE Listing Rules.

## **6.8 BASIS OF ALLOTMENT OF DEBENTURES**

In the event of an over subscription, the Board of Directors of the Company will endeavour to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. Upon the allotments being decided, an announcement will be made to the CSE.

The number of Debentures to be issued under Debentures of Type A, Debentures of Type B and Debentures of Type C shall be in accordance with the basis of allotment which shall be decided at the discretion of the Board of Directors of SFLP in a fair manner in the event of an over subscription.

The Company reserves the right to refuse any Application or to accept any Application in part only, without assigning any reason thereto.

A written confirmation informing successful Applicants on their allotment of Debentures will be dispatched within ten (10) Market Days from the Closure Date as required by the CSE.

## **6.9 REFUNDS**

Monies will be refunded where;

- an Application is rejected for reasons given in Section 6.6
- the Application is accepted only in part.

If the Applicant has provided accurate and complete details of his bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.



In the event of refunds over Rupees Five Million (LKR 5,000,000/-) or if the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the bank will make such refund payment to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

In the case of joint Application, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIP transfers at the following website;

**[http://www.lankaclear.com/products\\_and\\_services/sl\\_interbank\\_payment\\_system\\_guideline.php](http://www.lankaclear.com/products_and_services/sl_interbank_payment_system_guideline.php)**

Refunds on Applications rejected or partly allotted Debentures would be made within ten (10) Market Days excluding the Closure Date. Applicants would be entitled to receive interest at the rate of last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the CBSL or any other authority (in the event that the CBSL ceases to publish the AWPLR) plus five *per centum* (5.00%) for the delayed period on any refunds not made within this period.

#### **6.10 CDS ACCOUNTS AND SECONDARY MARKET TRADING**

Debentures allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of eighteen (18) Market Days, from the Closure Date. A written confirmation of the credit will be sent to the Applicant within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Company will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Debentures.

Trading of Debentures on the secondary market will commence on or before the third (3<sup>rd</sup>) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

## 7.0 THE COMPANY

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### 7.1 BACKGROUND OF THE COMPANY

Singer Finance (Lanka) PLC, a subsidiary of Singer (Sri Lanka) PLC (SSL), was incorporated on April 19, 2004 with the objective of diversifying into financial services. This diversification further augmented the parent companies strategies through the financing of consumer durables. SFLP obtained the license from CBSL to carry out finance leasing operations on October 1, 2004 and was subsequently licensed under the Finance Business Act No. 42 of 2011. SFLP is currently categorised as a medium-sized Licensed Finance Company by the CBSL. SFLP obtained the public listed status by way of listing its ordinary shares on the Colombo Stock Exchange on January 17, 2011.

The principal business activities of the Company are the acceptance of deposits from the general public and granting of leases, hire purchase facilities and consumer loans under its lending operations. In addition to the above, SFLP is a strategic business partner to SSL in strengthening its consumer financing business.

### 7.2 VISION OF THE COMPANY

“To be the foremost Finance Company in Sri Lanka”

### 7.3 MISSION OF THE COMPANY

“To continuously improve the quality of life of Sri Lankans by providing convenient financial solutions whilst encouraging savings by providing the most friendly and reliable fixed deposit Services within the regulatory framework.”

### 7.4 VALUES

#### **Community**

SFLP conducts its business by conforming to the ethics of our country and share the social responsibility towards the less fortunate.

#### **Competitors**

The Company respects its competitors and recognise their contribution to the Finance Industry

#### **Consumers**

SFLP lives up to the expectations of a responsible organisation by providing customer-focused financial services

#### **Employees**

The employees of SFLP respect each other as individuals and encourage cross functional teamwork while providing opportunities for career development

#### **Environment**

SFLP makes every effort to ensure that the environment is protected and conserved for the future generations

#### **Shareholders**

The Company provides a reasonable return while safeguarding their investment

## 7.5 NATURE OF BUSINESS

### **Synergies with Parent Company**

Customers of SFLP have the option of settling their rental dues from closer to 400 Singer Plus, Singer Mega, Singer Homes or Sisil showrooms islandwide. This option is presently unmatched by competition. Further, SFLP brand name is augmented by the strength and popularity of the brand 'SINGER' which has a high share of voice, in the local advertising space. SFLP also benefits from access to lower cost of funds sourced by the Treasury of the parent company SSL, and also by many other support functions such as payroll administration, general administration and logistical support rendered by the parent company.

### **Product Portfolio**

SFLP commenced operations by providing leasing and hire purchase financing for customers. Subsequently, the Company began to finance the purchase of consumer products and personal loans.

- **Leasing**

Leasing was introduced to the Sri Lankan market in 1980 and soon began to gain wide acceptance as an alternative form of financing. Its availability 'over the counter' enhanced its appeal. Its popularity among SME's also grew. SFLP provides leasing facilities for brand new vehicles. The demand for vehicle leases has grown consistently throughout the year under review.

- **Hire Purchase**

Hire purchase became a popular financial product due to VAT concessions given when financing used vehicles and provides a flexible method of payment for those unable to pay the full amount at the time of purchase. Hire purchase was initially used for consumer products but has now emerged as a popular alternative to leasing.

SFLP provides hire purchase facilities for used vehicles and agricultural equipment. With exemptions on VAT for certain vehicle categories such as buses, a shift from hire purchase to leasing was experienced. Further, the demand for second hand vehicles has dropped at an alarming pace as a result of duty increases in the present economic context.

- **Group Sales Policy**

The Company has a group sales policy, similar to the policy followed by its parent company. This unique facility is made available to staff from reputed organisations in both public and private sectors. Employees of these organisations may select any consumer product and pay for it in monthly installments. These installments are deducted from the respective employee's salary and remitted to the Company by the organisations concerned.

Many public and private institutions have made use of this facility. Customers enjoy the benefits of the product from the very first day without being obliged to pay the entire sum up front. The burden of settling monthly payments is taken on by the employee's organisation. The Company has established a dedicated unit with competent staff at head office to supervise this facility. A state of the art IT system supports the unit.

- **Deposit Schemes**

SFLP is a registered Finance Company authorised to accept public deposits by the CBSL. The head office of the deposit division is located in Colombo and all branches island wide are authorised to accept deposits. Attractive deposit promotions are carried out during April and December seasons where valuable consumer durables are offered to deposit holders willing to lock in their funds for a pre agreed period. Whilst SFLP offers very attractive rates, the Company avoids engaging in the rate competition which in the past has affected the finance industry adversely.

## 7.6 STATED CAPITAL

The Company's capital structure given below represents ordinary voting shares and does not include non-voting, preference or any other classes of shares. Also, the Company does not have any outstanding convertible debt securities.

Stated Capital (as at 30 <sup>th</sup> June)	2013	2012
Balance in Rs.	1,445,333,342	800,000,005
Number of Shares	165,333,334	106,666,667

## 7.7 TOP 10 SHAREHOLDERS AS AT 31<sup>ST</sup> JULY 2013

	Name	Number of Shares	% Holding
1	Singer (Sri Lanka) PLC	132,931,054	80.40%
2	Associated Electrical Corporation Ltd.	1,560,000	0.94%
3	NDB Aviva Wealth Management Ltd. S/A Hatton National Bank PLC	774,352	0.47%
4	Naqeah (Pvt) Limited	458,589	0.28%
5	DPMC Assetline Holdings (Pvt) Ltd.	447,836	0.27%
6	National Development Bank PLC	417,757	0.25%
7	Mr. Shakir Asgerally Lukmanjee	400,100	0.24%
8	Mercantile Investments and Finance PLC	400,000	0.24%
9	Acuity Partners ( Pvt ) Ltd./ Mr. S. Paramanathan	400,000	0.24%
10	A E C Properties (Pvt) Ltd.	360,000	0.22%
	Others	27,183,646	16.44%
	<b>Total</b>	<b>165,333,334</b>	<b>100.00%</b>

## 7.8 SUBSIDIARY/ASSOCIATE COMPANIES OF SFLP

SFLP does not have any subsidiary or associate companies.

## 7.9 HUMAN RESOURCES

Human Resource details of the Company as at 30<sup>th</sup> June 2013 are given below;

Category	Number of Employees
Key & Senior Management	6
Middle Management	10
Junior Management	18
Non Management	187
<b>Total</b>	<b>221</b>

The employees of SFLP are not engaged in any labour union activities and there are no labour unions or any significant agreements entered into between the Company and labour unions.

## 7.10 PARTICULARS OF LOAN FACILITIES

Nature of Facility	As at 30 <sup>th</sup> June 2013
Bank Overdrafts	139,287,186
Bank Loans	593,764,000
Non-Bank Loans	975,000,000

## 7.11 OTHER DEBT SECURITIES

The Company does not have other debt securities in issue.

## 7.12 CONVERTIBLE DEBT SECURITIES

The Company does not have convertible debt securities in issue.

## 7.13 COMMITMENTS AND CONTINGENT LIABILITIES

There were no significant capital commitments which have been approved or contracted for by the Company as at 30<sup>th</sup> June 2013 except for the following:

Operating Lease Commitments as at 30<sup>th</sup> June 2013 are as follows;

Within One Year	Rs. 12.5 Million
Between One to Five Years	Rs. 44.9 Million
Over Five Years	Rs. 24.4 Million

As at 30<sup>th</sup> June 2013, the Company has provided letters of guarantee totaling to Rs. 1,050,000/- against Fixed Deposits of Rs. 1,683,555/-.

Except for the above, there are no material contingent liabilities that would affect current and future profits of the Company.

## 7.14 FINANCIAL RATIOS

As at 31 <sup>st</sup> March	2011	2012	2013	As at 30 <sup>th</sup> June 2013
Interest Cover Ratio (Times)	1.79	1.70	1.44	1.38
Net Debt/EBITDA (Times)	3.76	6.32	4.61	4.74
Debt to Equity Ratio (Times)	2.09	4.01	2.59	2.71
Tier-I Capital Adequacy Ratio ( <i>minimum requirement-5%</i> )	22.60%	18.08%	25.26%	26.37
Tier-II Capital Adequacy Ratio ( <i>minimum requirement-10%</i> )	22.60%	18.08%	25.26%	26.37
Shareholders' funds : Public Deposits ( <i>minimum requirement-10%</i> )	51.33%	40.57%	57.97%	50.99

## 7.15 FUTURE STRATEGIES, RISKS AND ASSUMPTIONS

### FUTURE STRATEGIES OF THE COMPANY

- **Expansion of the Branch Network**

SFLP is planning to expand its network to Jaffna during the 3<sup>rd</sup> Quarter of 2013. With the opening of the branch in Jaffna, the Company will also venture into different products such as foreign currency trading, and explore possibilities of offering payment acceptance of utilities such as telephone, electricity etc. SFLP's foray into Jaffna, will introduce a new customer segment to its portfolio.

In addition to Jaffna, the Company is expanding its business in several key locations in the island such as Dambulla, Mahiyangana, Kaduwela and Wattala by opening new branches and by converting the existing service centers to branches. A full-fledged branch will allow the Company to realize its full potential in the respective towns as a branch facilitates and offers a wider product portfolio.

In addition to above, the Company is in the process of opening up service centers at Singer Mega and Singer Homes stores scattered throughout the country. Both Singer Mega and Singer Homes are flagship stores of the parent company with the former offering a wide range of consumer durables and the latter offering furniture exclusively. By opening up branches in these locations, the Company expects to finance the hire purchase business of Singer Mega and Singer Homes stores. Whilst catering to the hire purchase customers of Singer, SFLP will operate from those locations to provide other services that the Company offers in their normal course of business.

- **Enhancing the Product Portfolio**

The Company will develop its product portfolio by introducing new products to its existing product range. This will include the opening of foreign currency trading and few other innovative products which are in the pipeline.

The Company is also in the process of applying to the CBSL for a licence to issue Debit/ Credit Cards as a new product segment. The Company envisages that having these products will enrich the product portfolio and introduce new income earning assets.

- **Attracting Low Cost Funds**

The management is exploring the opportunities of sourcing low cost funds to reduce the overall cost of funds. Low cost funds will be attracted in two ways. The management expects to promote Children's Savings aggressively and will soon introduce the Adult Savings accounts. In addition to promoting savings accounts, the management is also exploring possibilities of sourcing low cost foreign funds in its effort to bring the overall cost of funds further down.

## **ASSUMPTIONS IN RELATION TO FUTURE STRATEGIES**

The future plans of the Company are based on the assumption that the country's overall economy will be consistent in its outlook. Therefore, there may be a risk involved if the local economy shifts to a downturn and thereby curtailing the operations of SFLP. The Company has built in a cautious approach to all its new plans in order to mitigate this risk. The best example is the postponement of plans that prevailed to begin gold pawning; the timely decision by management saved the Company from having to face losses due to the decline of gold prices, which affected the industry badly.

Management of the Company is of the view that it is important to venture into new markets in addition to the existing markets that the Company operates in, as it will reduce the dependency on limited markets, thus reducing the risk in operating in a limited spectrum. SFLP assumes that the new markets and products that are in the pipeline will help the Company to increase the profitability.

Further, SFLP is working on low cost credit lines as well as to reduce its gap of the maturity mismatch through long term funding at reasonable rates. SFLP assumes that the best way to reduce the maturity mismatch is through a listed long-term debenture as it will benefit both SFLP and the investors due to the tax benefits attached to this instrument. In addition to issuing a listed debenture, the management is working on getting low cost Rupee loans from foreign sources. As the proposed loans are Rupee loans, the Company does not intend to bear any foreign exchange risk.

As mentioned earlier, the Company obtained approval from CBSL to form a fully owned subsidiary company to carry out insurance brokerage business. SFLP is in the process of applying for license from Insurance Board of Sri Lanka. SFLP assumes that by divesting into insurance brokerage, the Company will be able to get an attractive Return on Investment as the startup cost of the proposed company is limited as SFLP can use its existing resources, and also there is ample opportunity for business within the group for Insurance Brokering.

## **RISKS ATTACHED TO FUTURE STRATEGIES**

Similar to any other industry, the finance industry too is exposed to different economic sensitivities.

The main risk that the finance industry faces is the credit risk. i.e. the risk of inability to collect the debts given to customers in accordance with the agreed terms. As a remedy, SFLP practices a sound credit policy which includes, delegated approval hierarchy, segregation of duty between the transaction originators and approvers, stipulated maximum exposure level for each category of approvers etc. Further, the Company is aware of the sector exposure and revises the exposure levels from time to time.

The risk of depreciation of the Sri Lanka Rupee in future will lead to an increase in prices of imported vehicle and machinery which the Company finances. The possibility of reduction in demand for products as a result of the increase in prices can lead to a reduction in lending of the Company, which in-turn will reduce the turnover of the Company. However, the risk of increase in prices due to the depreciation of the Sri Lanka Rupee will impact all players in the finance industry.

Macro-economic conditions of the country as well as the external factors will determine the level of inflation and interest rates in future. The risk of deterioration of macro-economic conditions can lead to rise in the inflation rates and interest rates and thereby the cost of living of customers. The increase in cost of living can reduce spending on non-revenue earning assets by the customers and thereby lead to a reduction in lending of the Company.

Increase in market interest rates can lead to increase in financing cost of the Company which in-turn will increase the interest charged by the Company on its lending. This can result in a drop in financing.

The Company engages in financing consumer durables which are susceptible to change in technology. Therefore, to mitigate this risk, the tenure of financing of consumer durables by the Company is restricted to a shorter period. The fact that there is a considerably large portfolio of small ticket consumer durable contracts is an added advantage for SFLP as these contracts provide high yield in a very short time.

A strategy of the Company is to attract low cost funding from foreign sources as Rupee loans. However, if the Rupee depreciates considerably, the cost of funding could be high as the providers of funds need to hedge their exchange risk.

To mitigate the risks associated in the finance industry and entity specific risks, the Company has formed several committees. There are monthly meetings carried out at operational level to review performance, Management of the Company with Group CEO of Singer Group, a Non-Executive Director and Alternate Directors gather monthly to review the performance of the Company. Also, the Credit Committee reviews the exposure on credit risk and report to the Integrated Risk Management Committee (IRMC). IRMC is comprised of two Non-Executive Directors, an Executive Director, the Group Head of Risk Management, and Senior Managers of SFLP. Also, the risk will be further discussed at the Audit Committee Meetings and in the Board Meetings.

Due to the stringent procedures followed by the Company, Company's exposure to risk is well managed, and the low NPL ratio is a testimony.



## 7.16 CORPORATE GOVERNANCE PRACTICES

A well-defined structure of corporate governance is in place at Singer Finance (Lanka) PLC and this intends to encompass the set of core values, accountability to shareholders, relationship with management, environmental protection and anti-corruption measures. The Board of SFLP is committed to deliver a holistic service embedded by the highest ethical standards in the regime of excellent corporate governance practices across all areas.

### INDEPENDENT DIRECTORS

The following Directors were independent as at the date of the Prospectus.

<b>Name of Director</b>	<b>Designation</b>
Mrs. Marina Tharmaratnam	Senior Independent Non-Executive Director
Mr. J.A. Setukavalar	Independent Non-Executive Director

### AUDIT COMMITTEE

The Audit Committee has the authority to conduct investigations apposite to fulfilling its responsibilities on ensuring the quality of financial reporting and related communication to the shareholders and the public.

Audit Committee Charter sets out the primary duties and responsibilities of the Audit Committee of SFLP Board which provides an unbiased review of the reports of Internal and External Auditors and findings and recommendations stated therein.

The Audit Committee which is appointed by the Board of SFLP comprises of the following members as at the date of the Prospectus.

<b>Name of Director</b>	<b>Designation</b>
Mr. J.A. Setukavalar (Chairman of the Audit Committee)	Independent Non-Executive Director
Mrs. Marina Tharmaratnam	Senior Independent Non-Executive Director
Mr. M.P.A. Salgado (By invitation)	Non-Executive Director
Mr. M.M.C. Priyanjith (Secretary)	Head of Risk Management

### REMUNERATION COMMITTEE

The Committee mainly aims at remuneration and perks of the Chairman, the Chief Executive Officer, Independent Directors and Executive Directors of the Company. Independent Non-Executive Director chairs the Committee and it comprises of two Independent Directors, Group Chief Executive Officer and Non-Executive Director. Committee reviews the policies affecting remuneration of Executives of the Company.

The Remuneration Committee which is appointed by the Board comprises of the following members as at the date of the Prospectus.

<b>Name of Director</b>	<b>Designation</b>
Mrs. Marina Tharmaratnam	Senior Independent Non-Executive Director
Mr. J.A. Setukavalar	Independent Non-Executive Director
Dr. S. Kelegama	Chairman/Non-Executive Director
Mr. H.A. Pieris (By invitation)	Group Chief Executive Officer
Mr. M.P.A. Salgado (Secretary)	Non-Executive Director

#### **INTEGRATED RISK MANAGEMENT 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.

<b>Name of Director</b>	<b>Designation</b>
Mrs. Marina Tharmaratnam (Chairperson of the Committee)	Senior Independent Non-Executive Director
Mr. J.A. Setukavalar	Independent Non-Executive Director
Mr. R.S. Wijeweera	Chief Executive Officer/Director
Mr. M.P.A. Salgado	Non-Executive Director
Mr. K.K.L.P. Yatiwella (By invitation)	Company Secretary
Mr. M.M.C. Priyanjith (Secretary)	Head of Risk Management
Mr. T.A. Amarasuriya (By invitation)	Finance Manager/Compliance Officer
Mr. R.I. Jayasuriya (By invitation)	Credit & Recovery Manager
Mr. I. Perera (By invitation)	Business Development Manager

#### **7.17 LITIGATION AGAINST THE COMPANY**

There are no any legal, arbitration or mediation proceedings, which may have or have had in the recent past significant effects on the Company's financial position or profitability.

#### **7.18 DETAILS OF PENALTIES IMPOSED BY REGULATORY AND STATE AUTHORITIES**

CBSL has imposed a penalty of LKR 300,000/- under Finance Companies (Reporting Requirements) Direction No. 2 of 2011 for delayed submission of weekly reports during the months of February and April 2012. The Company has submitted an appeal for the above fine imposed.

#### **7.19 DETAILS OF MATERIAL CONTRACTS OF THE COMPANY**

The Company has not entered into any material contracts as at date other than contracts entered into in the ordinary course of business.

## **7.20 DEGREE OF DEPENDENCE ON KEY CUSTOMERS AND SUPPLIERS**

The Company is not significantly dependent on any single customer or supplier for its requirements.

## **7.21 DETAILS OF COMMISSIONS PAID**

No commission has been paid in the two (02) years preceding the Issue or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions, for any shares in or debentures of the Company.

## **7.22 MANAGEMENT AGREEMENTS**

There are no management agreements presently in force or currently being considered.

## **7.23 TRANSACTIONS RELATING TO THE PROPERTY**

There is no transaction relating to the property completed within the two (2) preceding years in which any vendor of the property to the Company or any person who is or was at the time of the transaction, a promoter or a director or proposed director of the Company who had any interest, direct or indirect.

## **7.24 DETAILS OF BENEFITS PAID TO PROMOTERS**

No benefit has been paid or given by the Company within the two years preceding the Issue and there are no benefits intended to be paid or given to any promoter.

## **7.25 DIVIDEND POLICY**

The Board of Directors has adopted a policy of paying out dividends to the shareholders based on factors including but not limited to the Company's earnings, capital requirements and the overall macro financial conditions.

Details of dividend payments during the preceding financial years have been stated under Section 2.5 - Accountants' Report of this Prospectus.

## **7.26 TAXATION**

The Company is not enjoying any tax concession or any tax exemptions as at 30<sup>th</sup> June 2013.

## 8.0 BOARD OF DIRECTORS

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### 8.1 DETAILS OF THE DIRECTORS

**Dr. Saman Bandara Wanninayaka Kelegama**

*Chairman/Non-Executive Director*

*17, 2nd Lane, Off Nawala Road, Rajagiriya*

Dr. Kelegama joined the Board of SFLP as Director on 13th November 2008. He is Director of Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, S C Securities.

He is an Executive Director of the Institute of Policy Studies of Sri Lanka, Fellow of National Academy of Sciences in Sri Lanka, Former President of Sri Lanka Economic Association and author of several publications on the economy of Sri Lanka.

Dr. Kelegama holds a D.Phil. (Economics) from Oxford University, UK.

**Mrs. Marina Annelisee Tharmarathnam**

*Senior Independent Director*

*30/2, Park Road, Colombo 05*

Mrs. Tharmaratnam was appointed to the Board of SFLP on the 7th August 2012.

She is a Director of DFCC Vardhana Bank PLC and the current Chairperson of World Vision Sri Lanka. She previously held senior managerial positions with Eagle Insurance, DFCC Bank and also acted as the CEO and Director of Union Assurance PLC from 2003 to 2009 and continued to serve on its Board until December 2010.

Mrs. Tharmaratnam is a Fellow of The Institute of Chartered Accountants of Sri Lanka, Member of the Chartered Institute of Marketing with a Postgraduate Diploma in Marketing awarded by CIM - UK, and she is a Chartered Marketer and a Fellow of the Institute.

**Mr. Jayendran Arulraj Setukavalar**

*Non-Executive Independent Director*

*310, Park Road, Colombo 05*

Mr. Setukavalar joined the Board of Singer Finance (Lanka) PLC on the 22nd of March 2012. He also serves on the Boards of A. Baur & Co. (Pvt) Ltd., Baur Air Services Ltd., A. Baur & Company (Travel) Ltd., A. Baur Trading (Pvt) Ltd., Baur Agri Exports (Pvt) Ltd., Swiss Trading Group (Pvt) Ltd., Swiss Hotel Management Academy (Pvt) Ltd. Mr. Setukavalar is also a member of the Board of Governors of the CMS Schools in Sri Lanka and is the current Chairman of its Finance Committee.

Mr. Setukavalar has over 38 years of experience in the fields of Auditing, Accounting and Finance and has served in key management positions and boards in various industries. He also worked overseas for three years with PriceWaterhouseCoopers Dubai. He is a Fellow of The Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants - UK, Certified Management Accountants - SL, Certified Global Management Accountant (CGMA) and a Fellow of the Institute of Certified Professional Managers (FCPM-SL).

Mr. Setukavalar was awarded scholarships by the British, Foreign and Commonwealth Office UK and the Colombo Plan Bureau to follow Senior Management Programmes in UK and South Korea and he has also attended Senior Management training programmes at INSEAD - France, IBM - Rochester, USA and JICA - Japan.

**Mr. John Jun Hyun**

*Non-Executive Director*

*RM 202, 2F, Baskerville House, 13, Duddell Street, Hong Kong*

Mr. Hyun joined the Board of SFLP on 28th February 2011.

He is a Managing Director of UCL Asia, one of Hong Kong's largest direct investment groups in terms of liquid capital.

Mr. Hyun began his career in finance more than 18 years ago as part of Bankers Trust's Asia Private Equity investment team based in Hong Kong before relocating to Seoul to help establish its Mergers, Acquisitions & Advisory Group. He returned to Hong Kong in 1999 with Investor Asia, the Asian operations of Investor AB, the Swedish industrial holding group controlled by the Wallenberg family. Mr. Hyun joined UCL in 2003.

Mr. Hyun is also a Director of Direct Asia Insurance (Holdings) Pte Ltd., KCS Ltd. and several non-profit organisations active in Asia. He is an alumnus of the University of Chicago.

**Mr. Gavin John Walker**

*Non-Executive Director*

*3B, Haking Mansions, 43 Barkar Road, The Peak, Hong Kong*

Mr. Walker was appointed to the Board of SFLP on 20th September 2010. Mr. Walker is the President and Chief Executive Officer of Singer Asia Ltd., and was appointed to this position in August 2005. Prior to joining the Company, Mr. Walker held offices as Managing Director and Chief Executive Officer of public quoted and private companies in the United Kingdom and South Africa. Mr. Walker served as Chief Executive Officer of a multi-brand retailer of electrical appliances and furniture with operations in 16 African countries and Australia (including SINGER® brand electrical appliances under license). Mr. Walker serves on the Boards of a number of Singer Asia Subsidiaries.

**Mr. Yat Cho Joe Kan**

*Non-Executive Director*

*RM 202, 2F, Baskerville House, 13, Duddell Street, Hong Kong*

Mr. Kan was appointed to the Board of SFLP on the 30th April 2013. Appointed as the Chief Financial Officer of Singer Asia Ltd. in September 2010 and as Controller of Retail Holdings N.V. in November 2011. Prior to joining the Company he was the Head of Finance of Octopus Cards Limited, the developer and operator of the largest smartcard payment system in the world. He has a Bachelor of Engineering degree in Electrical and Electronics Engineering from the University of Birmingham, UK, and an MBA from The Chinese University of Hong Kong. Mr. Kan is also a member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. He is currently a Director of Singer Asia Sourcing Limited and Singer Corporation Limited.

**Mr. Merennege Priyath Ananda Salgado**

*Non-Executive Director*

*6, Sri Mahavihara Mawatha, Panadura*

Mr. Salgado first joined the Board of SFLP on 31st July 2008. After resigning, he was re-appointed to the Board of Singer Finance (Lanka) PLC on 30th April 2013 as a Non-Executive Director. He is also the Finance Director of Singer (Sri Lanka) PLC and an Alternative Director of Singer (Sri Lanka) PLC.

**Mr. Robert Shanthapriya Wijeweera**

*Executive Director/Chief Executive Officer*

*472/102, Suriya Mawatha, Koswatte, Battaramulla*

Mr. Wijeweera has been functioning as the Chief Executive Officer of SFLP since its inception in 2004 and joined the Board of SFLP on 13th November 2008. He has a career spanning over 27 years in the finance industry and has held senior positions in several RFCs, and was involved in the operations of the Company since inception. Mr. Wijeweera holds MBA (Banking & Finance) from Postgraduate Institute of Management of the University of Sri Jayewardenepura and MSc. (Management) National University of Ireland (UCD).

**Mr. Shyamsunder Ramanathan**

*Alternate Director*

*138/1 1/1, Isipathana Mawatha, Colombo 05*

Mr. Ramanathan first joined the Board of SFLP on 13th November 2008 as an Alternate Director. After resigning, he was re-appointed to the Board of SFLP on 30th April 2013. He currently functions as the Director Logistics of Singer (Sri Lanka) PLC. Mr. Ramanathan is a fellow of The Institute of Financial Accountants of London.

**Mr. Janaka Mendis**

*Alternate Director*

*128/2, Piriwana Road, Borellasgamuwa*

Mr. Mendis joined the Board of SFLP on 30th April 2013.

He is also the Credit Director of Singer (Sri Lanka) PLC and holds a diploma in credit management from Sri Lanka Institute of Credit Management.

**Mr. Pandikoralalage Joseph Premalal De Silva**

*Alternate Director*

*43/3, Thekkawatte Lane, Sinharamulla, Kelaniya*

Mr. De Silva joined the Board of SFLP on 30th April 2013. He currently functions as the Director - Operations of Singer (Sri Lanka) PLC.

**Mr. Kukul Kurelege Lalith Priyantha Yatiwella**

*Secretary to the Board*

*588/27, Sangabo Mawatha, Makola North, Makola*

Mr. Yatiwella is the Group Finance Manager of Singer (Sri Lanka) PLC. He is also the Secretary to the Board of Reality Lanka Ltd. He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and holds a BSc (Hons.) Special Degree in Business Administration from University of Sri Jayewardenepura.

## **8.2 DIRECTORS' STATEMENT**

No Director or a person nominated to become a Director of the Company is or was involved in any of the following events:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer; and
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification

### 8.3 DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Directors' shareholding as at 30<sup>th</sup> June 2013 is as follows:

NAME OF THE DIRECTOR	NUMBER OF SHARES
Dr. Saman Kelegama	-
Mrs. Marina Tharmarathnam	-
Mr. J. A. Setukavalar	-
Mr. M. P. A. Salgado	68,442
Mr. R. S. Wijeweera	31,003
Mr. Y. C. J. Kan	-
Mr. G. J. Walker	-
Mr. J. J. Hyun	-
Mr. J. Mendis	42,000
Mr. P. J. P. De Silva	47,000
Mr. S. Ramanathan	-

### 8.4 DIRECTORS' INTEREST IN ASSETS

Apart from the information set out above, the Directors of SFLP hold no interest in acquisition, disposal, or lease of any asset of SFLP during the past two years preceding the Issue and have not proposed to acquire, dispose or lease any asset of SFLP, during the two years succeeding the Issue.

### 8.5 DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

There are no contracts or arrangements in force in which a Director of SFLP is materially interested in relation to the business of the Company as at the date of the Prospectus.

### 8.6 DIRECTORS' EMOLUMENTS

The aggregate emoluments including bonus and/or profit sharing payments made to the Directors for the financial year ended 31<sup>st</sup> March 2013 was LKR 10.74 Million.

The aggregate emoluments including bonus and/or profit sharing payable to the Directors for the financial year ending 31<sup>st</sup> March 2014 is estimated at LKR 11.60 Million.



## 9.0 CORPORATE MANAGEMENT

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### 9.1 CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR

#### **Mr. R.S. Wijeweera - Executive Director / Chief Executive Officer**

Please find the profile of Mr. R.S. Wijeweera in the Section 8.1

**The Executive Director/Chief Executive Officer or a person nominated to become the Executive Director/Chief Executive Officer of the Company is or was not involved in the following events:**

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

### 9.2 PROFILES OF THE CORPORATE MANAGEMENT

#### **Mr. Thushan Amarasuriya**

*Finance Manager*

Mr. Amarasuriya is an Associate Member of the Chartered Institute of Management Accountants - UK, an Affiliate Member of the Association of Chartered Certified Accountants - UK, Certified Global Management Accountant (CGMA) and a Member of the Chartered Institute of Marketing - UK. He has over 9 years experience in the field of Accounting and Finance and over 3 years experience in Sales, Marketing and Branding. Prior to joining SFLP, Thushan worked at Singer India Retail as its Financial Controller and at Singer (Sri Lanka) PLC as Manager - Financial Reporting.

#### **Mr. Iman Perera**

*Business Development Manager*

Mr. Perera holds an MBA from the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura and a BSc Business Administration (Special) Degree from the University of Sri Jayewardenepura. He counts for 19 years of work experience in Retail Banking, Leasing and Microfinance Marketing and Operations. Mr. Perera has been heading the branch network as well as the marketing and Business Development division of SFLP since 2006.

**Mr. Ruwan Jayasuriya**

*Manager - Credit and Recoveries*

Mr. Jayasuriya holds a Diploma in Credit Management from the Institute of Bankers of Sri Lanka. He is an Ordinary Member of the Sri Lanka Institute of Marketing and an Associate Member of the Chartered Institute of Marketing - UK. He counts over 10 years of experience in Operational and Credit Management in the Consumer Durables Industry working with the parent company, Singer (Sri Lanka) PLC and has been heading the credit and recoveries division of SFLP since the Company's inception.

**Mr. Joe Wijeyagoonewardene**

*Head of Deposits*

Mr. Wijeyagoonewardene, has considerable years of working experience both in the public and private sectors holding several positions of which over 31 years have been spent in the Finance Industry heading deposit departments. He is a Justice of Peace (All Island).

**Mr. Chamara Gomis**

*Senior Manager*

Mr. Gomis has over 17 years of experience in the banking industry with specialisations in retail banking including credit card operations, electronic payments, loyalty schemes, fraud management and also in the BPO industry, both in Sri Lanka and overseas. He joined SFLP in August 2011 and is responsible to manage new financial products for the organisation. He is a passed finalist of AAT (UK) with intermediate qualifications in banking.

### **9.3 EMOLUMENTS OF THE CORPORATE MANAGEMENT**

The aggregate emoluments including bonus and/or profit sharing payments made to the Corporate Management for the financial year ended 31<sup>st</sup> March 2013 was LKR 12.77 Million.

The aggregate emoluments including bonus and/or profit sharing payable to the Corporate Management for the financial year ending 31<sup>st</sup> March 2014 is estimated at LKR 13.79 Million.

## 10.0 STATUTORY DECLARATIONS

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### 10.1 STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned who are named herein as Directors of Singer Finance (Lanka) PLC hereby declare and confirm that we have read the provisions of CSE Listing Rules and of the Companies Act No. 7 of 2007 and any amendments thereto relating to the issue of the Prospectus and those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in our best judgment.

Name of Directors	Designation	Date	Place	Signature
Dr. Saman Bandara Wanninayaka Kelegama	Chairman	12 <sup>th</sup> August 2013	Colombo	Sgd.
Mrs. Marina Annelisee Tharmarathnam	Director	12 <sup>th</sup> August 2013	Colombo	Sgd.
Mr. Jayendran Arulraj Setukavalar	Director	12 <sup>th</sup> August 2013	Colombo	Sgd.
Mr. Merennege Priyath Ananda Salgado	Director	12 <sup>th</sup> August 2013	Colombo	Sgd.
Mr. Robert Shanthapriya Wijeweera	Director/ Chief Executive Officer	12 <sup>th</sup> August 2013	Colombo	Sgd.
Mr. Yat Cho Joe Kan Alternate Mr. Pandikoralalage Joseph Premalal De Silva	Director	12 <sup>th</sup> August 2013	Colombo	Sgd.
Mr. Gavin John Walker Alternate Mr. Janaka Mendis	Director	12 <sup>th</sup> August 2013	Colombo	Sgd.
Mr. John J Hyun Alternate Mr. Shyamsunder Ramanathan	Director	12 <sup>th</sup> August 2013	Colombo	Sgd.

## **10.2 STATUTORY DECLARATION BY FINANCIAL ADVISORS AND MANAGERS TO THE ISSUE**

We, NDB Investment Bank Limited, of No. 40, Nawam Mawatha, Colombo 02 being the Financial Advisors and Managers to the Issue of Singer Finance (Lanka) PLC, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Company, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Singer Finance (Lanka) PLC.

The Common Seal of, NDB Investment Bank Limited affixed on the 12<sup>th</sup> day of August 2013 at Colombo in the presence of two Directors.

Sgd.  
Director

Sgd.  
Director

## **10.3 STATUTORY DECLARATION BY THE COMPANY**

An application has been made to the CSE for permission to deal in and for a listing for Debentures issued by the Company and those Debentures which are the subject of this Issue.

Such permission will be granted when Debentures are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Debentures issued.

The Common Seal of, Singer Finance (Lanka) PLC affixed on the 12<sup>th</sup> day of August 2013 at Colombo in the presence of two Directors.

Sgd.  
Director

Sgd.  
Director

## 11.0 FINANCIAL INFORMATION

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### 11.1 ACCOUNTANT'S REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



**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  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : www.lk.kpmg.com

24<sup>th</sup> July 2013

The Board of Directors  
Singer Finance (Lanka) PLC  
No.80, Nawam Mawatha,  
Colombo 02.

Dear Sirs,

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

This report has been prepared for inclusion of our name as Auditor to the Company in the Prospectus in connection with the proposed issue of Seven Million Five Hundred Thousand (7,500,000) Rated, Unsecured, Redeemable Debentures with a value of Rupees Seven Hundred and Fifty Million (Rs.750,000,000/-) with the option of increasing the issue size up to Five Million (5,000,000) Rated, Unsecured, Redeemable Debentures with a total value of Rupees One Billion Two Hundred and Fifty Million (Rs.1,250,000,000/-) by Singer Finance (Lanka) PLC.

We have examined the Financial Statements of Singer Finance (Lanka) PLC from the year ended 31<sup>st</sup> March 2009 to 31<sup>st</sup> March 2013, included in the prospectus and report as follows.

#### **1. INCORPORATION**

Singer Finance (Lanka) PLC 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 2, and the principal place of 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 31st March 2009 to 31st March 2013, based on the audited Financial Statements of the Company are set out in pages XX and XX of the Prospectus.

##### **2.2 Audited Financial Statements for the year ended 31<sup>st</sup> March 2013**

The Statement of Financial Position as at 31<sup>st</sup> March 2013 and related Statement of Comprehensive Income, for the year then ended are set out on pages XX and XX of the Prospectus. We have audited these Financial Statements and our report dated 30<sup>th</sup> May 2013 is attached to the Financial Statements.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.B. Mihular FCA      P.Y.S. Perera FCA      C.P. Jayatilake FCA  
T.J.S. Rajakarier FCA      W.W.J.C. Perera FCA      Ms. S. Joseph FCA  
Ms. S.M.B. Jayasekara ACA      W.K.D.C. Abeyrathne ACA      S.T.D.L. Perera FCA  
G.A.U. Karunaratne ACA      R.M.D.B. Rajapakse ACA      Ms. B.K.D.T.N. Rodrigo ACA  
Principals - S.R.J. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA



### 2.3 Audit Reports

We have audited the Financial Statements of the Company for the years ended 31<sup>st</sup> March 2009 to 31<sup>st</sup> March 2013. 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<sup>st</sup> March 2009 to 31<sup>st</sup> March 2013 complied with applicable Sri Lanka Accounting Standards (SLFRS/LKAS).

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<sup>st</sup> March 2013. The adoption of revised/ new accounting standards and any changes to the accounting policies of the Company since 31<sup>st</sup> March 2009 to 31<sup>st</sup> March 2013 are given below.

Financial Year	Adoption of revised/ new accounting standards, changes to accounting Policies
31 <sup>st</sup> March 2009	There were no material changes
31 <sup>st</sup> March 2010	There were no material changes
31 <sup>st</sup> March 2011	There were no material changes
31 <sup>st</sup> March 2012	There were no material changes
31 <sup>st</sup> March 2013	<p>The Financial Statements for the year ended 31<sup>st</sup> March 2013 are the first annual Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) and SLFRS 1, first time adoption of SLFRS has been applied.</p> <p>Accordingly, the Company has prepared Financial Statements which comply with SLFRS and LKAS applicable for the period ending on or after 31<sup>st</sup> March 2013, together with the comparative periods ending on or after 31<sup>st</sup> March 2012 as described in accounting policies.</p> <p><b><u>Interest Income</u></b> In accordance with LKAS 39, the Company reversed the interest in suspense made and further, the corresponding gain or (loss) on fair value adjustment relating to restructured loans has recognized in the statement of Comprehensive Income.</p> <p><b><u>Interest Expenses</u></b> Due to the application of LKAS 39, the interest expenses on other financial liabilities due to customers are computed based on Effective Interest Rate (EIR)</p> <p><b><u>Deferred Revenue</u></b> Due to the application of LKAS 18, deferred revenue relating to the hire purchase, leases and loans debtors have been recognised as revenue.</p>



<p><b><u>Staff Loans</u></b> In accordance with LKAS 39, the Company have recognized Staff Loans at amortised cost using the effective interest rate method and adjusted to reflect the fair value of the receivable amount.</p> <p><b><u>Impairment on Trade and Other Receivables</u></b> According to LKAS 39, the Company recognised impairment losses when there is objective evidence that an impairment loss has incurred.</p> <p><b><u>Income Tax Expense</u></b> Income tax expense related to the re-measured revenue has been adjusted accordingly.</p>
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## 2.5. Dividends

The Company has declared the following dividends in respect of Ordinary Shares during the five financial years ended up to 31<sup>st</sup> March 2013.

Financial Year	Dividend Paid (Rs.)	Dividend Per share (Rs.)
2009	10,000,000	0.25
2010	20,000,000	0.25
2011	42,666,667	0.40
2012	85,333,334	0.79
2013	107,466,667	0.65

## 2.6. Events after the Balance Sheet Date

Directors have recommended the payment of a final dividend of Rs. 0.65/- per share for the year ended 31st March 2013, (as disclosed above 2.5). This was approved at the annual general meeting held on 27th June 2013.

Yours faithfully,

  
Chartered Accountants

Colombo

YP/CW

**Statement of Financial Position**

As at 31 <sup>st</sup> March	2013 SLFRS Rs.'000	2012 SLFRS Rs.'000	2011 SLAS Rs.'000	2010 SLAS Rs.'000	2009 SLAS Rs.'000
<b>Assets</b>					
Liquid assets	402,973	325,844	211,141	174,094	171,710
Investments	41	41	41	41	41
Advances	6,568,797	6,161,151	4,007,415	2,981,079	1,791,804
Other Assets	173,161	196,590	124,203	61,954	81,397
Property, Plant & Equipment	53,461	29,554	27,993	22,928	24,566
Intangible Assets	25,262	13,650	12,346	7,314	8,978
Deffered Tax Assets	33,780	11,858	13,420	8,581	-
Income Tax Receivable	-	9,288	-	-	-
<b>Total Assets</b>	<b>7,257,475</b>	<b>6,747,976</b>	<b>4,396,559</b>	<b>3,255,992</b>	<b>2,078,496</b>
<b>Liabilities</b>					
Interest-Bearing Loans & Borrowings	1,009,276	1,223,338	81,968	40,017	362,126
Deposit from customers	3,318,927	2,740,998	1,882,620	1,518,043	1,097,979
Amount due to Related companies	661,651	1,299,856	1,187,515	997,250	223,781
Retirement Benefit Obligations	11,521	7,479	5,572	3,751	2,843
Defferd Tax Liability	34,755	4,879	3,986	2,904	8,654
Other Liabilities	297,504	359,293	295,778	228,246	161,451
<b>Total Liabilities</b>	<b>5,333,633</b>	<b>5,635,842</b>	<b>3,457,440</b>	<b>2,790,213</b>	<b>1,856,835</b>
<b>Equity</b>					
Stated Capital	1,445,333	800,000	800,000	400,000	200,000
Capital Reserve	108,437	65,161	20,990	10,748	8,042
Retained Earnings	370,071	246,973	118,129	55,031	13,618
<b>Total Equity</b>	<b>1,923,841</b>	<b>1,112,134</b>	<b>939,119</b>	<b>465,779</b>	<b>221,661</b>
<b>Total Liabilities &amp; Equity</b>	<b>7,257,475</b>	<b>6,747,976</b>	<b>4,396,559</b>	<b>3,255,992</b>	<b>2,078,496</b>



**Statement of Comprehensive Income**

For the Year Ended 31 <sup>st</sup> March	2013	2012	2011	2010	2009
	SLFRS	SLFRS	SLAS	SLAS	SLAS
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Income	1,748,388	1,274,897	1,001,247	697,175	455,709
Interest Income	1,651,912	1,198,715	931,113	663,244	414,450
Interest Expense	(742,013)	(407,774)	(283,008)	(316,422)	(283,228)
<b>Net Interest Income</b>	<b>909,898</b>	<b>790,941</b>	<b>648,105</b>	<b>346,822</b>	<b>131,222</b>
Other Income	96,476	76,182	70,135	33,931	41,259
<b>Less:- Operating Expenses</b>					
Personnel Cost	(153,413)	(114,935)	(81,862)	(42,947)	(43,334)
Administration & Selling Expenses	(451,233)	(429,111)	(379,564)	(206,707)	(83,815)
<b>Operating Profit before Provision for Loan Losses and Tax</b>	<b>401,728</b>	<b>323,077</b>	<b>256,813</b>	<b>131,099</b>	<b>45,332</b>
Less:- Provision for Loan Losses	(64,641)	(13,205)	1,686	(30,320)	(20,585)
Loan Loss Recoveries	7,213	2,462	1,135	1,200	-
<b>Profit from Ordinary Activities before VAT on Financial Services and Tax</b>	<b>344,300</b>	<b>312,334</b>	<b>259,634</b>	<b>101,978</b>	<b>24,748</b>
Less:- Value Added Tax on Financial Services	(20,908)	(26,595)	(34,808)	(21,700)	(13,011)
<b>Profit Before Tax</b>	<b>323,391</b>	<b>285,739</b>	<b>224,826</b>	<b>80,278</b>	<b>11,737</b>
Less:- Income Tax Expense	(66,857)	(70,058)	(105,371)	(32,900)	(3,691)
<b>Net profit for the Year</b>	<b>256,535</b>	<b>215,681</b>	<b>119,456</b>	<b>47,378</b>	<b>8,046</b>
Dividend Per Share (Rs.)	0.65	0.79	0.40	0.25	0.25
Earning Per Share (Rs.)	1.76	2.00	1.89	0.84	0.40

**Statement of Cash Flows**

For the Year Ended 31 <sup>st</sup> March	2013	2012	2011	2010	2009
	SLFRS	SLFRS	SLAS	SLAS	SLAS
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows from Operating Activities	(461,445)	(1,594,798)	(365,718)	152,730	124,489
Cash Flows from Investing Activities	(48,696)	(12,789)	(17,368)	(5,784)	(83,162)
Cash Flows from Financing Activities	576,137	1,351,904	339,294	(121,657)	(15,641)
<b>Net Increase in Cash</b>	<b>65,996</b>	<b>(255,683)</b>	<b>(43,792)</b>	<b>25,289</b>	<b>25,686</b>