



SINGER[®]
Trusted Excellence

SINGER (SRI LANKA) PLC

INTERIM FINANCIAL STATEMENTS FOR THE
THREE MONTHS ENDED 31ST MARCH 2017

Group Chief Executive Officer's Review

The Singer Group revenue in the 1st quarter of 2017 increased by 13.7% to Rs. 12 billion, compared to the same period last year. There was strong growth in certain product categories in particular; smartphones grew by 56%, televisions by 27%, deep freezers by 22%, furniture by 22% and computers by 18%.

Recent drought conditions, combined with the currency devaluation, increased value added tax (VAT) and higher interest rates all contributed to the early part of 2017 experiencing less buoyant trading conditions than recent years. During Q1 2017, Singer chose not to pass on the full impact of the increase in VAT and weaker currency to customers. This reduced gross margins to 29.1% compared to 30.6% last year in Q1, 2016. The increased mix of smartphone sales in 2017, which have lower margins, also impacted the overall group gross margin.

Net finance cost for Q1, 2017 increased 45% to Rs. 433.7 million. The lower margins and higher interest both impacted group profitability for the quarter under review. Group net profit for 1st quarter was Rs. 246.6 million, a reduction of 33% compared to the prior year (excluding the one-time gain in Q1, 2016). In case of the Company, net profit for the 1st quarter was Rs. 319.6 million, an increase of 49%.

Regnis (Lanka) PLC Group made a profit of Rs. 86 Million during the 1st Quarter of 2017, against a profit of Rs. 90 million in the prior year. Singer Industries (Ceylon) PLC made a profit of Rs. 9.4 million versus a profit of Rs. 9.8 million in prior year. Singer Finance (Lanka) PLC, revenue increased by 27%, but net profit decreased by 29% for the year as a result of higher financing cost, initial costs of credit card operations and impairment of the current software program, which has been replaced. Singer Digital Media (Pvt) Limited, which markets mobile phones to the trade channel, had revenue to external parties of Rs. 1.8 billion.

We look forward to the transient weaker trading conditions gradually improving during the remainder of 2017 and we remain confident that our key business initiatives will continue our impressive revenue and profit growth trajectory. Our key business initiatives are:

- To accelerate the renovation and expansion of our existing shops to increase the retail space to cater to our additional products and brands (in particular furniture);
- To strengthen and enlarge our manufacturing operations with new factories, additional machinery and more advanced technology;
- To expand the Singer credit card that was launched in 2016.

I wish to place on record my appreciation of all staff in our Group for their contribution and commitment.

I also thank the Chairman of the Group and all Board of Directors of the Company, Chairman and Chief Executive Officer of Singer Asia for their valuable support and guidance.

I also thank all our shareholders for their continued trust in the Board of Directors and the Management of the Company.

Sincerely,

Asoka Pieris

Group Chief Executive Officer

8th May 2017

Statement of Profit or Loss and Other Comprehensive Income

| For the three months ended 31st March | Group | | Company | | Variance | | Variance | |
|--|------------------|------------------|------------------|------------------|-------------------|---|---------------------|----------|
| | 2017 Rs. '000 | 2016 Rs. '000 | 2017 Rs. '000 | 2016 Rs. '000 | Group Rs. '000 | % | Company Rs. '000 | % |
| Revenue | 12,008,768 | 10,557,361 | 9,592,816 | 9,113,617 | 1,451,407 | + | 479,199 | + |
| Cost of Sales | (8,295,257) | (7,161,484) | (6,925,806) | (6,378,955) | (1,133,773) | + | (546,851) | + |
| Direct Interest Cost | (223,930) | (169,573) | — | — | (54,357) | + | — | — |
| Gross Profit | 3,489,581 | 3,226,305 | 2,667,011 | 2,734,662 | 263,275 | + | 67,651 | - |
| Other Income | 69,118 | 41,196 | 332,515 | 29,394 | 27,922 | + | 303,120 | + |
| Gain on Bargain Purchase | — | 442,734 | — | — | 442,734 | - | — | — |
| Selling and Administration Expenses | (2,673,222) | (2,397,203) | (2,294,038) | (2,167,920) | (276,018) | + | (126,118) | + |
| Operating Profit | 885,477 | 1,313,032 | 705,488 | 596,136 | 427,555 | - | 109,353 | + |
| Finance Cost | (457,048) | (308,742) | (442,268) | (317,165) | (148,306) | + | (125,103) | + |
| Finance Income | 23,310 | 8,952 | 78,144 | 46,524 | 14,358 | + | 31,620 | + |
| Net Finance Cost | (433,737) | (299,790) | (364,125) | (270,641) | (133,947) | + | (93,484) | + |
| Value Added Tax on Financial Services | (43,593) | (30,198) | (10,800) | (9,100) | (13,395) | + | (1,700) | + |
| Profit before Tax | 408,146 | 983,044 | 330,563 | 316,395 | 574,898 | - | 14,168 | + |
| Income Tax Expense | (161,533) | (173,791) | (10,930) | (101,490) | (12,259) | - | (90,561) | - |
| Profit for the Year | 246,614 | 809,253 | 319,634 | 214,905 | 562,639 | - | 104,729 | + |
| Other Comprehensive Income | — | — | — | — | | | | |
| Total Comprehensive Income for the Year | 246,614 | 809,253 | 319,634 | 214,905 | | | | |
| Profit Attributable to: | | | | | | | | |
| Owners of the Company | 159,897 | 779,681 | 319,634 | 214,905 | | | | |
| Non-Controlling Interests | 86,716 | 29,571 | — | — | | | | |
| Profit for the Year | 246,614 | 809,253 | 319,634 | 214,905 | | | | |
| Total Comprehensive Income Attributable to: | | | | | | | | |
| Owners of the Company | 159,897 | 779,681 | 319,634 | 214,905 | | | | |
| Non-Controlling Interests | 86,716 | 29,571 | — | — | | | | |
| Total Comprehensive Income for the Year | 246,614 | 809,253 | 319,634 | 214,905 | | | | |
| Earning per Share – Basic (Rs.) | 1.28 | 6.23 | 2.55 | 1.72 | | | | |

Above figures are provisional and subject to audit.

| | Three Months ended 31st Mar 2017 Rs. | Three Months ended 31st Mar 2016 Rs. |
|-------------------|---|---|
| Share Prices | | |
| Highest | 149.90 | 140.00 |
| Lowest | 118.00 | 114.30 |
| Last Traded Price | 139.90 | 117.70 |

Statement of Financial Position

| As at 31st | Group | | | Company | | |
|---|------------------------|------------------------|---------------------------|------------------------|------------------------|---------------------------|
| | March 2017 Rs. '000 | March 2016 Rs. '000 | December 2016 Rs. '000 | March 2017 Rs. '000 | March 2016 Rs. '000 | December 2016 Rs. '000 |
| ASSETS | | | | | | |
| Non-Current Assets | | | | | | |
| Property, Plant and Equipment | 5,392,589 | 4,692,525 | 5,426,841 | 2,981,357 | 2,582,076 | 3,022,805 |
| Intangible Assets | 262,423 | 258,411 | 261,538 | 212,871 | 208,924 | 213,157 |
| Investments in Subsidiaries | — | — | — | 2,455,180 | 2,436,481 | 2,455,180 |
| Other Financial Assets | 17,061 | 17,061 | 17,061 | 929,110 | 616,303 | 929,110 |
| Trade and Other Receivables | 6,659,063 | 7,468,395 | 8,206,081 | 1,906,145 | 1,692,280 | 1,888,467 |
| Deferred Tax Assets | 117,012 | 310,251 | 124,061 | 148,614 | 239,312 | 147,270 |
| | 12,448,148 | 12,746,644 | 14,035,583 | 8,633,278 | 7,775,376 | 8,655,989 |
| Current Assets | | | | | | |
| Inventories | 11,829,673 | 9,969,075 | 9,540,328 | 10,043,280 | 8,850,674 | 7,793,495 |
| Loans due from Related Parties | — | — | — | 1,821,435 | 1,817,790 | 1,378,075 |
| Income Tax Receivable | — | 1,992 | — | 116,888 | — | 1,767 |
| Trade and Other Receivables | 18,919,825 | 15,292,731 | 16,536,066 | 10,481,316 | 9,315,177 | 9,886,667 |
| Amounts due from Related Parties | — | — | — | 80,485 | 52,004 | 74,783 |
| Deposits with Banks | 81,128 | 189,067 | 81,158 | — | — | — |
| Marketable Securities | 549,256 | 536,917 | 515,256 | — | — | — |
| Cash and Cash Equivalents | 1,484,500 | 1,037,325 | 1,541,475 | 755,765 | 795,969 | 1,039,586 |
| | 32,864,382 | 27,027,106 | 28,214,282 | 23,299,168 | 20,831,614 | 20,174,373 |
| Total Assets | 45,312,530 | 39,773,750 | 42,249,865 | 31,932,446 | 28,606,989 | 28,830,362 |
| EQUITY AND LIABILITIES | | | | | | |
| Equity | | | | | | |
| Stated Capital | 626,048 | 626,048 | 626,048 | 626,048 | 626,048 | 626,048 |
| Capital Reserves | 1,054,508 | 854,386 | 1,057,964 | 1,062,086 | 854,386 | 1,065,542 |
| Statutory Reserve | 95,361 | 73,318 | 95,361 | — | — | — |
| Revenue Reserves | 5,435,953 | 4,986,254 | 6,374,444 | 3,463,457 | 3,304,998 | 4,242,213 |
| Total Equity Attributable to Equity Holders of the Company | 7,211,869 | 6,540,006 | 8,153,817 | 5,151,591 | 4,785,431 | 5,933,803 |
| Non-Controlling Interest | 1,401,606 | 1,204,947 | 1,401,088 | — | — | — |
| Total Equity | 8,613,475 | 7,744,953 | 9,554,905 | 5,151,591 | 4,785,431 | 5,933,803 |
| Non-Current Liabilities | | | | | | |
| Interest-Bearing Loans and Borrowings | 7,521,067 | 10,082,186 | 8,381,885 | 5,000,000 | 8,250,000 | 6,000,000 |
| Retirement Benefit Obligations | 680,842 | 640,342 | 651,144 | 500,640 | 479,627 | 476,754 |
| Deferred Taxation Liability | — | 238,144 | — | — | 113,577 | — |
| Security Deposits | 1,064,230 | 897,212 | 1,018,452 | 1,064,230 | 897,212 | 1,018,452 |
| Other Financial Liabilities | 448,458 | 535,029 | 454,013 | — | — | — |
| | 9,714,599 | 12,392,913 | 10,505,493 | 6,564,870 | 9,740,417 | 7,495,206 |
| Current Liabilities | | | | | | |
| Trade and Other Payables | 7,729,064 | 7,241,114 | 6,224,738 | 6,225,568 | 5,796,581 | 4,590,537 |
| Deferred Revenue | 408,410 | 346,979 | 438,989 | 408,410 | 346,979 | 438,989 |
| Income Tax Payable | 141,717 | 520,752 | 245,281 | — | 167,523 | — |
| Dividends Payable | 981,239 | 588,619 | 24,459 | 932,978 | 543,240 | 20,524 |
| Amounts due to Related Parties – Trade | — | 15,983 | — | 846,947 | 574,974 | 876,919 |
| Amounts due to Related Parties – Non-Trade | 101,825 | 236,800 | 119,738 | 101,825 | 240,906 | 119,738 |
| Other Financial Liabilities | 2,648,921 | 2,656,865 | 2,587,934 | — | — | — |
| Interest-Bearing Loans and Borrowings | 13,295,291 | 6,691,761 | 11,345,751 | 10,302,756 | 5,427,348 | 8,652,550 |
| Bank Overdrafts | 1,677,990 | 1,337,010 | 1,202,577 | 1,397,500 | 983,590 | 702,096 |
| | 26,984,457 | 19,635,883 | 22,189,467 | 20,215,985 | 14,081,141 | 15,401,353 |
| Total Equity and Liabilities | 43,312,530 | 39,773,750 | 42,249,865 | 31,932,446 | 28,606,989 | 28,830,362 |
| Net Assets per Share (Rs.) | 57.60 | 52.23 | 65.12 | 41.14 | 38.22 | 47.39 |

I certify that the above Financial Statements of the Company comply with the requirements of the Companies Act No. 07 of 2007.

(Sgd.) Lalith Yatiwella

Finance Director

Above figures are provisional and subject to audit.

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by,

(Sgd.) Dr. Saman Kelegama

Director

Colombo,

9th May 2017

(Sgd.) Asoka Pieris

Director/Group Chief Executive Officer

Statement of Changes in Equity

For the three months ended 31st March

| Group | Stated Capital | Reserve Fund | Investment Fund | Revaluation Reserves | General Reserves | Retained Earnings | Total | Non-Controlling Interest | Total Equity |
|---|----------------|---------------|-----------------|----------------------|------------------|--------------------|--------------------|--------------------------|--------------------|
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st January 2016 | 626,048 | 73,318 | - | 857,580 | 2,700,000 | 2,028,455 | 6,285,401 | 484,584 | 6,769,985 |
| Realisation on Revaluation Surplus | - | - | - | (3,195) | - | 3,195 | - | - | - |
| Transferred to/(from) during the Period | - | - | - | - | - | - | - | - | - |
| Total Comprehensive Income for the Period | - | - | - | - | - | 779,681 | 779,681 | 29,571 | 809,253 |
| Profit for the Three Months Period | - | - | - | - | - | 779,681 | 779,681 | 29,571 | 809,253 |
| Total Comprehensive Income for the Period | - | - | - | - | - | 779,681 | 779,681 | 29,571 | 809,253 |
| Transactions with Owners of the Company, Recognised Directly in Equity | | | | | | | | | |
| Distributions to Owners of the Company | | | | | | | | | |
| Final Dividend – 2015 | - | - | - | - | - | (525,880) | (525,880) | (42,295) | (568,175) |
| Total Distributions to Owners of the Company | - | - | - | - | - | (525,880) | (525,880) | (42,295) | (568,175) |
| Changes in Ownership Interests in Subsidiary | | | | | | | | | |
| Acquisition of Subsidiaries with NCI | - | - | - | - | - | - | - | 768,360 | 768,360 |
| Acquisition of NCI without Change in Control | - | - | - | - | - | - | - | (35,273) | (35,273) |
| Gain on Acquisition of Non-Controlling Interest | - | - | - | - | - | 7,635 | 7,635 | - | 7,635 |
| Disposal of Associate | - | - | - | - | - | (6,831) | (6,831) | - | (6,831) |
| Balance as at 31st March 2016 | 626,048 | 73,318 | - | 854,386 | 2,700,000 | 2,286,254 | 6,540,006 | 1,204,947 | 7,744,953 |
| Realisation on Revaluation Surplus | - | - | - | (17,162) | - | 17,162 | - | - | - |
| Transferred to/(from) during the Period | - | 22,043 | - | - | - | (22,043) | - | - | - |
| Total Comprehensive Income for the Period | - | - | - | - | - | 1,342,513 | 1,342,513 | 205,991 | 1,548,504 |
| Profit for the Nine Months Period | - | - | - | - | - | 1,342,513 | 1,342,513 | 205,991 | 1,548,504 |
| Other Comprehensive Income | | | | | | | | | |
| Revaluation of Property, Plant and Equipment | - | - | - | 250,154 | - | - | 250,154 | - | 250,154 |
| Remeasurement of Defined Benefit Obligation | - | - | - | - | - | 59,696 | 59,696 | 2,581 | 62,277 |
| Related Taxes | - | - | - | (29,414) | - | (16,615) | (46,029) | (651) | (46,680) |
| Total Other Comprehensive Income for the Period | - | - | - | 220,740 | - | 43,081 | 263,821 | 1,930 | 265,751 |
| Total Comprehensive Income for the Period | - | - | - | 220,740 | - | 1,385,594 | 1,606,334 | 207,920 | 1,814,254 |
| Transactions with Owners of the Company, Recognised Directly in Equity | | | | | | | | | |
| Distributions to Owners of the Company | | | | | | | | | |
| Dividend paid by Subsidiary Companies to Non-controlling Interest – 2015 | - | - | - | - | - | - | - | (46,801) | (46,801) |
| Total Distributions to Owners of the Company | - | - | - | - | - | - | - | (46,801) | (46,801) |
| Changes in Ownership Interests in Subsidiary | | | | | | | | | |
| Acquisition of Subsidiaries with NCI | - | - | - | - | - | - | - | 68,496 | 68,496 |
| Acquisition of NCI without Change in Control | - | - | - | - | - | 7,477 | 7,477 | (33,474) | (25,998) |
| Balance as at 31st December 2016 | 626,048 | 95,361 | - | 1,057,964 | 2,700,000 | 3,674,444 | 8,153,817 | 1,401,088 | 9,554,905 |
| Realisation on Revaluation Surplus | - | - | - | (3,457) | - | 3,457 | - | - | - |
| Total Comprehensive Income for the Period | - | - | - | - | - | 159,897 | 159,897 | 86,716 | 246,614 |
| Profit for the Three Months Period | - | - | - | - | - | 159,897 | 159,897 | 86,716 | 246,614 |
| Total Comprehensive Income for the Period | - | - | - | (3,457) | - | 163,354 | 159,897 | 86,716 | 246,614 |
| Transactions with Owners of the Company, Recognised Directly in Equity | | | | | | | | | |
| Distributions to Owners of the Company | | | | | | | | | |
| Final Dividend – 2016 | - | - | - | - | - | (1,101,845) | (1,101,845) | (86,199) | (1,188,043) |
| Total Distributions to Owners of the Company | - | - | - | (3,457) | - | (1,101,845) | (1,101,845) | (86,199) | (1,188,043) |
| Balance as at 31st March 2017 | 626,048 | 95,361 | - | 1,054,508 | 2,700,000 | 2,735,953 | 7,211,869 | 1,401,606 | 8,613,475 |

Statement of Changes in Equity

For the three months ended 31st March

| Company | Stated Capital Rs. '000 | Revaluation Reserves Rs. '000 | General Reserves Rs. '000 | Retained Earnings Rs. '000 | Total Rs. '000 |
|---|-------------------------------|-------------------------------------|---------------------------------|----------------------------------|--------------------|
| Balance as at 1st January 2016 | 626,048 | 857,580 | 2,700,000 | 912,779 | 5,096,407 |
| Realisation on Revaluation Surplus | — | (3,195) | — | 3,195 | — |
| Total Comprehensive Income for the Period | | | | | |
| Profit for the Three Months Period | — | — | — | 214,905 | 214,905 |
| Total Comprehensive Income for the Period | — | — | — | 214,905 | 214,905 |
| Transactions with Owners of the Company, Recognised Directly in Equity | | | | | |
| Distributions to Owners of the Company | | | | | |
| Final Dividend – 2015 | — | — | — | (525,880) | (525,880) |
| Total Distributions to Owners of the Company | — | — | — | (525,880) | (525,880) |
| Balance at 31st March 2016 | 626,048 | 854,386 | 2,700,000 | 604,998 | 4,785,431 |
| Realisation on Revaluation Surplus | — | (9,584) | — | 9,584 | — |
| Total Comprehensive Income for the Period | | | | | |
| Profit for the Nine Months Period | — | — | — | 889,540 | 889,540 |
| Other Comprehensive Income | | | | | |
| Realisation on Revaluation Surplus | — | 250,154 | — | — | 250,154 |
| Remeasurement of Defined Benefit Obligation | — | — | — | 52,905 | 52,905 |
| Related Taxes | — | (29,414) | — | (14,813) | (44,227) |
| Total Other Comprehensive Income for the Period | — | 220,740 | — | 38,092 | 258,832 |
| Total Comprehensive Income for the Period | — | 220,740 | — | 927,631 | 1,148,372 |
| Balance at 31st December 2016 | 626,048 | 1,065,542 | 2,700,000 | 1,542,213 | 5,933,803 |
| Realisation on Revaluation Surplus | — | (3,457) | — | 3,457 | — |
| Total Comprehensive Income for the Period | | | | | |
| Profit for the Three Months Period | — | — | — | 319,633 | 319,633 |
| Total Comprehensive Income for the Period | 626,048 | 1,062,086 | 2,700,000 | 1,865,302 | 6,253,436 |
| Transactions with Owners of the Company, Recognised Directly in Equity | | | | | |
| Distributions to Owners of the Company | | | | | |
| Final Dividend – 2016 | — | — | — | (1,101,845) | (1,101,845) |
| Total Distributions to Owners of the Company | — | — | — | (1,101,845) | (1,101,845) |
| Balance as at 31st March 2017 | 626,048 | 1,062,086 | 2,700,000 | 763,457 | 5,151,591 |

Statement of Cash Flows

| For the three months ended 31st March | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2017 Rs. '000 | 2016 Rs. '000 | 2017 Rs. '000 | 2016 Rs. '000 |
| Cash Flows from Operating Activities | | | | |
| Net Profit before Income Tax Expense | 408,146 | 983,044 | 330,563 | 316,396 |
| Adjustments for: | | | | |
| Depreciation on Property, Plant and Equipment | 112,135 | 96,809 | 90,063 | 76,790 |
| Amortisation of Intangible Assets | 9,426 | 8,858 | 3,285 | 3,390 |
| Gain on Disposal of Property, Plant and Equipment | 88 | 2 | 388 | 2 |
| Interest Expense | 457,048 | 308,742 | 442,268 | 317,165 |
| Interest Income | (23,310) | (8,952) | (78,144) | (46,524) |
| Impairment of Inventories | (9,888) | 59,962 | 8,335 | 42,200 |
| Impairment on Trade and Other Receivables | 58,457 | 57,200 | 57,033 | 55,589 |
| Dividend Income | — | — | (292,282) | — |
| Provision for Retiring Gratuity | 32,696 | 36,302 | 26,084 | 26,765 |
| Gain on Bargain Purchase | — | (442,734) | — | — |
| Operating Profit before Working Capital Changes | 1,044,798 | 1,099,233 | 587,595 | 791,773 |
| (Increase)/Decrease in Inventories | (2,279,457) | (2,213,427) | (2,258,120) | (2,215,847) |
| (Increase)/Decrease in Debtors Falling Due after one Year | 1,547,018 | (245,690) | (17,679) | (71,698) |
| (Increase)/Decrease in Debtors Falling Due within one Year | (2,442,216) | (1,964,348) | (651,682) | (1,044,985) |
| (Increase)/Decrease in Dues from Related Parties | — | — | (5,702) | 182,253 |
| Increase/(Decrease) in Dues to Related Parties | (17,913) | 114,586 | (47,886) | (81,104) |
| Increase/(Decrease) in Security Deposits | 45,778 | 45,418 | 45,778 | 45,418 |
| Increase/(Decrease) in Trade and Other Payables | 1,508,915 | 2,405,139 | 1,635,031 | 2,451,123 |
| Increase/(Decrease) in Deferred Liabilities | (30,579) | 28,519 | (30,579) | 28,519 |
| Cash Generated from Operations | (623,656) | (730,571) | (743,243) | 85,453 |
| Finance Costs Paid | (522,596) | (308,742) | (466,937) | (317,165) |
| Retiring Gratuity Paid | (2,998) | (4,319) | (2,198) | (4,319) |
| Income Tax Paid | (218,311) | (95,467) | (127,395) | (69,001) |
| Net Cash from/(used in) Operating Activities | (1,367,562) | (1,139,100) | (1,339,773) | (305,033) |
| Cash Flows from Investing Activities | | | | |
| Acquisition of Property, Plant and Equipment and Intangible Assets | (88,581) | (105,707) | (52,002) | (70,471) |
| Proceeds from Disposal of Property, Plant and Equipment | 300 | 23 | — | 23 |
| Investment in Shares/Debentures in Subsidiary Company | — | (1,396,239) | — | (1,396,239) |
| (Acquisition)/Disposal of Marketable Securities | (34,000) | 69,095 | — | — |
| Investment in Bank Deposits | 29 | (103,723) | — | — |
| Net Cash Flows from Loans Given to Related Companies | — | — | (443,360) | (695,152) |
| Interest Income Received | 23,310 | 8,952 | 78,144 | 46,524 |
| Dividends Received | — | — | 292,282 | — |
| Net Cash Flows from Investing Activities | (98,942) | (1,527,598) | (124,937) | (2,115,316) |
| Cash Flows from Financing Activities | | | | |
| Net Proceeds from Interest-Bearing Loans and Borrowings | 1,154,271 | 2,552,902 | 674,876 | 1,972,833 |
| Net payment to Minority Shareholders | (86,199) | (175,939) | — | — |
| Increase/(Decrease) in Customer Deposit Liabilities | 55,433 | — | — | — |
| Dividends Paid | (189,390) | (155) | (189,390) | (155) |
| Net Cash Flows from Financing Activities | 934,115 | 2,376,808 | 485,485 | 1,972,678 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (532,389) | (289,890) | (979,225) | (447,670) |
| Cash and Cash Equivalents at the beginning of the Year | 338,898 | 111,849 | 337,490 | 259,637 |
| Cash and Cash Equivalents at the end of the Period | (193,491) | (178,041) | (641,735) | (188,034) |

Notes to the Financial Statements

- 1.1** The Interim Financial Statements of the Company and Group have been prepared on the basis of the same accounting policies and methods applied for the year ended 31st December 2016, are in compliance with Sri Lanka Accounting Standards 34 – ‘Interim Financial Reporting’.

2.1 Segmental Analysis of Company Net Turnover is as follows:

| | 3 Months Ended 31st March 2017 Rs. '000 | 3 Months Ended 31st March 2016 Rs. '000 |
|----------------------|---|---|
| Consumer Electronics | 1,551,193 | 1,436,711 |
| Financial Services | 781,996 | 729,754 |
| Furniture | 684,538 | 562,395 |
| Home Appliances | 3,698,304 | 3,606,086 |
| IT Products | 1,446,249 | 1,119,357 |
| Sewing | 686,788 | 914,174 |
| Other | 743,747 | 745,140 |
| | 9,592,816 | 9,113,617 |

2.2 Segmental Analysis of Company Profits Before Tax is as follows:

| | 3 Months Ended 31st March 2017 Rs. '000 | 3 Months Ended 31st March 2016 Rs. '000 |
|---------------------------|---|---|
| Consumer Electronics | 60,525 | 83,474 |
| Financial Services | 120,883 | 158,862 |
| Furniture | 24,006 | 32,677 |
| Home Appliances | 141,540 | 210,215 |
| IT Products | 16,787 | 27,220 |
| Sewing | 27,904 | 52,451 |
| Other | 21,562 | 31,237 |
| Dividend | 292,281 | – |
| Operating Profit | 705,488 | 596,136 |
| Net Finance Cost | (364,124) | (270,641) |
| VAT on Financial Services | (10,800) | (9,100) |
| Profit Before Tax | 330,564 | 316,395 |

2.3 Segmental Analysis of Group Net Turnover is as follows:

| | 3 Months Ended 31st March 2017 Rs. '000 | 3 Months Ended 31st March 2016 Rs. '000 |
|----------------------|---|---|
| Consumer Electronics | 1,551,193 | 1,436,711 |
| Financial Services | 1,433,722 | 1,241,915 |
| Furniture | 684,538 | 562,395 |
| Home Appliances | 3,700,972 | 3,607,222 |
| IT Products | 3,207,550 | 2,049,566 |
| Sewing | 686,788 | 914,174 |
| Other | 744,003 | 745,378 |
| | 12,008,767 | 10,557,361 |

Notes to the Financial Statements

2.4 Segmental Analysis of Group Profits Before Tax is as follows:

| | 3 Months Ended 31st March 2017 Rs. '000 | 3 Months Ended 31st March 2016 Rs. '000 |
|---------------------------|---|---|
| Consumer Electronics | 60,525 | 83,474 |
| Financial Services | 277,329 | 336,059 |
| Furniture | 24,006 | 32,677 |
| Home Appliances | 300,755 | 246,431 |
| IT Products | 159,528 | 75,213 |
| Sewing | 40,317 | 63,542 |
| Other | 23,017 | 32,902 |
| Gain on Bargain Purchase | — | 442,734 |
| Operating Profit | 885,477 | 1,313,032 |
| Net Finance Cost | (433,737) | (299,790) |
| VAT on Financial Services | (43,593) | (30,198) |
| Profit Before Tax | 408,146 | 983,043 |

3. Related Parties

3.1 Identity of Related Parties

3.1.1 Acquisition of Subsidiary

(I) Acquisition of Singer Industries (Ceylon) PLC

Subsequent to obtaining all regulatory clearance, on 4th January 2016, Singer (Sri Lanka) PLC purchased 3,213,600 shares in Singer Industries (Ceylon) PLC from its Parent Retail Holdings (Sri Lanka) BV (formerly known as Singer (Sri Lanka) BV) and thereby obtained 83.55% of controlling interest in Singer Industries (Ceylon) PLC.

Consideration Transferred

Singer (Sri Lanka) PLC has Paid Rs. 206/- per share for the acquisition and paid the consideration in cash. Total consideration amounted to Rs. 664,070,355/-.

(II) Acquisition of Regnis (Lanka) PLC

On 24th February 2016, Singer (Sri Lanka) PLC purchased 6,568,461 shares in Regnis (Lanka) PLC from its Parent Retail Holdings (Sri Lanka) BV (formerly known as Singer (Sri Lanka) BV) and thereby obtained 58.29% of controlling interest in Regnis (Lanka) PLC.

Consideration Transferred

Singer (Sri Lanka) PLC has paid Rs. 110/- per share for the acquisition and paid the consideration in cash. Total consideration amounted to Rs. 722,530,710/-.

(III) Acquisition of Non-Controlling Interest of Singer Industries (Ceylon) PLC

On 18th March 2016 and 30th June 2016 the Group acquired 1.73% and 2.44% of the shares and voting rights of Singer Industries (Ceylon) PLC respectively and paid the purchase consideration of Rs. 28,337,328/- in cash.

Notes to the Financial Statements

3.2 Transactions with Parent Companies

(a) Retail Holdings (Sri Lanka) BV (formerly known as Singer (Sri Lanka) BV) – (Immediate Parent)

| | 2017 Rs. Million | 2016 Rs. Million |
|---|---------------------|---------------------|
| Consideration paid on acquisition of following Companies: | | |
| Singer Industries (Ceylon) PLC | – | 664.1 |
| Regnis (Lanka) PLC | – | 722.5 |

(b) Retail Holdings Asia BV (Formerly known as Singer Asia Holdings BV) – (Intermediate Parent)

| | 2017 Rs. Million | 2016 Rs. Million |
|--|---------------------|---------------------|
| Royalty Expenses | 105.6 | 117.0 |
| Royalty Payable Balance as at Period End | 101.9 | 247.3 |

3.3 Transactions with Subsidiary Companies

(a)

| Name of the Company and Relationship | Nature of Transaction | 2017 Rs. Million | 2016 Rs. Million |
|--|---|---------------------|---------------------|
| Singer Finance (Lanka) PLC | Sales Financed through Singer Finance (Lanka) PLC | 170.8 | 134.7 |
| | Cash Remittance from Singer (Sri Lanka) PLC | 879.7 | 470.0 |
| | Interest Income/(Expense) | 6.6 | 8.9 |
| | Cash Collection through Singer (Sri Lanka) PLC | 962.6 | 653.7 |
| | Expenses Paid | 72.2 | 55.5 |
| | Royalty Exp Charged during the Period | 6.9 | 5.4 |
| | Collecting Commission Paid through Singer (Sri Lanka) PLC | 8.7 | 5.3 |
| | Rent Reimbursed | 4.1 | 3.8 |
| | Royalty Paid through Singer (Sri Lanka) PLC | 6.9 | 5.3 |
| | Loans Obtained during the Period | 300.0 | 200.0 |
| | Service Charge Income | 3.9 | 2.3 |
| | Balance Payable | 569.4 | 421.2 |
| Singer Digital Media (Pvt) Ltd. | Purchases | 565.2 | 930.2 |
| | Expenses Reimbursed | 117.6 | 34.4 |
| | Interest Charged | 30.6 | 26.5 |
| | Royalty Paid through Singer (Sri Lanka) PLC | – | 103.3 |
| | Loan Granted | 1,222.0 | 733.8 |
| | Loan Settlements | 1,292.0 | 356.6 |
| | Balance Receivable – Loans | 1,073.0 | 1,393.0 |
| | Balance Receivable – Non-Trade | 190.2 | – |
| | Corporate Guarantee Given | 50.0 | 50.0 |
| Singer Business School (Pvt) Ltd. | Services Provided | 1.2 | 1.2 |
| | Expenses Reimbursed | 0.1 | 0.1 |
| | Balance Payable | 3.3 | 3.3 |
| Reality (Lanka) Ltd. | Rent Expense | 1.9 | 1.9 |
| | Loan Receivable | 58.1 | 65.9 |

Notes to the Financial Statements

| Name of the Company and Relationship | Nature of Transaction | 2017 Rs. Million | 2016 Rs. Million |
|---------------------------------------|----------------------------|---------------------|---------------------|
| Singer Industries (Ceylon) PLC | Purchases | 240.2 | 298.0 |
| | Corporate Guarantee Given | - | 75.0 |
| | Lease Rental Paid | 2.8 | 1.1 |
| | Net Finance Charges | - | 0.1 |
| | Trade Creditor Settled | 272.5 | 342.9 |
| | Expenses Reimbursed | 0.1 | - |
| | Balance Payable | 74.8 | 53.3 |
| Regnis (Lanka) PLC | Purchases | 1,218.0 | 976.3 |
| | Corporate Guarantees given | 455.5 | 455.5 |
| | Interest Expense | 0.6 | 0.6 |
| | Interest Income | 1.0 | 0.5 |
| | Non-trade Settlement | - | 5.0 |
| | Trade Credit Settled | 1,110.3 | 989.3 |
| | Expenses Reimbursed | 14.4 | 12.9 |
| | Fixed Assets Purchases | 0.4 | - |
| | Transfer of Staff Loan | - | 1.3 |
| | Balance Payable | 613.7 | 333.6 |
| Regnis Appliances (Pvt) Ltd. | Purchases | 290.4 | 330.3 |
| | Trade Settlements | 309.9 | 327.5 |
| | Expenses Paid | 4.0 | 4.6 |
| | Finance Charged | 0.8 | 1.4 |
| | Non-trade Settlement | - | 4.5 |
| | Balance Payable | 155.4 | 188.1 |

- 3.3 (b)** The Company is authorised to use the name 'SINGER' as part of its corporate name so long as Singer Asia Ltd., continues to hold, directly or indirectly, at least a majority of the voting stock of the Company.

Following company is an Associate Company of Singer (Sri Lanka) PLC, with whom Singer (Sri Lanka) PLC or Singer Finance (Lanka) PLC had no transactions other than through Advertising Agencies during the year.

Telshan Network (Pvt) Ltd.

- 3.4** Key Management Personnel includes members of the Board of Directors of the Company, its Subsidiaries and Parent. Transactions with Key Management Personnel, their close family members and parties/entities in which such Key Management Personnel or their close family members have control, joint control or significant influence can be shown as follows:

(i) Transactions with Key Management Personnel or Their Close Family Members

| | 2017 Rs. Million | 2016 Rs. Million |
|---|---------------------|---------------------|
| Deposits kept by Key Management Personnel or their close family members of Singer Finance (Lanka) PLC | 32.8 | 24.4 |

3.5 Terms and Conditions of Transactions with Related Parties

Related party transactions were made on terms equivalent to those that prevail in arms' length transactions only if such terms can be substantiated. Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at the year end are unsecured and the settlements will be made in cash subject to the credit period.

Notes to the Financial Statements

3.6 Related Party Transactions

Subsidiaries/Associate and Related Companies

| Company Name | Principal Activity | Directors |
|--|---|---|
| Singer Finance (Lanka) PLC Singer – Interest 80.4% | Leasing Hire Purchasing Lending and Accepting Deposits | Dr. Saman Kelegama Mr. J.A. Setukavalar Mr. Russel De Mel Mr. Gavin J. Walker Mr. John Hyun Mr. N.J.K. Dissanayake Mr. R.S. Wijeweera Mr. Janaka Mendis Mr. S. Ramanathan Mr. K.K.L.P. Yatiwella Mr. C.A. Samarasinghe Mr. T.A. Amarasuriya Mr. A.G.I.H. Perera |
| Singer Digital Media (Pvt) Ltd. Singer – Interest 100% | Marketing Mobile Phones, Computers and Cameras | Mr. H.A. Pieris Mr. M.H. Wijewardena Mr. K.K.L.P. Yatiwella |
| Reality Lanka Ltd. Singer – Interest 86.3% (indirect) | Investment on Properties | Dr. Saman Kelegama Mr. Gavin J. Walker Mr. H.A. Pieris |
| Singer Business School (Pvt) Ltd. Singer – Interest 100% | Educational Services | Mr. H.A. Pieris Mr. M.H. Wijewardena Mr. K.K.L.P. Yatiwella |
| Singer Industries (Ceylon) PLC Singer – Interest 87.7% | Assembling Sewing Machines Manufacturing of Cabinets & Stands for Sewing Machines and Assembling | Dr. Saman Kelegama Mr. Ranil De Silva Mr. G.J. Walker Mr. H.A. Pieris Mr. V.G.K. Vidyaratne Mr. K.D. Kospelawatta Mr. A.C.M. Irzan |
| Regnis (Lanka) PLC Singer – Interest 58.3% | Manufacturing Refrigerators | Dr. Saman Kelegama Mr. Ranil De Silva Mr. G.J. Walker Mr. H.A. Pieris Mr. V.G.K. Vidyaratne Mr. K.D. Kospelawatta Mr. N.B. Karunaratne |
| Regnis Appliances (Pvt) Ltd. Singer – Interest 58.3% (indirect) | Manufacturing and Assembling Washing Machines | Dr. Saman Kelegama Mr. H.A. Pieris Mr. V.G.K. Vidyaratne Mr. K.D. Kospelawatta |

Notes to the Financial Statements

4. Stated Capital

| 4.1 | 31st March 2017 | 31st March 2016 |
|---------------------------------|------------------------------------|-----------------------------|
| Value – Ordinary Shares | Rs. 626,048,050/- | Rs. 626,048,050/- |
| No. of Shares – Ordinary Shares | 125,209,610 | 125,209,610 |
| Voting Rights | One Vote per Ordinary Share | One Vote per Ordinary Share |

5. Contingencies

- (a) Guarantees given to banks and other lending institutions by Singer (Sri Lanka) PLC on behalf of Regnis (Lanka) PLC and Singer Digital Media (Pvt) Ltd., amounts to Rs. 455.5 Million and 50 Million respectively.

Regnis (Lanka) PLC provided guarantees to banks and other lending institutions amounting to Rs. 345 Million.

- (b) The Company has provided bank guarantees amounting to Rs. 247.2 million to Director General of Customs to clear imports during the years 2008 to March 2017. The bank guarantee related to alleged additional duty payable on imports, claimed by the customs and is being contested by the Company in courts.

The Court of Appeal ordered that the Director General of Customs continue with the investigations. The Company being aggrieved by the decision has filed an appeal, which is pending before the Supreme Court.

The company lawyers are of the opinion that there is no basis that the Company is liable for the additional duty and hence, no provision is made in the Financial Statements.

- (c) Commissioner General of Inland Revenue has issued assessment notices on Singer (Sri Lanka) PLC pertaining to an additional VAT Liability/Payment on account of Deemed VAT for seven quarters for the period 1st January 2014 to 30th September 2015. The assessment was for a Deemed VAT payment of Rs. 1,076 Million and Penalty of Rs. 423 Million totalling to Rs. 1,499 Million. The Company after carefully reviewing the advice of tax consultants, is of the opinion that there is no basis for the Company to be made liable for Deemed VAT, hence, no provision has been made in the Financial Statements. The Company previously sought a clarification from the Inland Revenue Department on the interpretation of the Act and awaiting a response. The Company has appealed against the VAT assessment, requesting to cancel the notice of assessment. Deemed VAT is removed with effect from 1st January 2016 under VAT Amendment Act No. 20 of 2016.

6. Events Occurring after the Reporting Date

The issued fully-paid Ordinary shares of the Company were subdivided by subdividing each issued Ordinary Share in the proportion of three shares for every one existing share held, as approved by shareholders at the EGM held on 31st March 2017. Thus, the number of existing issued Ordinary Shares were increased from 125,209,610 to 375,628,830 without affecting an increase in the Stated Capital of the Company of Rs. 626,048,050/-. Subdivision was based on duly registered shareholding as at end of trading on 31st March 2017 being the entitlement date. The shares commenced trading subsequent to subdivision of shares on 6th April 2017.

Notes to the Financial Statements

7. Listed Debentures

Details regarding the listed debentures are as follows:

| | Interest Rates of Comparable Government Securities as at Issue Date (%) |
|--|--|
| 8.25% senior rated listed unsecured redeemable on 22nd December 2017 | 6.66 |
| 8.60% senior rated listed unsecured redeemable on 7th June 2018 | 6.29 |
| 9.5% senior rated listed unsecured redeemable on 7th June 2018 | 6.29 |
| 10.5% senior rated listed unsecured redeemable on 19th March 2019 | 9.43 |
| 12.29% senior rated listed unsecured redeemable on 19th March 2019 | 9.43 |

Interest rate of comparable Government Securities as at 31st March 2017 was 10.62%.

Highest traded price, lowest traded price, last traded price as at 31st March 2017, interest yield and yield to maturity of trade of debentures which were traded are as follows:

| | Highest Traded Price Rs. | Lowest Traded Price Rs. | Last Traded Price Rs. | Interest Yield % | Yield to Maturity % |
|--|--------------------------------|-------------------------------|-----------------------------|------------------------|---------------------------|
| 8.25% senior rated listed unsecured redeemable Debentures | 95 | 94 | 94 | 8.25 | 8.25 |

The following debentures were not traded since date of issue.

- 8.60 % senior rated listed unsecured redeemable debentures
- 9.5 % senior rated listed unsecured redeemable debentures
- 10.5 % senior rated listed unsecured redeemable debentures
- 12.29 % senior rated listed unsecured redeemable debentures

| | Group | | Company | |
|--------------------|---------------|---------------|---------------|---------------|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| Debt Equity Ratio | 2.24 | 2.20 | 3.10 | 2.90 |
| Interest Cover | 1.94 | 4.28 | 1.91 | 2.17 |
| Quick Assets Ratio | 0.78 | 0.87 | 0.66 | 0.85 |

8. Top 20 Shareholders as at 31st March 2017

| Name | No. of Shares | % |
|--|--------------------|---------------|
| 1. Retail Holdings (Sri Lanka) BV | 89,142,415 | 71.19 |
| 2. Bnymsv Re-Cf Ruffer Investment Funds : Cf Ruffer Pacific Fund Bn | 8,000,000 | 6.39 |
| 3. Pemberton Asian Opportunities Fund | 5,000,000 | 3.99 |
| 4. Bank Of Ceylon A/C Ceybank Unit Trust | 4,079,908 | 3.26 |
| 5. HSBC INTL NOM LTD-Morgan Stanley And Co.LLC-RWC Frontier Markets | 3,218,853 | 2.57 |
| 6. CLSA Global Markets PTE Ltd | 2,280,000 | 1.82 |
| 7. Mr. Stephen Lee Lafrance JR | 1,187,000 | 0.95 |
| 8. Deutsche Bank AG AS Trustee For JB Vantage Value Equity Fund Deut | 830,710 | 0.66 |
| 9. HSBC INTL NOM LTD-SSBT – Russell Investments Institutional Funds Pub | 656,273 | 0.52 |
| 10. Mrs. Mihiri Virani Fernando | 630,000 | 0.50 |
| 11. Bank of Ceylon A/C Ceybank Century Growth Fund | 461,389 | 0.37 |
| 12. Mrs. Zohra Taher Jafferjee | 330,890 | 0.26 |
| 13. Dr. Nimal Ebenezer Herat Sanderatne | 181,412 | 0.14 |
| 14. Mrs. Anoma Kamalika Amarasuriya | 178,970 | 0.14 |
| 15. Mrs. Kalutaravedage Jinangali Manel De Silva | 131,248 | 0.10 |
| 16. Mr. Nalin Amita De Silva | 126,326 | 0.10 |
| 17. Jafferjee Brothers (Exports) Ltd | 125,200 | 0.10 |
| 18. Union Investments Private Ltd | 120,144 | 0.10 |
| 19. Mr. Abeyesiri Hemapala Munasinghe | 109,548 | 0.09 |
| 20. Mrs. Enoka Kamali Wickramasinghe | 106,619 | 0.09 |
| | 116,896,905 | 93.36 |
| Others | 8,312,705 | 6.64 |
| | <u>125,209,610</u> | <u>100.00</u> |

9. Directors' and CEO's Shareholding as at 31st March 2017

| Name of the Director | Shareholding 31st March 2017 No. of Shares | Shareholding 31st December 2016 No. of Shares |
|--------------------------------|--|---|
| Dr. Saman Kelegama | — | — |
| Mr. H.A. Pieris | 2,000 | 2,000 |
| Mr. L.N.S. Kumara Samarasinghe | 4,124 | 4,124 |
| Mr. M.H. Wijewardene | — | — |
| Mr. P.J. O'Donnell | — | — |
| Mr. G.J. Walker** | — | — |
| Mr. J.J. Hyun | — | — |
| Mr. A.S. Paranavitane | — | — |
| Mr. D.T.R. De Silva | — | — |
| Mr. Deepal Sooriyaarachchi | — | — |
| Mr. K.K.L.P. Yatiwella | — | — |
| Mr. S.H Goodman* | — | — |
| Mr. H.A.P. Sujeewa Perera | — | — |

*Mr. Stephen Goodman and family – Trust hold 11.21% indirectly of the total issued shares of Singer (Sri Lanka) PLC.

** Mr. G.J. Walker holds 3.39% indirectly of the total issued shares of Singer (Sri Lanka) PLC.

10. Public Holding

Shares held by public as at 31st March 2017

| No. of shareholders | No. of shares | % |
|---------------------|---------------|-------|
| 2,390 | 36,061,071 | 28.80 |

11. Information of the Company Secretary

A.C.M. Irzan,
FCMA (UK)
Contact No. 0112 316244

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Trusted Excellence

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