



SINGER[®]
Trusted Excellence

SINGER (SRI LANKA) PLC

INTERIM FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017

Group Chief Executive Officer's Review

The Singer Group revenue for 2017 was Rs. 51.5 Billion, an increase of 9.8% compared to the prior year.

The business conditions in 2017 were tough. The continuous drought in the dry zone resulted in a sharp drop in harvest. Since almost 30% of households are dependent on Agriculture, the drop in harvest eroded the purchasing power of a large market segment. This is in addition to customer purchasing power been affected by increased value added tax (VAT), higher interest rates and floods in wet zone.

It should be noted that the Consumer Durables Industry, where Singer is present is more susceptible to market conditions than other industries. When customer income decreases, the demand for consumer durables is well below that of the general market demand. At the same time when customer income increases the demand for consumer durables is way above that of general market demand. We have seen this oscillation over many years.

Due to slack market conditions, participants in the durables market sold by discounting and chose not to pass on the full impact of the increase in VAT and costs to customers. Further the growth was derived mainly on smart phones, which is lower margin. Traditional high margin products had very low growth. As a result gross margins reduced to 28.1% for 2017 compared to 30.2% last year. At same time the Group was successful in lowering selling and administration expenses from 21.7% last year to 21.3% in current year.

Prior year had a one-time gain of bargain purchase of Rs. 563 Million, while in current year there were no one-time gains.

Net finance cost for 2017 increased by 32% to Rs. 1,950 Million largely due to increase in interest rates and increased borrowings. The lower margins and higher interest both impacted group profitability. Group net profit for the year was Rs. 1,008 Million, a reduction of 43% compared to the prior year (excluding the one-time gain of 2016). In case of the Company, net profit for the year was Rs. 517.1 Million, a decrease of 53%.

The fourth quarter revenue increase was 5%. As a result the profit was lower. However, within the fourth quarter in October revenue declined by 4%, in November grew

by 6% and in December grew by 11%. Thus we are more optimistic of a recovery in 2018.

We are anticipating gradual improvements in the business conditions during 2018 and are also pursuing strategies to improve revenue and margins and lower the costs. Our key business initiatives are:

- To grow e-commerce business and to supplement the retail business.
- To grow furniture business exponentially with a wider range available to customers in a larger range of showrooms.
- To accelerate the renovation and expansion of our existing shops to increase the retail space to cater for our additional products and brands (in particular furniture).
- To strengthen and enlarge our manufacturing operations with new factories, additional machinery and more advanced technology;

The change of ownership has been smooth and Singer continues to pursue its programmes and strategies to retain the market leadership in consumer durables. We believe that with additional ideas, plans, resources generated by the new owners as well as synergies with Hayleys PLC Group a bright future augurs for the Singer Group and its stakeholders.

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

I take this opportunity to appreciate the guidance given by our Chairman, Mr. Mohan Pandithage and Co-Chairman, Mr. Dhammika Perera in helping the Company to evolve strategies. I also thank all of the Board of Directors of the Group.

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

1 February 2018

Statement of Profit or Loss and Other Comprehensive Income

| For the quarter ended 31st December | Group | | Company | | Variance | | Variance | | |
|---|------------------|------------------|------------------|------------------|-------------------|---|---------------------|---|------------|
| | 2017 Rs. '000 | 2016 Rs. '000 | 2017 Rs. '000 | 2016 Rs. '000 | Group Rs. '000 | % | Company Rs. '000 | % | |
| Revenue | 14,488,167 | 13,783,754 | 11,105,846 | 11,206,333 | 704,413 | + | 100,488 | - | 1 |
| Cost of Sales | (10,416,348) | (9,795,354) | (8,105,509) | (8,183,868) | (620,994) | + | (78,359) | - | 1 |
| Direct Interest Cost | (291,515) | (164,428) | - | - | (127,087) | + | - | - | - |
| Gross Profit | 3,780,304 | 3,823,972 | 3,000,337 | 3,022,466 | 43,669 | - | 22,129 | - | 1 |
| Other Income | 90,286 | 89,648 | 17,718 | 104,769 | 638 | + | 87,050 | - | 83 |
| Gain on Bargain Purchase | - | 54,576 | - | - | 54,576 | - | - | - | - |
| Selling and Administration Expenses | (2,962,383) | (2,684,803) | (2,582,772) | (2,384,083) | (277,580) | + | (198,689) | + | 8 |
| Operating Profit | 908,207 | 1,283,393 | 435,283 | 743,151 | 375,187 | - | 307,868 | - | 41 |
| Finance Cost | (521,639) | (502,733) | (514,356) | (483,141) | (18,906) | + | (31,216) | + | 6 |
| Finance Income | 65,642 | 65,484 | 107,796 | 154,066 | 158 | + | 46,270 | - | 30 |
| Net Finance Cost | (455,997) | (437,249) | (406,560) | (329,075) | (18,748) | + | (77,486) | + | 24 |
| Value Added Tax on Financial Services | (62,692) | (54,789) | (11,000) | (12,600) | (7,903) | + | (1,600) | - | 13 |
| Profit Before Tax | 389,518 | 791,356 | 17,722 | 401,476 | 401,838 | - | 383,753 | - | 96 |
| Income Tax Expense | (170,724) | (196,109) | (45,498) | (92,801) | (25,385) | - | (47,303) | - | 51 |
| Profit for the Period | 218,794 | 595,247 | (27,775) | 308,675 | 376,453 | - | (336,450) | - | 109 |
| Other Comprehensive Income | | | | | | | | | |
| Revaluation of Property, Plant and Equipment | - | 250,153 | - | 250,154 | | | | | |
| Remeasurement of Defined Benefit Obligation | (32,318) | 62,276 | (24,260) | 52,905 | | | | | |
| Tax on Other Comprehensive Income | 8,996 | (46,679) | 6,793 | (44,226) | | | | | |
| Other Comprehensive Income for the Period | (23,322) | 265,750 | (17,467) | 258,833 | | | | | |
| Total Comprehensive Income for the Period | 195,472 | 860,997 | (45,242) | 567,508 | | | | | |
| Profit Attributable to – | | | | | | | | | |
| Owners of the Company | 184,434 | 531,406 | (27,775) | 308,675 | | | | | |
| Non-controlling Interests | 34,360 | 63,841 | - | - | | | | | |
| Profit for the period | 218,794 | 595,247 | (27,775) | 308,675 | | | | | |
| Total Comprehensive Income Attributable to – | | | | | | | | | |
| Owners of the Company | 162,003 | 795,226 | (45,242) | 567,508 | | | | | |
| Non-controlling Interests | 33,469 | 65,771 | - | - | | | | | |
| Total Comprehensive Income for the period | 195,472 | 860,997 | (45,242) | 567,508 | | | | | |
| Earnings Per Share – Basic (Rs.) | 0.49 | 1.41 | (0.07) | 0.82 | | | | | |

Above figures are provisional and subject to audit.

| Share Prices | Quarter Ended | Quarter Ended |
|-------------------|---------------------------|---------------------------|
| | 31st December 2017 Rs. | 31st December 2016 Rs. |
| Highest | 50.00 | 45.33 |
| Lowest | 40.00 | 40.00 |
| Last Traded Price | 43.50 | 42.07 |

Statement of Profit or Loss and Other Comprehensive Income

| For the year ended 31st December | Group | | Company | | Variance | | Variance | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|----------|---------------------|----------------|----------|------------|
| | 2017 Rs. '000 | 2016 Rs. '000 | 2017 Rs. '000 | 2016 Rs. '000 | Group Rs. '000 | % | Company Rs. '000 | % | | |
| Revenue | 51,522,004 | 46,924,144 | 40,681,879 | 39,267,203 | 4,597,860 | + | 10 | 1,414,677 | + | 4 |
| Cost of Sales | (36,047,340) | (32,038,078) | (29,311,741) | (27,849,435) | (4,009,262) | + | 13 | (1,462,305) | + | 5 |
| Direct Interest Cost | (1,003,520) | (735,691) | - | - | (267,829) | + | 36 | - | - | - |
| Gross Profit | 14,471,144 | 14,150,375 | 11,370,139 | 11,417,768 | 320,768 | + | 2 | 47,629 | - | 0.4 |
| Other Income | 294,268 | 229,797 | 558,163 | 431,705 | 64,471 | + | 28 | 126,459 | + | 29 |
| Gain on Bargain Purchase | - | 563,946 | - | - | 563,946 | - | 100 | - | - | - |
| Selling and Administration Expenses | (10,983,058) | (10,185,751) | (9,610,795) | (9,069,711) | (797,306) | + | 8 | (541,084) | + | 6 |
| Operating Profit | 3,782,354 | 4,758,366 | 2,317,507 | 2,779,761 | 976,013 | - | 21 | 462,254 | - | 17 |
| Finance Cost | (2,098,943) | (1,601,925) | (2,024,081) | (1,619,789) | (497,018) | + | 31 | (404,292) | + | 25 |
| Finance Income | 148,461 | 129,353 | 363,332 | 338,358 | 19,108 | + | 15 | 24,974 | + | 7 |
| Net Finance Cost | (1,950,482) | (1,472,572) | (1,660,749) | (1,281,431) | (477,909) | + | 32 | (379,318) | + | 30 |
| Value Added Tax on Financial Services | (202,613) | (159,561) | (42,400) | (47,800) | (43,052) | + | 27 | (5,400) | - | 11 |
| Profit before Tax | 1,629,259 | 3,126,234 | 614,358 | 1,450,530 | 1,496,975 | - | 48 | 836,172 | - | 58 |
| Income Tax Expense | (621,216) | (768,477) | (97,251) | (346,086) | (147,261) | - | 19 | (248,835) | - | 72 |
| Profit for the Period | 1,008,043 | 2,357,757 | 517,107 | 1,104,444 | 1,349,714 | - | 57 | 587,337 | - | 53 |
| Other Comprehensive Income | | | | | | | | | | |
| Revaluation of Property, Plant and Equipment | - | 250,153 | - | 250,154 | | | | | | |
| Remeasurement of Defined Benefit Obligation | (32,318) | 62,276 | (24,260) | 52,905 | | | | | | |
| Tax on Other Comprehensive Income | 8,996 | (46,679) | 6,793 | (44,226) | | | | | | |
| Other Comprehensive Income for the Period | (23,322) | 265,750 | (17,467) | 258,833 | | | | | | |
| Total Comprehensive Income for the Period | 984,721 | 2,623,507 | 499,640 | 1,363,277 | | | | | | |
| Profit Attributable to – | | | | | | | | | | |
| Owners of the Company | 829,687 | 2,122,195 | 517,107 | 1,104,444 | | | | | | |
| Non-controlling Interests | 178,357 | 235,562 | - | - | | | | | | |
| Profit for the Period | 1,008,043 | 2,357,757 | 517,107 | 1,104,444 | | | | | | |
| Total Comprehensive Income Attributable to – | | | | | | | | | | |
| Owners of the Company | 807,256 | 2,386,017 | 499,640 | 1,363,277 | | | | | | |
| Non-controlling Interests | 177,466 | 237,491 | - | - | | | | | | |
| Total Comprehensive Income for the Period | 984,721 | 2,623,507 | 499,640 | 1,363,277 | | | | | | |
| Earnings Per Share – Basic (Rs.) | 2.21 | 5.65 | 1.38 | 2.94 | | | | | | |

Above figures are provisional and subject to audit.

| Share Prices | Twelve Months Ended | Twelve Months Ended |
|-------------------|---------------------------|---------------------------|
| | 31st December 2017 Rs. | 31st December 2016 Rs. |
| Highest | 53.50 | 46.67 |
| Lowest | 39.33 | 35.67 |
| Last Traded Price | 43.50 | 42.07 |

Statement of Financial Position

| As at 31st | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | December 2017 | December 2016 | December 2017 | December 2016 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, Plant & Equipment | 5,730,640 | 5,426,841 | 3,133,712 | 3,022,805 |
| Intangible Assets | 274,622 | 261,538 | 209,426 | 213,157 |
| Investments in Subsidiaries | – | – | 2,925,222 | 2,455,180 |
| Other Financial Assets | 27,830 | 17,061 | 939,879 | 929,110 |
| Trade and Other Receivables | 8,457,599 | 8,206,081 | 1,465,482 | 1,888,467 |
| Deferred Tax Assets | 79,988 | 124,061 | 235,982 | 147,270 |
| | <u>14,570,680</u> | <u>14,035,582</u> | <u>8,909,704</u> | <u>8,655,989</u> |
| Current Assets | | | | |
| Inventories | 11,315,153 | 9,540,328 | 9,579,926 | 7,793,495 |
| Loans due from Related Parties | – | – | 597,145 | 1,378,075 |
| Income Tax Receivables | 46,538 | – | 155,328 | 1,767 |
| Trade and Other Receivables | 19,708,403 | 16,536,066 | 11,386,637 | 9,886,667 |
| Amounts due from Related Parties | – | – | 118,869 | 74,783 |
| Deposits with Banks | 81,079 | 81,158 | – | – |
| Marketable Securities | 1,149,051 | 515,256 | – | – |
| Cash and Cash Equivalents | 1,994,547 | 1,541,475 | 1,426,770 | 1,039,586 |
| | <u>34,294,771</u> | <u>28,214,283</u> | <u>23,264,675</u> | <u>20,174,373</u> |
| Total Assets | <u>48,865,451</u> | <u>42,249,865</u> | <u>32,174,379</u> | <u>28,830,362</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Stated Capital | 626,048 | 626,048 | 626,048 | 626,048 |
| Capital Reserves | 1,036,987 | 1,057,964 | 1,049,509 | 1,065,543 |
| Statutory Reserves | 113,852 | 95,361 | – | – |
| Revenue Reserves | 6,085,677 | 6,374,443 | 3,656,042 | 4,242,212 |
| Total Equity Attributable to Equity Holders of the Company | <u>7,862,564</u> | <u>8,153,817</u> | <u>5,331,599</u> | <u>5,933,803</u> |
| Non-Controlling Interests | <u>1,535,741</u> | <u>1,401,088</u> | <u>–</u> | <u>–</u> |
| Total Equity | <u>9,398,305</u> | <u>9,554,905</u> | <u>5,331,599</u> | <u>5,933,803</u> |
| Non-Current Liabilities | | | | |
| Interest-Bearing Loans and Borrowings | 6,243,865 | 8,381,885 | 4,420,000 | 6,000,000 |
| Retirement Benefit Obligations | 789,502 | 651,144 | 573,377 | 476,754 |
| Security Deposits | 1,159,558 | 1,018,452 | 1,159,558 | 1,018,452 |
| Other Financial Liabilities | 453,582 | 454,013 | – | – |
| | <u>8,646,506</u> | <u>10,505,494</u> | <u>6,152,935</u> | <u>7,495,206</u> |
| Current Liabilities | | | | |
| Trade and Other Payables | 8,032,941 | 6,224,738 | 6,371,457 | 4,590,537 |
| Deferred Revenue | 238,628 | 438,989 | 238,628 | 438,989 |
| Income Tax Payable | – | 245,280 | – | – |
| Dividends Payable | 32,281 | 24,459 | 26,223 | 20,524 |
| Amounts due to Related Parties | – | 119,738 | 2,281,625 | 996,657 |
| Other Financial Liabilities | 4,666,945 | 2,587,934 | – | – |
| Interest-Bearing Loans and Borrowings | 16,074,299 | 11,345,751 | 10,570,347 | 8,652,550 |
| Bank Overdrafts | 1,775,546 | 1,202,577 | 1,201,566 | 702,096 |
| | <u>30,820,640</u> | <u>22,189,467</u> | <u>20,689,846</u> | <u>15,401,353</u> |
| Total Equity and Liabilities | <u>48,865,451</u> | <u>42,249,865</u> | <u>32,174,379</u> | <u>28,830,362</u> |
| Net Assets per Share | 20.93 | 21.71 | 14.19 | 15.80 |

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.) A M Pandithage
Chairman

Colombo,
1st February 2018

(Sgd.) Asoka Pieris
Director/Group Chief Executive Officer

Statement of Changes in Equity

For the year ended 31st December

| Group | Stated Capital | Reserve Fund | Revaluation Reserves | General Reserves | Retained Earnings | Total | Non-Controlling Interests | Total Equity |
|---|----------------|----------------|----------------------|------------------|--------------------|--------------------|---------------------------|--------------------|
| | 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 | - | - | (20,356) | - | 20,356 | - | - | - |
| Transferred to/(from) during the period | - | 22,043 | - | - | (22,043) | - | - | - |
| Total Comprehensive Income for the year | | | | | | | | |
| Profit for the year | - | - | - | - | 2,122,195 | 2,122,195 | 235,562 | 2,357,756 |
| Other Comprehensive Income | | | | | | | | |
| Revaluation of Property, Plant and Equipment | - | - | 250,154 | - | - | 250,154 | - | 250,154 |
| Re-measurement 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 year | - | - | 220,740 | - | 43,081 | 263,821 | 1,930 | 265,751 |
| Total Comprehensive Income for the year | - | - | 220,740 | - | 2,165,275 | 2,386,015 | 237,491 | 2,623,507 |
| Transactions with Owners of the Company, Recognised Directly in Equity | | | | | | | | |
| Distributions to Owners of the Company | | | | | | | | |
| Final Dividend – 2015 | - | - | - | - | (525,880) | (525,880) | (89,096) | (614,976) |
| Total Distributions to Owners of the Company | - | - | - | - | (525,880) | (525,880) | (89,096) | (614,976) |
| Changes in Ownership Interests in Subsidiary | | | | | | | | |
| Acquisition of subsidiaries with NCI | - | - | - | - | - | - | 836,856 | 836,856 |
| Acquisition of NCI without Change in Control | - | - | - | - | 8,280 | 8,280 | (68,747) | (60,467) |
| 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 | - | - | (20,977) | - | 20,977 | - | - | - |
| Transferred to/(from) during the Period | - | 18,491 | - | - | (18,491) | - | - | - |
| Total Comprehensive Income for the year | | | | | | | | |
| Profit for the year | - | - | - | - | 829,687 | 829,687 | 178,357 | 1,008,043 |
| Other Comprehensive Income | | | | | | | | |
| Re-measurement of Defined Benefit Obligation | - | - | - | - | (31,111) | (31,111) | (1,207) | (32,318) |
| Related Taxes | - | - | - | - | 8,680 | 8,680 | 316 | 8,996 |
| Total Other Comprehensive Income for the period | - | - | - | - | (22,431) | (22,431) | (891) | (23,322) |
| Total Comprehensive Income for the Period | - | - | - | - | 807,256 | 807,256 | 177,466 | 984,721 |
| 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) | (120,545) | (1,222,390) |
| Total Distributions to Owners of the Company | - | - | - | - | (1,101,845) | (1,101,845) | (120,545) | (1,222,390) |
| Changes in Ownership Interests in Subsidiary | | | | | | | | |
| Rights issue to NCI | - | - | - | - | - | - | 77,732 | 77,732 |
| Gain on Acquisition of additional shares in Rights issue | - | - | - | - | 3,337 | 3,337 | - | 3,337 |
| Balance as at 31st December 2017 | 626,048 | 113,852 | 1,036,987 | 2,700,000 | 3,385,677 | 7,862,564 | 1,535,741 | 9,398,305 |

Statement of Changes in Equity

For the year ended 31st December

| 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 | - | (12,778) | - | 12,778 | - |
| Total Comprehensive Income for the year | | | | | |
| Profit for the year | - | - | - | 1,104,445 | 1,104,445 |
| Other Comprehensive Income | | | | | |
| Revaluation of Property, Plant and Equipment | - | 250,154 | - | - | 250,154 |
| Re-measurement of Defined Benefit Obligation | - | - | - | 52,905 | 52,905 |
| Related Taxes | - | (29,414) | - | (14,813) | (44,227) |
| Total Other Comprehensive Income for the year | - | 220,740 | - | 38,092 | 258,832 |
| Total Comprehensive Income for the year | - | 220,740 | - | 1,142,536 | 1,363,277 |
| Transactions with Owners of the Company, Recognised Directly in Equity | | | | | |
| Final Dividend – 2015 | - | - | - | (525,880) | (525,880) |
| Total Distributions to Owners of the Company | - | - | - | (525,880) | (525,880) |
| Balance as at 31st December 2016 | 626,048 | 1,065,542 | 2,700,000 | 1,542,213 | 5,933,803 |
| Realisation on Revaluation Surplus | - | (16,033) | - | 16,033 | - |
| Total Comprehensive Income for the year | | | | | |
| Profit for the year | - | - | - | 517,107 | 517,107 |
| Other Comprehensive Income | | | | | |
| Re-measurement of Defined Benefit Obligation | - | - | - | (24,260) | (24,260) |
| Related Taxes | - | - | - | 6,793 | 6,793 |
| Total Other Comprehensive Income for the year | - | (16,033) | - | 492,847 | 492,847 |
| Total Comprehensive Income for the year | - | (16,033) | - | 492,847 | 492,847 |
| 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 December 2017 | 626,048 | 1,049,509 | 2,700,000 | 956,042 | 5,331,599 |

Statement of Cash Flows

| For the twelve months ended 31st December | 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 | 1,629,259 | 3,126,233 | 614,358 | 1,450,530 |
| Adjustment for: | | | | |
| Depreciation on Property, Plant & Equipment | 495,091 | 414,049 | 399,016 | 341,433 |
| Amortisation of Intangible Assets | 31,335 | 19,175 | 19,361 | 14,599 |
| Impairment of software | - | 29,818 | - | - |
| Gains on Disposal of Property, Plant & Equipment | 4,721 | (3,862) | 5,083 | (3,186) |
| Fair value gain from Investment | (10,769) | - | (10,769) | - |
| Interest Expense | 2,098,943 | 1,601,925 | 2,024,081 | 1,619,789 |
| Interest Income | (148,461) | (129,353) | (363,332) | (338,358) |
| Prepaid Debenture cost | - | 37,420 | - | 26,023 |
| Impairment of Inventories | 28,731 | 167,127 | 54,540 | 150,581 |
| Impairment on Trade and Other Receivables | 327,520 | 282,592 | 198,386 | 226,782 |
| Dividend Income | - | (1,685) | (419,098) | (312,608) |
| Provision for Retiring Gratuity | 133,190 | 116,489 | 94,177 | 86,548 |
| Gain on Bargain Purchase | - | (563,946) | - | - |
| Operating Profit before Working Capital Changes | 4,589,560 | 5,095,982 | 2,615,804 | 3,262,133 |
| (Increase)/Decrease in Inventories | (1,803,556) | (1,846,074) | (1,840,971) | (1,267,050) |
| (Increase)/Decrease in Debtors falling Due after one Year | (251,518) | (977,884) | 422,985 | (267,884) |
| (Increase)/Decrease in Debtors falling Due within one year | (3,499,856) | (3,448,028) | (1,698,356) | (1,746,792) |
| (Increase)/Decrease in Dues from Related Parties | - | - | (44,086) | 159,474 |
| Increase/(Decrease) in Dues to Related Parties | (119,738) | (121,647) | 1,284,968 | 99,580 |
| Increase/(Decrease) in Security Deposits | 141,106 | 166,657 | 141,106 | 166,657 |
| Increase/(Decrease) in Trade and Other Payables | 1,808,707 | 1,474,237 | 1,780,920 | 1,253,735 |
| Increase/(Decrease) in Deferred Liabilities | (200,361) | 120,529 | (200,361) | 120,529 |
| Cash Generated from Operations | 664,343 | 463,772 | 2,462,008 | 1,780,382 |
| Finance Costs Paid | (2,114,940) | (1,543,774) | (1,999,198) | (1,601,300) |
| Retiring Gratuity Paid | (27,655) | (17,844) | (21,814) | (13,976) |
| Income Tax Paid | (859,966) | (1,029,515) | (332,732) | (548,648) |
| Net Cash from/(used in) Operating Activities | (2,338,217) | (2,127,361) | 108,264 | (383,542) |
| Cash Flows from Investing Activities | | | | |
| Acquisition of Property, Plant & Equipment and Intangible Assets | (854,091) | (836,493) | (536,248) | (566,507) |
| Proceeds from Disposal of Property Plant & Equipment | 6,060 | 30,924 | 5,612 | 28,586 |
| Investment in Shares in Subsidiary Company | - | (1,472,394) | (470,042) | (1,414,938) |
| Investment in Debentures in Subsidiary Company | - | - | - | (312,807) |
| (Acquisition)/Disposal of Marketable Securities | (633,795) | 90,756 | - | - |
| Investment in Bank Deposits | 79 | 4,186 | - | - |
| Net Cashflows from Loans Given to Related Companies | - | - | 780,930 | (255,437) |
| Interest Income Received | 148,461 | 77,874 | 363,332 | 288,826 |
| Dividends Received | - | 1,685 | 419,098 | 312,608 |
| Net Cash Flows from Investing Activities | (1,333,286) | (2,103,462) | 562,682 | (1,919,669) |
| Cash Flow from Financing Activities | | | | |
| Net proceeds from interest - bearing Loans & Borrowings | 2,606,524 | 5,294,886 | 312,914 | 2,903,935 |
| Proceeds from Rights Issue Purchased by Minority Shareholders | 81,069 | - | - | - |
| Net payment to Minority Share holders | (118,422) | (89,096) | - | - |
| Increase/(Decrease) in Customer Deposit Liabilities | 2,078,580 | (225,046) | - | - |
| Dividends Paid | (1,096,146) | (522,872) | (1,096,146) | (522,872) |
| Net Cash Flow from Financing Activities | 3,551,605 | 4,457,872 | (783,232) | 2,381,063 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (119,897) | 227,049 | (112,286) | 77,852 |
| 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 | 219,001 | 338,898 | 225,204 | 337,489 |

Notes to the Financial Statements

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.

2.1 Segmental Analysis of Company Net Turnover is as follows:

| | Quarter Ending 31st December 2017 Rs. '000 | Quarter Ending 31st December 2016 Rs. '000 | 12 Months Ending 31st December 2017 Rs. '000 | 12 Months Ending 31st December 2016 Rs. '000 |
|----------------------|--|--|--|--|
| Consumer Electronics | 1,994,898 | 2,124,471 | 6,724,646 | 6,666,967 |
| Financial Services | 893,297 | 800,724 | 3,495,531 | 3,113,119 |
| Furniture | 708,685 | 635,251 | 2,675,777 | 2,363,812 |
| Home Appliances | 3,970,204 | 4,213,580 | 15,851,429 | 15,747,284 |
| IT Products | 1,909,473 | 1,521,431 | 6,162,183 | 4,993,832 |
| Sewing | 938,237 | 1,034,120 | 2,889,109 | 3,219,173 |
| Other | 691,052 | 876,756 | 2,883,204 | 3,163,016 |
| | 11,105,846 | 11,206,333 | 40,681,879 | 39,267,203 |

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

| | Quarter Ending 31st December 2017 Rs. '000 | Quarter Ending 31st December 2016 Rs. '000 | 12 Months Ending 31st December 2017 Rs. '000 | 12 Months Ending 31st December 2016 Rs. '000 |
|---------------------------|--|--|--|--|
| Consumer Electronics | 76,633 | 95,590 | 286,729 | 370,743 |
| Financial Services | 128,308 | 278,727 | 583,191 | 777,089 |
| Furniture | 23,215 | 22,178 | 92,053 | 118,524 |
| Home Appliances | 132,074 | 183,869 | 646,094 | 836,590 |
| IT Products | 23,302 | 17,934 | 72,599 | 61,436 |
| Sewing | 33,681 | 49,734 | 120,102 | 174,377 |
| Other | 18,069 | 18,421 | 97,641 | 128,393 |
| Dividend | - | 76,698 | 419,098 | 312,610 |
| Operating Profit | 435,282 | 743,151 | 2,317,507 | 2,779,762 |
| Net Finance Cost | (406,560) | (329,075) | (1,660,749) | (1,281,431) |
| VAT on Financial Services | (11,000) | (12,600) | (42,400) | (47,800) |
| Profit Before Tax | 17,722 | 401,476 | 614,358 | 1,450,530 |

2.3 Segmental Analysis of Group Net Turnover is as follows:

| | Quarter Ending 31st December 2017 Rs. '000 | Quarter Ending 31st December 2016 Rs. '000 | 12 Months Ending 31st December 2017 Rs. '000 | 12 Months Ending 31st December 2016 Rs. '000 |
|----------------------|--|--|--|--|
| Consumer Electronics | 1,994,899 | 2,124,471 | 6,724,647 | 6,666,967 |
| Financial Services | 1,662,933 | 1,395,915 | 6,327,922 | 5,368,143 |
| Furniture | 708,685 | 635,251 | 2,675,777 | 2,363,812 |
| Home Appliances | 3,972,448 | 4,216,373 | 15,860,635 | 15,755,758 |
| IT Products | 4,519,718 | 3,500,871 | 14,159,679 | 10,386,984 |
| Sewing | 938,237 | 1,034,120 | 2,889,109 | 3,219,173 |
| Other | 691,247 | 876,753 | 2,884,236 | 3,163,307 |
| | 14,488,167 | 13,783,754 | 51,522,004 | 46,924,144 |

Notes to the Financial Statements

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

| | Quarter Ending | Quarter Ending | 12 Months Ending | 12 Months Ending |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31st December 2017 | 31st December 2016 | 31st December 2017 | 31st December 2016 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Consumer Electronics | 76,633 | 95,590 | 286,729 | 370,743 |
| Financial Services | 400,660 | 537,388 | 1,475,380 | 1,537,552 |
| Furniture | 23,215 | 22,178 | 92,053 | 118,524 |
| Home Appliances | 181,645 | 301,698 | 937,095 | 1,242,549 |
| IT Products | 171,068 | 202,239 | 770,650 | 602,188 |
| Sewing | 37,484 | 50,514 | 120,046 | 187,453 |
| Other | 17,502 | 19,211 | 100,401 | 133,785 |
| Dividend | - | - | - | 1,627 |
| Gain on Bargain Purchase | - | 54,575 | - | 563,946 |
| Operating Profit | 908,207 | 1,283,392 | 3,782,354 | 4,758,366 |
| Net Finance Cost | (455,997) | (437,248) | (1,950,482) | (1,472,572) |
| VAT on Financial Services | (62,692) | (54,789) | (202,613) | (159,561) |
| Profit Before Tax | 389,518 | 791,356 | 1,629,259 | 3,126,234 |

3. Stated Capital

| | 31st December 2017 | 31st December 2016 |
|---------------------------------|-----------------------------|-----------------------------|
| Value – Ordinary Shares | Rs. 626,048,050/- | Rs. 626,048,050/- |
| No. of Shares – Ordinary Shares | 375,628,830 | 125,209,610 |
| Voting Rights | One Vote per Ordinary Share | One Vote per Ordinary Share |

3.2 At the Extra-ordinary General Meeting held on the 31st March 2017, the shareholders approved a subdivision of shares on the basis of three shares for every one existing share held. Subsequent to the share split the issued number of shares increased to 375,628,830 from the previous position of 125,209,610. This will not alter the stated capital of the Company, which will remain at Rs. 626,048,050/-.

3.3 Hayleys PLC together with its subsidiaries, Volanka (Pvt) Ltd, and Carbotels (Pvt) Ltd, acquired on 15th September 2017, a total of 231,864,362 ordinary shares in Singer (Sri Lanka) PLC, constituting approximately 61.73% of the total shares in issue at a price of Rs. 47/- per share, making Hayleys PLC the ultimate controlling party of Singer (Sri Lanka) PLC with effect from 15th September 2017. Previous parent company of Singer (Sri Lanka) PLC was Retail Holdings (Sri Lanka) BV.

Consequent to the purchase of 210,587,766 shares, a mandatory offer was made by Hayleys PLC on 31st October 2017 as Hayleys PLC triggered the Company Takeovers and Mergers Code 1995, published under the rules made by the Securities and Exchange Commission of Sri Lanka under Section 53 of the Securities and Exchange Commission of Sri Lanka, Act No. 36 of 1987 as amended, and in terms of Rule 31 (1) (a) of the Code. Accordingly subsequent to the mandatory offer, Hayleys PLC, with parties acting in concert holds 304,108,410 shares constituting approximately 80.96% of the total shares in issue.

Notes to the Financial Statements

- 3.4** The reporting period of Singer (Sri Lanka) PLC has been changed from 31st December to 31st March in order to align with the parents reporting period with the approval of the Registrar of Companies. Therefore, the current financial period will be for 15 months and the next financial year end will be 31st March 2018. The disclosures pertaining to change of the financial reporting period has been made in accordance to LKAS 1: Presentation of Financial Statements.

4. Contingencies

- (a)** Guarantees given to banks and other lending institutions by singer (Sri Lanka) PLC on behalf of Regnis (Lanka) PLC amounts to Rs. 455.5 Million.

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. 262.1 Million to Director General of Customs to clear imports during the years 2008 to December 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)** Singer Finance (Lanka) PLC has provided guarantees to its Fixed Deposit Holders amounting to Rs. 550,000/- holding deposit holders' Fixed Deposits amounting to Rs. 744,377.69 as security.
- (d)** 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 did not receive the required clarification. 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.

5. Events Occurring after the Balance Sheet Date

There have been no material events occurring after the Balance Sheet date that require disclosure in the Financial Statements.

Notes to the Financial Statements

6. Listed Debentures

Details regarding the listed debentures are as follows:

| | Interest Rates of Comparable Government Securities as at Issue Date (%) |
|---|--|
| 1. 8.25% senior rated listed unsecured redeemable on 22nd December 2017 | 6.66 |
| 2. 8.60% senior rated listed unsecured redeemable on 7th June 2018 | 6.29 |
| 3. 9.5% senior rated listed unsecured redeemable on 7th June 2018 | 6.29 |
| 4. 10.5% senior rated listed unsecured redeemable on 19th March 2019 | 9.43 |
| 5. 12.29% senior rated listed unsecured redeemable on 19th March 2019 | 9.43 |

Interest rate of comparable Government Securities as at 31st December 2017 was 8.30%.

Highest Traded Price, Lowest Traded Price, Last Traded Price as at 31st December 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 % |
|--|--------------------------------|-------------------------------|-----------------------------|------------------------|---------------------------|
| 9.5% Senior Rated Listed Unsecured Redeemable Debentures | 95 | 95 | 95 | 14.73 | 14.73 |

The following debentures were not traded since date of issue:

8.60% senior rated listed unsecured redeemable debentures

10.5% senior rated listed unsecured redeemable debentures

12.29% senior rated listed unsecured redeemable debentures

| | Group | | Company | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 31st December 2017 | 31st December 2016 | 31st December 2017 | 31st December 2016 |
| Debt Equity Ratio | 2.90 | 2.35 | 2.77 | 2.41 |
| Interest Cover | 1.84 | 3.12 | 1.37 | 2.13 |
| Quick Assets Ratio | 0.75 | 0.84 | 0.66 | 0.80 |

Notes to the Financial Statements

7. Top 20 Shareholders as at 31st December 2017

| Name | No. of Shares | % |
|---|---------------------------|----------------------|
| 1. National Savings Bank/Hayleys PLC | 85,147,054 | 22.67 |
| 2. People's Bank/Hayleys PLC | 85,147,053 | 22.67 |
| 3. Hatton National Bank PLC/Hayleys PLC | 40,293,659 | 10.73 |
| 4. Hayleys Advantis Limited | 37,127,660 | 9.88 |
| 5. Retail Holdings (Sri Lanka) BV | 35,562,883 | 9.47 |
| 6. Hayleys PLC | 15,116,388 | 4.02 |
| 7. Volanka (Pvt) Limited | 11,595,745 | 3.09 |
| 8. Hayleys Aventura (Private) Limited | 10,531,915 | 2.80 |
| 9. Carbotels (Pvt) Limited | 9,680,851 | 2.58 |
| 10. Hayleys Agriculture Holdings Limited | 9,468,085 | 2.52 |
| 11. Mr. Kulappuarachchige Don Dammika Perera | 6,935,913 | 1.85 |
| 12. Deutsche Bank AG as Trustee for Jb Vantage Value Equity Fund DEUT | 2,492,130 | 0.66 |
| 13. Mrs. Mihiri Virani Fernando | 1,890,000 | 0.50 |
| 14. Andaradeniya Estate Private Limited | 669,849 | 0.18 |
| 15. Mrs. Anoma Kamalika Amarasuriya | 536,910 | 0.14 |
| 16. Mr. Nai Kaluge Anura Deepal De Silva | 441,582 | 0.12 |
| 17. Miss Nai Kaluge Ruvani Hemamala De Silva | 397,638 | 0.11 |
| 18. Mr. Nalin Amita De Silva | 378,978 | 0.10 |
| 19. Jafferjee Brothers (Exports) Limited | 375,600 | 0.10 |
| 20. Mr. Abeyisiri Hemapala Munasinghe | 328,644 | 0.09 |
| | <u>354,118,537</u> | <u>94.27</u> |
| Others | <u>21,510,293</u> | <u>5.73</u> |
| | <u>375,628,830</u> | <u>100.00</u> |

Notes to the Financial Statements

8. Directors' and CEO's Shareholding as at 31st December 2017

| Name of the Director | Shareholding | Shareholding |
|--|--|--|
| | 31st December 2017 No. of Shares | 31st December 2016 No. of Shares |
| Mr. A. Mohan Pandithage (Appointed with effect from 2nd October 2017) | – | – |
| Mr. K.D. Dhammika Perera (Appointed with effect from 2nd October 2017) | 6,935,913 | – |
| Late Dr. Saman Kelegama (Deceased on 23rd June 2017) | – | – |
| Mr. G.J. Walker | – | – |
| Mr. H.A. Pieris | 6,000 | 2,000 |
| Mr. L.N.S. Kumara Samarasinghe | 17,372 | 4,124 |
| Mr. M.H. Wijewardene | – | – |
| Mr. P.J. O'Donnell (Resigned with effect from 2nd October 2017) | – | – |
| Mr. J.J. Hyun (Resigned with effect from 2nd October 2017) | – | – |
| Mr. D.T.R. De Silva | – | – |
| Mr. Deepal Sooriyaarachchi | – | – |
| Mr. M. Hisham Jamaldeen (Appointed with effect from 2nd October 2017) | – | – |
| Mr. Sarath C. Ganegoda (Appointed with effect from 2nd October 2017) | – | – |
| Mr. Dumith H. Fernando (Appointed with effect from 2nd October 2017) | – | – |
| Mr. K.K.L.P. Yatiwella | – | – |
| Mr. S.H. Goodman | – | – |
| Mr. H.A.P. Sujeewa Perera | – | – |

9. Public Holding

Shares held by public as at 31st December 2017

| No. of Shareholders | No. of Shares | % |
|---------------------|---------------|------|
| 2,528 | 28,997,574 | 7.72 |

Notes to the Financial Statements

10. Earnings Per Share (EPS) and Net Assets Value Per Share (NAVPS) for the period under review has been stated in proportion to the share split (Refer Note No. 3.2), prior year Share price, EPS and NAVPS too has been restated accordingly.

11. Information of the Company Secretary

Hayleys Group Services (Private) Limited
Contact No. 011 2627650

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