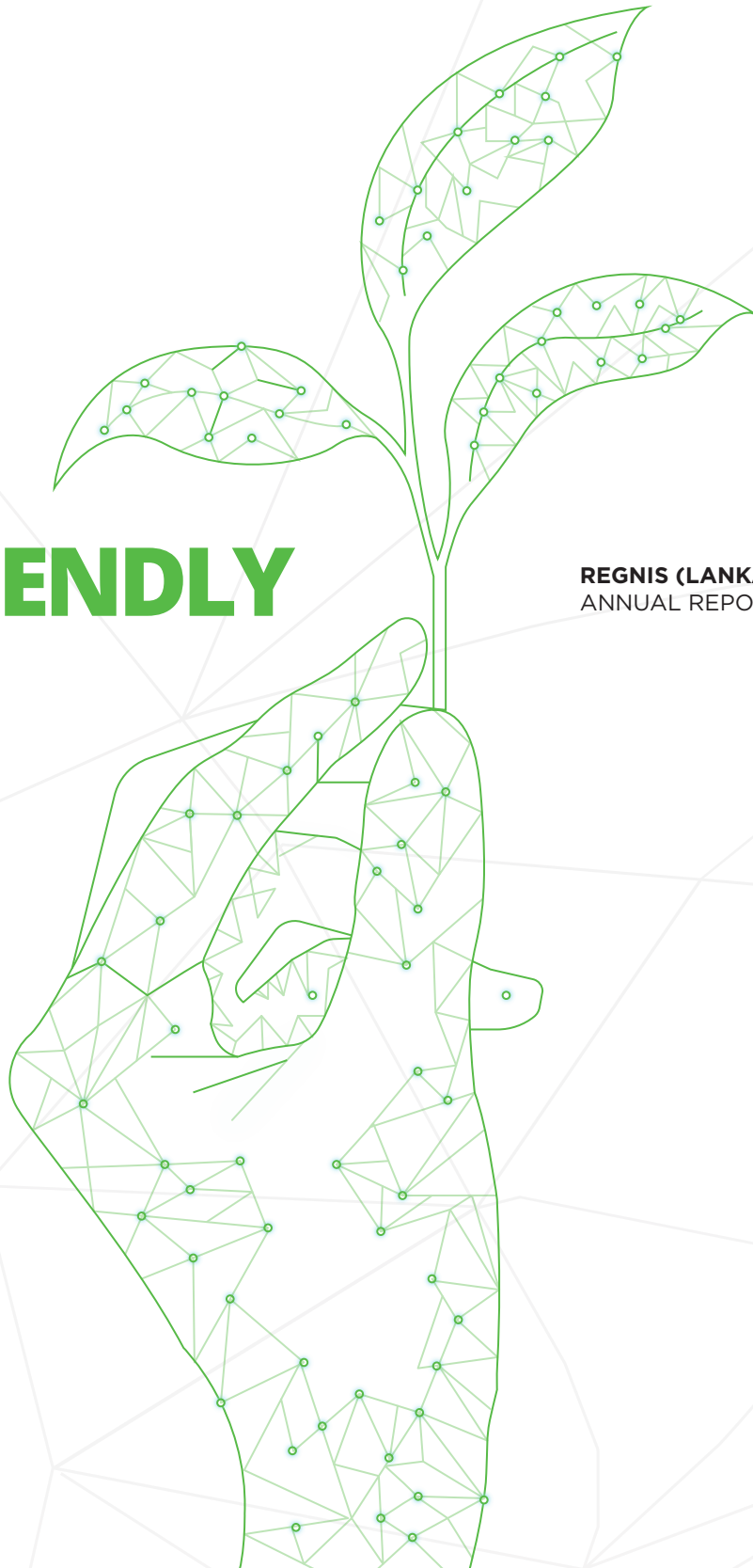


# ON THE ECO-FRIENDLY PATH

**REGNIS (LANKA) PLC**  
ANNUAL REPORT 2019/20



# ON THE ECO-FRIENDLY PATH



Over the years we have demonstrated a far-sighted vision to create eco-friendly and innovative products which are in par with international standards. In our quest to preserve our environment we are committed to taking greater strides to introduce energy-efficient refrigerators and green appliances to preserve our environment.

This year too we chartered the eco-friendly path in introducing green technological features. Refining our products with innovative features, defined by eco-friendly characteristics, our products are superior and eco-friendly in every sense.

As we move ahead we aspire to continuously enrich the lifestyles of all Sri Lankans through our world-class products committed to the eco-friendly path to preserve and conserve our world.

## CONTENTS

SNAPSHOT	VISION, MISSION AND OBJECTIVES	1
	SNAPSHOT OF 2019/20	2
OUR LEADERSHIP	CHAIRMAN'S STATEMENT	4
	GROUP CHIEF EXECUTIVE OFFICER'S REVIEW	6
	BOARD OF DIRECTORS	8
MANAGEMENT DISCUSSION & ANALYSIS	FINANCIAL REVIEW	10
	OPERATIONAL REVIEW	13
	MANAGING OUR RISKS	15
CORPORATE GOVERNANCE	CORPORATE GOVERNANCE	18
	AUDIT COMMITTEE REPORT	27
	REMUNERATION COMMITTEE REPORT	29
	NOMINATION COMMITTEE REPORT	30
	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT	31
FINANCIAL INFORMATION	ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY	34
	STATEMENT OF DIRECTORS' RESPONSIBILITIES	39
	MANAGING DIRECTOR'S/CEO AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT	40
	INDEPENDENT AUDITOR'S REPORT	41
	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	44
	STATEMENT OF FINANCIAL POSITION	45
	STATEMENT OF CHANGES IN EQUITY	46
	STATEMENT OF CASH FLOWS	48
	NOTES TO THE FINANCIAL STATEMENTS	49
	DECADE AT A GLANCE	106
INVESTOR INFORMATION	INVESTOR INFORMATION	107
	NOTICE OF ANNUAL GENERAL MEETING	110
	FORM OF PROXY	111
	CORPORATE INFORMATION	Inner Back Cover

## VISION

*To be among the best Manufacturers of world-class white goods in Asia Pacific*

## MISSION

*To improve the quality of life by providing comforts and conveniences at fair prices*

## OBJECTIVES

-  To be the market leader in our product and market segments
-  Provide our consumers with the best service in the Island
-  Provide our consumers with products of latest technology
-  Develop our employees to achieve their real potential
-  Provide our shareholders with steady asset growth and return on investment above our industry norm
-  Grow our revenue and profits at a rate above the current industry norms

**CONSUMERS** *We live up to the expectations of a responsible organisation by contributing to the improvement in the quality of life of our customers through outstanding products and services*

**EMPLOYEES** *We respect each other as individuals and encourage cross functional teamwork while providing opportunities for career development*

**SHAREHOLDERS** *We provide a reasonable return while safeguarding their investment*

**SUPPLIERS** *We develop our suppliers to be partners in progress and we share our growth with them*

**COMPETITORS** *We respect our competitors and recognise their contribution to market value*

**COMMUNITY** *We conduct our business by conforming to the ethics of our country and share the social responsibility of the less fortunate*

## SNAPSHOT OF 2019/20

		GROUP			COMPANY		
		For Twelve months ended 31st March 2020	For Fifteen months ended 31st March 2019	Increased/ (Decreased) %	For Twelve months ended 31st March 2020	For Fifteen months ended 31st March 2019	Increased/ (Decreased) %
<b>Financial Performance</b>							
Revenue	Rs.Mn	5,041.4	6,844.5	(26.3)	3,395.8	4,808.3	(29.4)
Gross Profit	Rs.Mn	261.6	331.1	(21.0)	152.5	246.0	(38.0)
Operating Profit	Rs.Mn	236.4	236.3	0.0	200.2	240.3	(16.7)
Net Finance Cost	Rs.Mn	(80.4)	(120.4)	(33.3)	(61.0)	(89.2)	(31.6)
Profit Before Tax	Rs.Mn	156.0	115.9	34.6	139.2	151.1	(7.9)
Income Tax Expense	Rs.Mn	(48.1)	(24.7)	94.8	(29.6)	(19.6)	50.7
Profit for the Period	Rs.Mn	107.9	91.2	18.3	109.6	131.5	(16.7)
Gross Dividend	Rs.Mn	-	-	-	70.4	82.3	(14.4)
<b>Financial Position as at the Year End</b>							
Property, Plant and Equipment	Rs.Mn	1,281.8	1,328.6	(3.5)	1,184.0	1,230.3	(3.8)
Non-Current Assets (Excluding PPE)	Rs.Mn	125.0	98.8	26.5	180.9	183.6	(1.5)
Current Assets	Rs.Mn	1,826.0	2,143.0	(14.8)	1,356.0	1,551.5	(12.6)
Total Assets	Rs.Mn	3,232.9	3,570.4	(9.5)	2,720.9	2,965.5	(8.2)
Shareholders' Funds	Rs.Mn	1,541.8	1,502.6	2.6	1,352.3	1,311.2	3.1
Borrowings	Rs.Mn	570.9	1,068.1	(46.6)	396.8	808.9	(51.0)
Total Liabilities (Excluding Borrowings)	Rs.Mn	1,120.2	999.7	12.1	971.9	845.4	15.0
<b>Share Information</b>							
Highest Value Recorded during the year	Rs.	N/A	N/A	-	98.0	123.0	(20.3)
Lowest Value Recorded during the year	Rs.	N/A	N/A	-	54.0	60.0	(10.0)
Market Value per share at 31st March 2020 -(31st March 2019)	Rs.	N/A	N/A	-	59.8	62.6	(4.5)
Market capitalisation as at 31st March 2020 -(31st March 2019)	Rs.Mn	N/A	N/A	-	673.8	705.4	(4.5)
<b>Profitability Ratios</b>							
Gross Margin	%	5.2%	4.8%	7.3	4.5%	5.1%	(12.2)
Operating Margin	%	4.7%	3.5%	35.8	5.9%	5.0%	18.0
Net Profit Margin	%	2.1%	1.3%	60.7	3.2%	2.7%	18.0
Return on Total Assets	%	3.3%	2.6%	30.7	4.0%	4.4%	(9.2)
<b>Liquidity Ratios</b>							
Current ratio	Times	1.40	1.25	12.1	1.35	1.18	13.9
Quick asset ratio	Times	0.43	0.62	(30.2)	0.50	0.61	(18.7)
<b>Equity Ratios</b>							
Net asset value per share	Rs.	136.8	133.4	2.6	120.0	116.4	3.1
Earnings per share	Rs.	9.6	8.1	18.3	9.7	11.7	(16.7)
Dividend per share	Rs.	N/A	N/A	-	6.25	7.30	(14.4)
Dividend pay out	%	N/A	N/A	-	64%	63%	2.7
Dividend cover	Times	N/A	N/A	-	1.6	1.6	(2.7)
P/E Ratio	Times	N/A	N/A	-	6.2	5.4	14.6
Return on Equity	%	7%	6%	15.3	8%	10%	(19.2)
<b>Debt Ratios</b>							
Gearing ratio	%	27%	42%	(35.0)	23%	38%	(40.5)
Interest cover	Times	2.8	1.9	43.1	2.9	2.5	13.7

## PERFORMANCE HIGHLIGHTS

## GROUP

## ASSETS

Rs.  
Mn3,233  
2018/19 - 3,570

## EQUITY

Rs.  
Mn1,542  
2018/19 - 1,503

## REVENUE

Rs.  
Mn5,041  
2018/19 - 6,844

## PAT

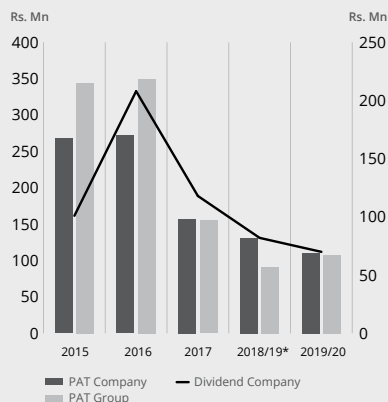
Rs.  
Mn108  
2018/19 - 91

## EPS

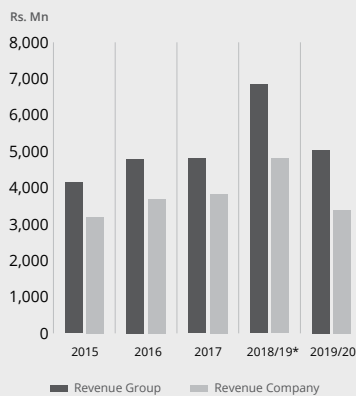
Rs.

9.58  
2018/19 - 8.09

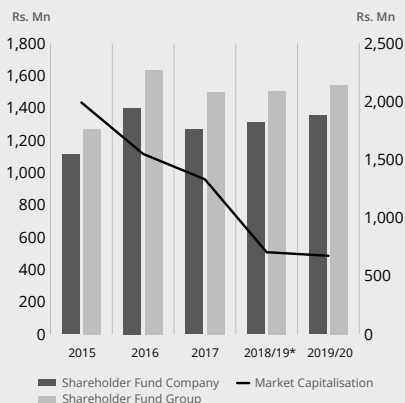
## PAT &amp; Dividend Paid



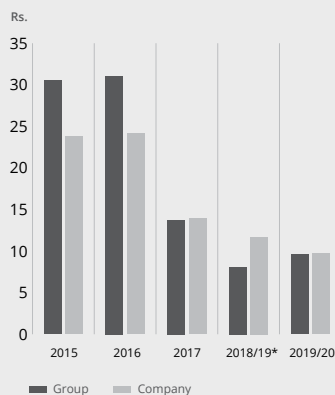
## Revenue Group/Company



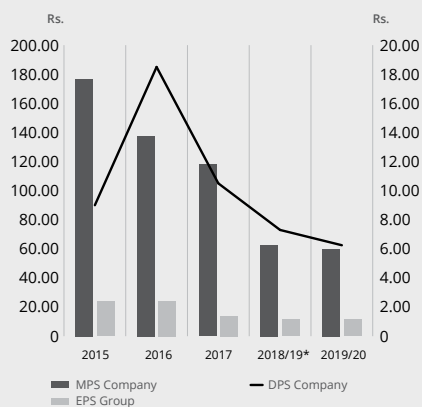
## Market Capitalisation



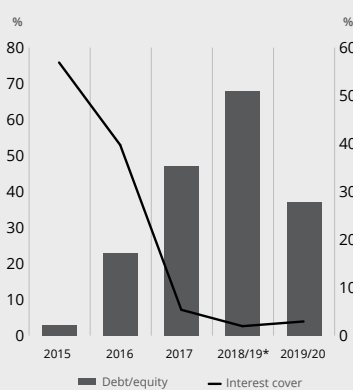
## Earnings Per Share



## MPS/EPS/DPS



## Gearing Level



\*Fifteen months ended 31st March 2019

# CHAIRMAN'S STATEMENT

“THE GROUP'S STRATEGIC ASPIRATIONS ARE DESIGNED TO DELIVER MULTI-STAKEHOLDER VALUE AND DURING THE YEAR WE SUCCESSFULLY DELIVERED ON OUR VALUE CREATION COMMITMENTS.”

## Dear Shareholder,

Regnis (Lanka) PLC demonstrated remarkable resilience to record a profit-after-tax growth of 47% to Rs.108 million in a year marked by two major setbacks. Despite the sharp downturn in consumer demand following the Easter Sunday terror attacks in April 2019 and subsequently the COVID-19 pandemic in March 2020, efforts to enhance value to customers and drive operational efficiencies came to fruition, enabling commendable growth in profitability. Earnings per share for the year amounted to Rs.9.58 and the Board of Directors has approved a final dividend of Rs.70.4 million which takes the dividend per share to Rs.6.25.

## Operating Landscape

Numerous domestic challenges coupled with global headwinds rendered it an extremely challenging for the Sri Lankan economy, which saw GDP growth slowing to 2.3% in 2019. The April terror attacks had devastating economic consequences, with prolonged impacts across several industry sectors and value chains. Heightened security concerns and weaker consumer sentiments that followed, had a sharp impact on consumer spending, with private consumption expenditure growth slowing to 2.9% from 3.7% the previous year. Given its discretionary nature, growth of expenditure on furnishings, household equipment and routine household maintenance contracted by 3% during the year. Sentiments improved towards the latter part of 2019, gaining momentum in the early months of 2020 before declining drastically following the outbreak of COVID-19. Sri Lanka has largely been able to curtail the spread of the virus, thanks to swift and stringent social distancing and other restrictive measures imposed by the Government; while short-term implications on businesses is likely to be considerable given disruptions to operations and impacts on consumer demand, we anticipate market conditions to recover by the end of the year 2020 as economic activity returns to normalcy.

The Sri Lankan Rupee was relatively stable throughout the financial year, before

declining sharply in March 2020 following the economic fallout of the pandemic. As at end-March 2020, the Rupee stood at 188.62 per US Dollar, reflecting a depreciation of 7.09% from the beginning of the financial year. Outflow of foreign funds from capital markets as well as the sharp drop in tourism earnings and remittances have inserted significant pressure on the Rupee, compelling the Government to restrict non-essential imports to the country in a bid to preserve foreign exchange reserves.

Although temporary in nature, restrictions in the import of white goods is anticipated to provide some relief to local manufacturers such as Regnis, which in recent years have seen intensified competitive pressures from international brands. We urge the government to adopt sustainable measures to create an environment which is conducive to domestic manufacturers particularly given the relatively high local value addition in our operations.

## Creating Stakeholder Value

The Group's strategic aspirations are designed to deliver multi-stakeholder value and during the year we successfully delivered on our value creation commitments. Profit attributable to shareholders increased by 47% on a comparable 12-month comparison to the previous year. The Group's performance was upheld by ongoing focus on productivity and lean initiatives, launch of new products and effective working capital management. These initiatives are discussed in further detail in the Group Chief Executive Officer's Review on page 6 of this Report. Customers are at the heart of our value creation and during the year we enhanced value to them through widening the portfolio of products in both the refrigerator and washing machine categories. In fulfilling the increasingly sophisticated needs of our customers we launched 6 large capacity, inverter type refrigerators- the first of its kind to be manufactured locally. We also continued to invest in engaging, developing, and retaining our employees while maintaining sound relations with trade unions. Despite market challenges

“

THE GROUP'S PERFORMANCE WAS UPHELD BY ONGOING FOCUS ON PRODUCTIVITY AND LEAN INITIATIVES, LAUNCH OF NEW PRODUCTS AND EFFECTIVE WORKING CAPITAL MANAGEMENT.

”

and disruptions to operations following the outbreak of COVID-19 the Group retained all employees and have thus far maintained full salaries and benefits. The Group continued to generate value across its supply chain, widening its base of suppliers over the year. We contribute towards building the technical knowledge base of aspiring young students, by providing training opportunities for students from technical colleges, NAITA and VTC.

### Corporate Governance

We welcomed Mr. K K L P Yatiwella to the Board of Directors during the year; he will function as an Alternate Director to Mr. M H Wijewardene. The Board convened four times in 2019/20 and key areas of focus included assessment of market conditions following the April terror attacks, strategy formulation focusing on new product development, people management process efficiencies as well as risk management. In view of the current conditions, the Board will continue to monitor market developments and broader economic, monetary, and fiscal policy trends to ensure that our strategy remains relevant and viable.

### Way Forward

While the global and domestic economic implications of the pandemic are yet to be fully ascertained, the International Monetary Fund points towards the high likelihood of contraction in global output during the year. The impacts on the Sri Lankan economy are also expected to be quite pronounced, given the country's reliance on tourism, remittances, and exports for foreign currency generation as well as weak fiscal position. That said, with the Government gradually easing restrictions early signs of recovery are evident and as a Group we remain optimistic that market conditions would return to normalcy by end of 2020. Against this backdrop, Regnis will continue to drive its strategy towards enhancing its product portfolio while strengthening production/ human capabilities.

### Acknowledgements

I would like to take this opportunity to express my gratitude to the colleagues on the Board for their vision and valuable counsel and look forward to working with them in the future. My appreciation also goes out to the Group CEO Mr. M H Wijewardene and all the employees of Team Regnis for extending their fullest commitment in a difficult year. I also take this opportunity to thank all our customers, suppliers and stakeholders who have partnered us in our journey of growth.

Thank you.

(Sgd.)  
**Mohan Pandithage**  
*Chairman*

14th May, 2020

# GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

“WE ARE PROUD TO BE THE FIRST SRI LANKAN MANUFACTURER TO PRODUCE INVERTER REFRIGERATORS OF THIS CAPACITY AND QUALITY, ATTESTING TO THE STRENGTH OF THE COMPANY'S DESIGN AND PRODUCTION CAPABILITIES AS WELL ITS ABILITY TO CATER TO INCREASING CUSTOMER SOPHISTICATION.”

## Dear Shareholder,

With both the beginning and the end of the financial year marking catastrophic events, the year under review was undoubtedly one of unprecedented challenges. As the soundness of our strategies and the spirit of our team was put to test, I am extremely happy to report that the Group delivered a commendable improvement in financial, operational and sustainable performance while delivering on its stakeholder commitments. The Group maintained its market leadership position, widened its product portfolio in both refrigerators and washing machines and recorded an impressive 89% growth in pre-tax profits to Rs.156 million while strengthening its financial position.

## Operating Environment

The Easter Sunday terror attacks had a sharp and prolonged impact on market momentum, as heightened security concerns and weaker sentiments adversely affected consumer spending. Given the discretionary nature of our products, the entire consumer durables market recorded a sharp slowdown with volumes contracting across several product categories. The market began to show signs of recovery towards the latter part of 2019, gaining further momentum in the first 2 months of 2020 as tax concessions and political stability which followed the election of the new government led to improved customer demand. However these gains were reversed following the outbreak of the COVID-19 pandemic in the latter part of 2019 as lockdown and other social distancing measures impacted both mobility and affordability. As social distancing measures are progressively eased and economic activity returns to normalcy, we expect consumer demand to record gradual improvement, although a full recovery is unlikely until the latter part of 2020.

## Strategic focus

The operating conditions which prevailed during the year compelled us to rethink our short-to-medium term strategies. Product development continues to be a core focus and during the year, we achieved a key

milestone by launching 6, large capacity (260Ltrs. and 300Ltrs.), smart inverter refrigerators. We are proud to be the first Sri Lankan manufacturer to produce inverter refrigerators of this capacity and quality, attesting to the strength of the Company's design and production capabilities as well its ability to cater to increasing customer sophistication. We also sought to enhance value to customers by introducing several colour variants to the refrigerator range. In washing machines, we further widened our product portfolio by introducing 2 semi-automatic models (including a first-ever 8kg capacity model) and 5 fully automatic models in multiple colours.

We continued to focus on driving process efficiencies and cost rationalisation through the implementation of Total Productivity Maintenance and Lean Management. Following critical evaluation of all processes, 17 sub-programmes were launched during the year which led to significant improvements in the production line, enhancing overall quality and reliability of the product. These improvements are reflected in a significant reduction in warranty claims during the year while cost savings generated from these initiatives amounted to Rs.42 million.

Our team is key to driving our strategic aspirations and during the year we sought to further enhance our value proposition to them by offering numerous opportunities for their skills development. Training programmes were aligned to the TPM programme and were focused towards developing an autonomous maintenance culture. The Group also maintained healthy industrial relations and continued to invest in employee engagement as well as ensuring a safe and healthy work environment.

## Performance

Consolidated revenue declined by 7% (on a comparable 12-month basis) to Rs.5.05 billion during the year, reflecting adverse market conditions which led to a respective 13% and 10% volume drop in refrigerators and washing machines. Despite this reduction, the Group recorded improved earnings with gross profit



increasing by 8% to Rs.262 million while the GP margin widened to 5.2% from 4.5% the previous year. This improvement reflects the global decline in plastic prices which had a favourable impact on the washing machine category as well as the Group's increasing focus on high-value products such as large capacity, inverter-type refrigerators and ongoing productivity and lean initiatives. Proactive management of overhead expenses and the improvement at GP level translated to a near 31% improvement in operating profits to Rs.236 million. Meanwhile net finance costs also decreased by 18% due to declining market interest rates as well as a 47% reduction in borrowings, which was achieved through effective working capital management. Resultantly, the Group's pre-tax profit increased by 89% to Rs.156 million during the year, a commendable achievement given the challenging market conditions. The Group's financial position also strengthened during the year, with shareholders' funds accounting for 48% of total assets and the gearing ratio declining to 0.27 from 0.42 recorded in the previous year.

### Environmental commitment

Our sustainability agenda is aligned to that of our parent entity and is centred on driving sustained reductions in our carbon footprint and optimising the use of natural resources. During the year, we replaced Styrofoam components in our packaging with paper pulp materials, resulting in the elimination of approximately 65 MT of Styrofoam per annum. Driving initiatives to consistently reduce the carbon footprint of our operations is an ongoing process and we continued to explore avenues for improving energy efficiency and creating an energy saving culture within the organisation. As the market leader in both refrigerators and washing machines, we are cognisant of the role we can play in reducing our customers' carbon footprint by enhancing the energy efficiency of our products. In addition to pioneering the use of the R600a refrigerant in 2012, recent investments in developing our world-class range of inverter type refrigerators is anticipated to contribute towards a decline in our customers' carbon footprint.

“DURING THE YEAR, WE REPLACED STYROFOAM COMPONENTS IN OUR PACKAGING WITH PAPER PULP MATERIALS, RESULTING IN THE ELIMINATION OF APPROXIMATELY 65 MT OF STYROFOAM PER ANNUM. DRIVING INITIATIVES TO CONSISTENTLY REDUCE THE CARBON FOOTPRINT OF OUR OPERATIONS IS AN ONGOING PROCESS AND WE CONTINUED TO EXPLORE AVENUES FOR IMPROVING ENERGY EFFICIENCY AND CREATING AN ENERGY SAVING CULTURE WITHIN THE ORGANISATION.”

### Way forward

Following the outbreak of the COVID-19 pandemic and the subsequent disruption to operations our immediate priority was to ensure the safety of our employees. Accordingly, we implemented appropriate remote working arrangements for office employees while sanitising facilities and other safety guidelines have been introduced in all manufacturing facilities. Despite potential liquidity pressures over the next few months, the Regnis Group along with its parent and ultimate parent have retained all employees and maintained full salaries thus far. In order to preserve liquidity, the Group is also proactively engaging with banks and suppliers to renegotiate terms.

Market conditions are expected to be challenging over the short-term, given the disruptions to manufacturing activities, impacts on customers' disposable income and sharp depreciation of the Sri Lankan Rupee. We are cautiously optimistic that the market would post recovery by end of 2020 as economic activity regains momentum and consumer demand gradually improves.

We are keen to widen our local manufacturing footprint thereby creating employment opportunities and generating value across our supply chains. We see immense potential in several product verticals and are keen to invest in these categories with a view to long-term value creation. That said, policy consistency is an important prerequisite in ensuring the commercial sustainability of such a venture, and we urge the Government to adopt a consistent and robust policy framework thereby creating conducive environment for investment.

### Acknowledgements

I would like to extend my sincere appreciation to the Chairman, Co-Chairman, and Board of Directors for their strategic vision and continued guidance. The Group's ability to consistently deliver value to its stakeholders is a direct reflection of the motivation and dedication of Team Regnis, and I wish to extend my gratitude to Mr. Kelum Kospelawatta, Factory Director – Associate Companies and all our employees for their continued support. I also wish to thank all our stakeholders including our customers, suppliers, and business partners for partnering our growth journey.

Thank you.

(Sgd.)

**Maresh Wijewardene**  
Group Chief Executive Officer

14th May, 2020

<sup>1</sup>The Group changed its financial year end from 31st December to 31st March in 2018/19 due to which the results for the previous period relate to a 15-month period. These numbers have been adjusted for a comparable 12-month period for fair comparison.

# BOARD OF DIRECTORS

## Mr. Abeyakumar Mohan Pandithage

### Executive Chairman

Appointed to the Board on 2nd October 2017.

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009.

### Skill and experience

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with Lifetime Achievement Award at the Sea Trade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year - Chartered Institute of Logistics & Transport.

## Mr. Mahesh Wijewardene

### Managing Director/ Group CEO

Appointed as Managing Director and Group Chief Executive Officer of Singer Group of Companies on 1st November 2018.

### Skills and Experience

Mr. Wijewardene has held several senior positions within the Singer, including Director-Commercial, Director-Marketing, Director-Sales and Chief Operating Officer. He is a Past Chairman of the Ceylon Chamber of Commerce – Import Section and Sri Lanka – China Business Council. Holds a Masters' in Business Administration from the University of Southern Queensland, and Diploma in General Management.

### Other appointments

Managing Director/CEO of Singer (Sri Lanka) PLC, Singer Finance (Lanka) PLC, Singer Industries (Ceylon) PLC, Reality (Lanka) Ltd, Regnis Appliances (Pvt) Ltd, Singer Digital Media (Pvt) Limited, Singer Business School (Pvt) Ltd., Domus Lanka (Pvt) Limited, Reality Lanka (Pvt) Ltd, CSR Lanka (Guarantee) Ltd and a member of the Hayleys Group Management Committee.

## Mr. Vidyaratne Ganithaguruge Kulatunge Vidyaratne

### Independent Non-Executive Director

Served the Board since the inception (1987).

### Skills and Experience

Holds BSc (Hons.) Degree in Production/ Mechanical Engineering, University of Peradeniya. MBA from the University of Southern Queensland, Australia. A Chartered Engineer, Member of the Institute of Engineers, Sri Lanka.

### Other appointments

He serves as a Director of Singer Industries (Ceylon) PLC.

## Mr. Sarath Clement Ganegoda

### Non - Executive Director

Appointed to the Board on 2nd October 2017.

### Skills and Experience

Fellow member of CA Sri Lanka and Member of institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura. Held several senior management positions in large private sector entities in Sri Lanka and overseas.

### Other appointments

Has responsibility for the Strategic Business Development unit of Hayleys PLC. He serves on the Boards of Hayleys PLC, Unisyst Engineering PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys

Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC, Regnis Appliances (Pvt) Ltd and other subsidiaries of Singer (Sri Lanka) PLC.

## Mr. Mohamed Hisham Jamaldeen

### Independent Non-Executive Director

Appointed to the Board on the 2nd of October 2017.

### Skills and experience

Mr. Jamaldeen is a finance professional with over 20 years of experience and a seasoned commercial property investor and advisor. He is a Fellow of the Association of Certified Chartered Accountants, UK and holds a degree in Engineering and Business from the University of Warwick, UK. Mr. Jamaldeen is the Founding Managing Director of Steradian Capital Investments (Pvt) Ltd and Executive Director of Lanka Realty Investments PLC where he is responsible for financing, corporate structuring, acquisitions and development.

### Other appointments

He is also the Executive Director of several real estate companies, focusing on commercial, residential and leisure property investment and development. Mr. Jamaldeen serves as a Director of Hayleys PLC, Talawakelle Tea Estates PLC, Haycarb PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC.

## Mr. Noel Laxman Sanath Joseph

### Independent Non-Executive Director

Appointed to the Board on the 2nd of October 2017.

### Skills and experience

He holds over 32 years of multi-faceted experience in engineering and engineering consultancy in Sri Lanka and internationally. He has held senior positions in organisations such as State Engineering Corporation, Heavyfab Ltd, Development Consultants

Lanka (Pvt) Ltd, Safari Company Ltd, Saudi Arabia and Baharuddin P M S Associates, Brunei. He is a member of the Institution of Electrical and Electronic Engineers (MIEEE)- USA, The Institution of Lighting Engineers (MILE)- UK, The New York Academy of Science (MNYAS)- USA. The Illumination Engineering Society (MIES)- USA, Incorporated Engineer- UK (IEng) and The Institution of Engineering Technology (MIET)- UK. The American Society of Heating Refrigerating and Air-Conditioning Engineers (MASHRAE)-USA.

#### Other appointments

Board member of Singer Industries (Ceylon) PLC, and is the Managing Partner of Cadteam and Proprietor of N J Consultants.

#### Mr. Kalupathiranalage Don Gamini Gunaratne

##### Independent Non-Executive Director

Appointed to the Board on the 2nd of October 2017.

Member of the Western Province Council during the period 1989 to 2009

#### Other appointments

He presently serves as Chairman of Lanka Hotels and Residences Pvt Ltd (Sheraton Colombo), Board Member of Swisstek Ceylon PLC, Singer Industries (Ceylon) PLC, Dipped Products PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC and Horana Plantations PLC, Hayleys PLC.

Previously he has served as Vice Chairman of National Water Supply and Drainage Board.

#### Mr. Dilip Kumar De Silva Wijeyeratne

##### Independent Non-Executive Director

Appointed to the Board on the 1st of May 2018.

#### Skills and experience

Mr. Wijeyeratne is an Associate member of The Institute of Chartered Accountants

of Sri Lanka (ACA), Fellow Member of the Chartered Institute of Management Accountants, UK, (FCMA) and a Graduate Member of the Australian Institute of Company Directors (GAICD).

He moved as a finance professional to Price Waterhouse, Bahrain, and has extensive experience in audit and advisory services. Commenced a Banking career at HSBC Bank Middle East, as Head of Finance and Operations and latterly, was Head of Global Markets and Treasury for the group offices of HSBC Group in the Kingdom of Bahrain. A member of the Senior Management team. Responsible for Corporate Treasury Sales and management of Asset and Liability Management (ALCO) for three legal entities of HSBC group operating in Bahrain. In 2010, joined Third Wave International WLL (TWI) as an equity partner and CEO and embraced entrepreneurship. Leads a team of consultants and facilitates consultancy offerings in Financial Advisory, Human Resources, Marketing, Project and Quality Management, Research and Learning and Development to the private and public sector entities in Bahrain and Oman.

#### Other appointments

Mr. Wijeyeratne serves as a Non-Executive Director of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Hayleys Fibre PLC and Sampath Bank PLC.

#### Mr. Kelum Kospelawatta

##### Executive Director

Appointed to the Board on 15th October 2014.

#### Skills and Experience

An Engineer by profession, Mr. Kospelawatta has held the position of Factory Director in Associate Companies from October 2014. He holds a BSc. (Hons) Degree in Mechanical Engineering, University of Moratuwa and an MBA from the University of Sri Jayewardenepura. He is a Member of the Industrial Association of Sri Lanka and a member of the National Labour Advisory Committee.

#### Other Appointments

Director- Singer Industries (Ceylon) PLC and Regnis Appliances (Pvt) Ltd.

#### Mr. Lalith Yatiwella

##### Alternate Director to Mr M H Wijewardene

Appointed the Board on 01st June 2019.

#### Skills and Experience

A finance professional, Mr. Yatiwella is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and holds a BSc (Hons) Special Degree in Business Administration from the University of Sri Jayewardenepura Sri Lanka.

#### Other appointments

Director Finance of Singer (Sri Lanka) PLC. He is also a Director of Singer Digital Media (Pvt) Ltd., Singer Business School (Pvt) Ltd. Alternate Director of Singer Finance (Lanka) PLC, Singer (Sri Lanka) PLC and Singer Industries (Ceylon) PLC.

#### Mr. Mohamed Irzan

##### Alternate Director to Mr. Kelum Kospelawatta

Appointed to the Board on 22nd January 2019.

#### Skills and Experience

A finance professional, Mr. Irzan is a Fellow of the Chartered Institute of Management Accountants, UK, Associate of the Chartered Institute of Marketing, UK and holds an MBA in Marketing from the University of Colombo, Sri Lanka.

Mr. Irzan has held senior Management position in Regnis (Lanka) PLC and Singer Industries (Ceylon) PLC, as Factory controller/chief financial officer since 2002 to 2015 (close to 13 years), and also handled the position as Company Secretary in both the companies.

#### Other appointments

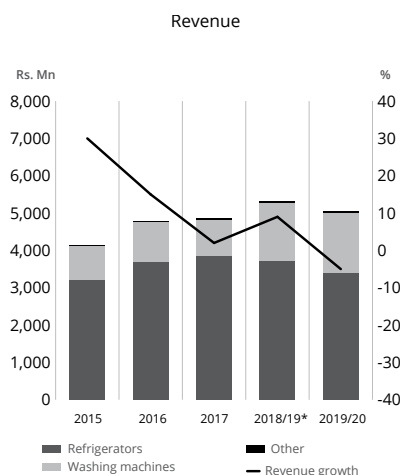
Head of Treasury and Investor Relation of Singer (Sri Lanka) PLC.

# FINANCIAL REVIEW

Despite extremely challenging market conditions, the Group continued to deliver on its shareholder commitments, recording strong growth in profitability during the year under review. Performance was upheld by effective margin management, a richer product mix and ongoing focus on productivity and lean initiatives.

## Revenue

The Group's revenue recorded a decline of 26% to Rs.5,041 mn in 2019/20 compared to the 15-month period of the previous financial year ; on a comparable 12-month basis however, the decline in revenue was 7%. The drop in revenue reflects the slowdown in demand following the April terror attacks as well as the outbreak of the COVID-19 pandemic in the latter part of the financial year. Revenues from Refrigerators accounted for 67% of Consolidated revenue and declined by 10% on a comparable 12-month basis, against a 13% reduction in volumes. Meanwhile, despite a 10% drop in volumes, revenue from washing machines increased by 1%, supported by pricing improvements and a more favourable product mix. The Group widened both product ranges during the year, adding 6 large capacity refrigerators and 07 washing machine models to its portfolio, aptly positioning itself to cater to customers' increasingly sophisticated needs.



## Gross Profit

Cost of sales decreased by 27% to Rs.4,780 mn compared to the previous period; on a comparable 12-month basis the decline amounted to 8% and is in line with the reduction in revenue. The decrease also reflects a fall in input costs given the decline in global oil and commodity prices as well as the Group's ongoing focus on productivity and lean initiatives which resulted in cost savings of Rs.41 mn. Although gross profit recorded a decline of 21% compared to the 15-month period of 2018/19, on a comparable 12-month basis gross profit recorded an increase of 8% - a commendable achievement given the decline in volumes. This improvement primarily reflects wider margins in the washing machine category as well as increased contributions from high-value products in both ranges; accordingly, the Group's GP margin widened to 5.2% from 4.5% in the comparable 12-month period.

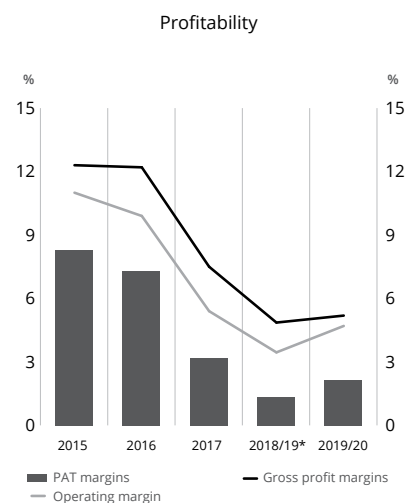
## Cost Management

In recent years, the Group has placed strategic emphasis on driving cost rationalisation through productivity and lean initiatives. These efforts came to fruition during the year, with administration costs declining by 30% when comparing against the 15 months of the previous period; on a comparable 12-month basis administrative expenses declined by 9%. Meanwhile selling and distribution expenses decreased by nearly 89% reflecting a sharp drop in warranty costs as the Group sought to proactively analyse customer complaints and adopt corrective measures to address quality defects.

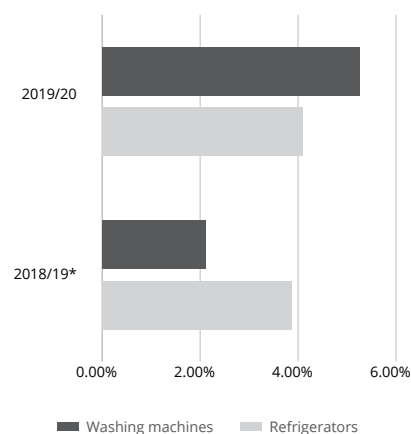
## Operating Profitability

Wider gross profit margins coupled with cost efficiencies enabled the Group to record an operating profit of Rs.236 mn, relatively unchanged over the previous 15-month period. On a comparable 12-month basis,

operating profit recorded an increase of 31% a reflection of the improvement in core performance. Overall operating profit margin also widened from 3.5% to 4.7% during the period. Both product categories recorded a widening of profit margins, with washing machines recording a pronounced improvement in profitability during the year.



## Operating Margins by Product



## Finance Costs

Net finance costs declined by 33% to Rs.80 mn compared to the 15-month period of 2018/19; on a comparable 12-month basis the reduction amounted to 18%. The decrease in finance costs reflects the gradual decline in market interest rates during the year coupled with a near 47%

<sup>1</sup>The Group changed its financial year end from 31st December to 31st March in 2019 due to which the corresponding period of this financial year reflects a period of 15 months.

\* 12 months

reduction in the Group's borrowing base which reflected more effective working capital management.

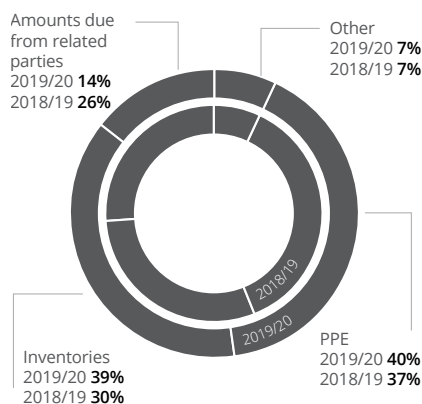
### Profitability

Pre-tax profit for the year amounted to Rs.156 mn during the year, an increase of 35% compared to the previous 15-month period and a remarkable growth of 89% when viewed against the comparable 12-month period. Income tax for the period amounted to Rs. 48 mn which translated to an effective tax rate of 31%; this includes investment income tax of Rs.6.8 mn (14%) and WHT of Rs.2.1mn on dividend income received from Regnis Appliances- excluding these, the tax rate is estimated to be 25% compared to 21% the previous year. The rate applicable for 2018/19 is relatively lower due to directives issued by the IRD regarding the income tax assessment period change. Meanwhile profit after tax for the period recorded an increase of 47% to Rs.108 mn supported by the improvement in operating profitability as well as rationalisation of borrowing costs.

### Balance Sheet Strength

The Group's consolidated assets declined marginally compared to the previous year to close at Rs.3,233 mn as at end-March 2020. The reduction primarily reflects the receipt of related party receivables during the year. Property, plant, and equipment accounted for 40% of the asset base. Capital expenditure for the year amounted to Rs.43 mn during the year reflecting investments in machinery, equipment, dies and gauges. Inventories amounted to 39% of total assets and consisted primarily of raw materials; the maintenance of sufficient raw material stocks facilitated continued production despite temporary disruptions to the Group's supply chain during the pandemic. Meanwhile, receivables from related parties nearly halved to Rs.466 mn due to settlements from the parent entity.

### Asset Composition 2018/19 and 2019/20

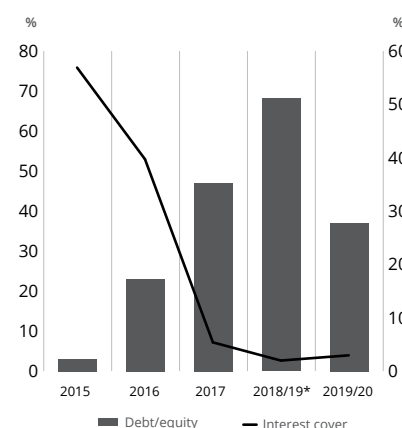


### Liabilities and Funding

The Group's funding profile is strong with equity funding 48% of total assets. Improved profit generation during the year resulted in shareholders' funds increasing by 3% to Rs.1,542 mn. Meanwhile resettlement of short-term loans and loans from related party companies led to a near 47% reduction in total borrowings to Rs.571 mn. The Group's borrowings comprise solely of short-term debt which is used primarily to fund working capital requirements.

The stronger equity base coupled with the reduction in debt resulted in the Group's debt/equity ratio declining to 37% from 71% the previous year. Meanwhile debt protection metrics also improved with the interest cover widening to 2.8 from 1.9 the previous year.

### Gearing Level



### Cash Flow

Operating cash flow strengthened during the year with net inflows amounting to Rs.538 mn compared to Rs.21 mn the previous year, primarily reflecting the funds received in the settlement of related party borrowings. Investing outflows for the year amounted to just Rs.38 mn as no major capital investments carried out in 2019/20. Net cash outflows from financing activities amounted to Rs.491 mn owing to settlement of short-term borrowings. Resultantly, the Group's cash and cash equivalents position strengthened by Rs.10 mn during the period under review.

### Shareholder Returns

Despite the challenging industry conditions, the Group strengthened its value creation to shareholders with both earnings per share and net asset value per share increasing during the year. The share price declined by 4.5% to close the year at Rs.59.8 mirroring the trend in the broad market, which saw a sharp decline following the outbreak of COVID-19.

Return to shareholders	12 -month period ending 31 March 2020	15 -month period ending 31 March 2019
Return on total assets	3.3%	2.6%
Return on equity	7.0%	6.1%
Earnings per share	9.6	8.1
Dividends per share	6.25	7.30
Net asset value per share	136.80	133.40

<sup>1</sup>The Group changed its financial year end from 31st December to 31st March in 2019 due to which the corresponding period of this financial year reflects a period of 15 months.

\* 12 months

# FINANCIAL REVIEW

## Statement of Value Addition

	GROUP				COMPANY			
	2019/20		2018/19*		2019/20		2018/19*	
	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000
Gross turnover		5,757,677		8,185,539		3,863,671		5,731,353
Other income including finance income		6,664		3,575		71,695		63,421
Less: Cost of materials & other costs		(3,660,163)		(5,460,295)		(2,512,334)		(3,735,397)
		<b>2,104,178</b>		<b>2,728,819</b>		<b>1,423,033</b>		<b>2,059,377</b>
<b>Distribution of Value Added</b>								
Employees	32	681,526	25	681,526	33	463,978	30	620,764
Government	54	1,124,883	64	1,736,202	49	705,209	55	1,130,945
Lenders	4	85,084	4	121,696	5	69,136	5	94,335
Community Investment	0	524	0	838	0	338	0	719
Shareholders	3	70,424	3	82,255	5	70,424	4	82,255
Depreciation and amortisation set aside	5	104,262	4	97,387	5	74,816	4	81,145
Profit retained	2	37,475	0	8,916	3	39,132	2	49,214
	<b>100</b>	<b>2,104,178</b>	<b>100</b>	<b>2,728,819</b>	<b>100</b>	<b>1,423,033</b>	<b>100</b>	<b>2,059,377</b>
No. of employees		323		319		260		260
<b>Value Added per employee ('000)</b>		<b>6,514</b>		<b>8,554</b>		<b>5,473</b>		<b>7,921</b>

\* 15 months ended 31st March 2019.



## OPERATIONAL REVIEW

Regnis (Lanka) PLC is committed to manufacturing innovative and affordable white goods which meet the evolving preferences of our customers. To this end, the Company has sought to continuously refine and enhance its product portfolio by investing in new technology and manufacturing processes and in enhancing its design capabilities.

The financial year under review was a challenging one, given the political and economic volatility prevailing in the country, mainly due to the two key events, the Easter attacks that occurred in April 2019 and the country wide lockdown due to COVID-19 pandemic in the latter part of the financial year. While an increase in consumer spending was observed towards the latter part of the year (Dec.2019 to March 2020) as a consequence of tax reductions, it declined sharply in last two weeks due to lock-down.

This had a substantial impact on our product and sales volumes where both refrigerator and washing machine categories recorded a decline compared to the previous year.

### Refrigerators

Our main revenue generator is the refrigerator manufacturing arm that produces refrigerators under Singer and Sisil brands. During the year, refrigerator volumes declined by 13% due to Easter attacks and COVID-19 pandemic that had a prolonged impact on the economy affecting consumer affordability and demand.

The refrigerator business was also affected by the removal of the 15% Cess that

was imposed on refrigerator imports, thereby closing the gap between locally manufactured refrigerators and imported refrigerators. Meanwhile, the government increase of the PAL rate by 2.5% effective from 1st December 2019, had an adverse impact on all imported raw materials while the action taken by the competitors, especially relating to the product pricing in the market also affected the business during the year.

Our strategy for the year focused on enhancing brand equity, increasing market penetration and developing an innovative product range to suit the customer needs. We launched 6 new large capacity models of smart inverter refrigerators that were developed to international standards comprising many new features such as energy saving component and inbuilt power guard. We also enhanced the visual appeal of the products by introducing new colour and design options, such as flower designs etc.

### Manufacturing Process

The Company's state of the art manufacturing facility is located at Ratmalana, and has facilitated continuous upgrades to our product range. During the financial year, we implemented several management driven process improvements and cost efficiency programs.

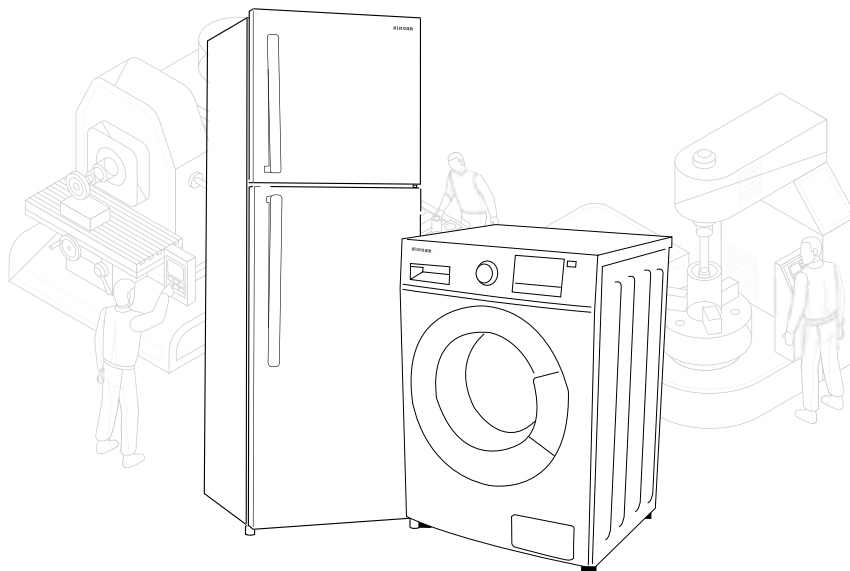
Ongoing efforts to rationalise costs and process efficiencies led to an annual cost

saving of Rs.42 mn. Apart from that, we replaced the existing PU foaming moulds and Vacuum forming moulds with Aluminium moulds to reduce the rejects and improve the quality of the product.

Emphasis on enhancing product quality through detailed analysis of customer feedback and adopting corrective measures such as changing materials/suppliers enabled the Group to reduce warranty claims significantly compared to last financial year.

In order to ensure effective working capital management, we carried out the following:

- Reducing the inventory holding period through close monitoring. (Continuous monitoring of MRP process, Slow-moving and non-moving inventory, finding alternative use of raw materials inventory and Inventory ageing report, Warranty claims over inventory shipment shortages, Controls over reject of items in the manufacturing process, Focused efforts to minimize material usage variances and monthly physical counts of inventory)
- Enhanced supplier credit periods
- KPI's on fulfilment of the SSL order – Inter-company receivables
- Close monitoring of supplier advances (Local & Imports)



## OPERATIONAL REVIEW

We also continuously negotiated with banks to obtain favourable credit terms and to enhanced credit facilities.

### Market Share

We lead the market in No frost refrigerators, large capacity refrigerators and direct cool refrigerators. Despite intensifying competition we have successfully maintained market through leveraging on our parent's extensive geographical reach, vigorous above the line (ATL) marketing activities including large scale advertisement campaigns, interest free schemes, coupled with strong after sales service.

### Products

We offer environmentally friendly, energy efficient, and no-frost/direct cool refrigerators to sophisticated consumers and currently manufacture 27 refrigerator models through both the Singer and Sisil brands including large capacity refrigerators that we pioneered in Sri Lanka. These refrigerators are built in par with world class standards and have received positive customer response indicating its high performance and the quality.

### Washing Machine Business

The Company's washing machine range is manufactured under its fully owned subsidiary, Regnis Appliances (Pvt) Ltd under the Singer and Sisil brands.

We introduced a new range of models with improved quality based on customer complaint analysis, in broadening the product portfolio of Regnis appliances during the year. Nevertheless, the growth in washing machine category dropped by 10% (Semi-Automatic 19%, Fully Automatic 1%) mainly owing to the impact of Easter Sunday attacks and COVID -19 outbreak that occurred during the peak season.

### Products

Our washing machine segment includes 14 models of washing machines that are manufactured in line with the international and environmental standards.

During the year, the first ever 8kg capacity Singer branded semi-automatic washing machine (SAR 8) was introduced to cater the fairly higher capacity customer requirements. Secondly, a Sisil branded semi-automatic (WM68) washing machine was introduced utilizing 100% plastic components manufactured in house, marketed through Singer plus and wholes sale channel. This model replaced previous WM67 which utilised plastic components that were imported from China.

Moreover, five models of new 7.5 kg fully automatic washing machines were introduced with four different colours that include maroon, light blue, black and white. The objective was to provide the customers with better options for selection and is targeted through singer plus channel.

Our SWM- FA70R model washing machine was ranked no. 1 during the year amongst the highest revenue generating product category while SWM-SAR6 washing machine remained the fast-moving model with over 2000 Nos in sale each month.

### Market Share

We command a market share of approximately around 40% in the washing machine segment; we see immense growth potential for this segment and intend to drive growth of this segment in the future. We have focused on promotional campaigns (Eg:- Semi auto washer for TV), advertising, and continuous quality improvements to the product with strong after sales service to enhance the market share.

### Marketing and Sales Promotion

We are constantly supported by our parent Company, Singer (Sri Lanka) PLC in our marketing and product promotional efforts. As the sole retailer of our products, Singer (Sri Lanka) PLC distributes our products island wide through the extensive distribution network (singer outlets) to be sold to the end consumer. We directed considerable investments towards marketing and promotional activities the latter part of the financial year that had a positive impact

on creating demand for our products and increasing our sales volumes.

### Future Outlook

We anticipate that the current import restrictions encompassing both refrigerators and washing machine segments would be an advantage in harnessing more market opportunities in the future given our high-level in-house production capacity. In addition, we will continue to focus on cost efficiencies in every aspect of our processes and systems.

Moving ahead, we intend to reap the benefit of government's new initiative on supporting local industries, leveraging our strong position to meet almost 50% of the refrigerator and washing machine demand of the country. Additionally, we look forward to expanding our product portfolio with three new product categories, namely air conditioners, deep freezers, and bottle coolers. Given the market potential for these products, we intend to leverage our technology, manufacturing and design capabilities to drive investments in these segments.



# MANAGING OUR RISKS

The Group adopts systematic processes to identify, evaluate and mitigate risks that could potentially impact its performance and/or value creation. Risks are identified through engaging with stakeholders and evaluating our internal and external business environments. Risk considerations form a key input in determining strategy and formulating budgets.

## Risk Management Framework

The apex responsibility for managing risks lie with the Board of Directors. The Group's comprehensive risk management framework comprises of policies, internal controls, code of ethics and standards. We adopt the risk management policy framework of our parent entity, Singer (Sri Lanka) PLC. The policy is periodically reviewed and revised to ensure

relevance to conditions in the operating landscape. However, it is the effective risk culture within our organization that drives the commitment of employees to make informed decisions.

## Governance Structure

The Group Risk Manager of our parent company informs risk assessments to every Audit Committee meeting held on quarterly basis. These findings are discussed with the Board of directors at quarterly reviews to plan mitigative strategies. The responsibility to implement risk mitigative actions are delegated to the divisional managers. In addition, performance is monitored to assess the effectiveness of risk mitigation strategies.

## Risk Identification

Being a manufacturer of consumer durables, we are inherently subject to several risks both from external environments and internal business processes that could

have material impacts on our business performance. We continually engage with various stakeholders such as our parent company Singer (Sri Lanka) PLC being the main customer for our products, suppliers, government and employees to be able to identify the material concerns that form part of our evolving risk landscape. In addition, we continually monitor key economic trends such as economic growth, inflation, Interest rate fluctuations currency depreciation, etc as demand for consumer durables industry is largely driven by macro-economic variables.

## Risk Prioritization

The identified risks are evaluated and prioritized based on the likelihood and level of impact to business performance. Risk mitigation strategies are implemented for material risks with sound monitoring methods adopted to ensure the adequacy of internal controls.

## Principal Risks 2019/20

Risk Type	Risk Control Area	Impact	Risk Mitigation Actions	Risk Rating
Market	COVID-19 outbreak	The outbreak of the COVID-19 pandemic and the subsequent social distancing measures implemented by the Government has had unprecedented effects on the Group. Key risks identified consist of, 1. Health and Safety of the employees 2. Impact on Financial Reporting 3. Impact on Economic Sustainability	Please refer below table on risk Measures taken for COVID-19 impact.	High
Financial	Depreciation of Rupee	The country's weak fiscal position and decline in forex reserves is expected to result in further pressure on the exchange rate, particularly given upcoming debt repayments. Further depreciation of the Rupee would result in an escalation of import costs thereby affecting our margins and profitability.	1. Close monitoring of exchange rate on daily basis. 2. Frequent cost monitoring and immediate transfer price adjustment where ever possible. 3. Negotiating more favourable credit terms with suppliers.	High
Operational	Increase the import raw material prices	The Company imports 80% of its raw material requirements including high-value items such as chemicals, HIP sheets etc. The prices of these materials are generally linked to global oil prices and therefore experience fluctuations in line with oil price movements.	1. Strong relationship with suppliers. 2. Preparation of material price index on monthly basis to monitor the material price fluctuations. 3. Frequent meeting with the suppliers for better negotiations.	High

# MANAGING OUR RISKS

Risk Type	Risk Control Area	Impact	Risk Mitigation Actions	Risk Rating
Market	Business Conditions	Market conditions are expected to remain challenging at least till the end of 2020.	1. Cost improvement programs, process improvements. 2. Frequent checking of costing and price adjustments	High
Market	Low monthly sales orders from Singer (Sri Lanka) PLC	There could be low monthly sales order which is below the breakeven volume there by leading to under capacity in at the plant.	1. Continually negotiation with the SSL marketing to get reasonable monthly volumes for the factory. 2. Possible adjustments will be made to reduce the plant cost.	Moderate
Operational	Old version of SYMEX system (nearly 20 years) and new hardware & software are not support	The current Accounting system requires updates and it is not compatible with the current manufacturing process and does not support advanced features and controls.	1. Currently different options are being evaluated.	High
Operational	Trainees & contract labour absenteeism	High absenteeism of training and contract labour, who are actively involved in handling part and minor works affects the continuity of production and the quality of the product.	1. Staff motivational activities. 2. Automating the production process. 3. Introduce, attendance allowance for contract labour & Trainees.	Moderate
Operational	Machine breakdowns in the critical areas of the plant.	Machine breakdowns in the Vacuum forming & PU foaming divisions may hold the entire production process, resulting in reduce the production volume.	1. Strict adherence to the preventive maintenance schedules. 2. Regular maintenance of spare parts stocks for immediate replacement. 3. Breakdown analysis for each machine and necessary steps to minimize potential breakdowns. 4. Educating and training for operators and technicians.	High
Operational	Fire and natural disaster risk	Fire and natural disaster (flooding) can halt or cease operations.	1. Obtaining comprehensive insurance cover for fire and natural disasters. 2. Fire safety drills and training is given to ensure the occurrence of fire is kept to a minimum. 3. The Company is equipped with firefighting equipment at all strategic locations in the factory.	Moderate
Operational	Compliance Risk	Risk of non -Compliance with changes in Legal & regulatory, Taxation, labour laws will result in legal actions.	1. Create awareness of statutory obligations at all levels. 2. Seek advice from external consultants on all matters relating Legal and taxations. 3. Obtaining advice from the Employers' Federation of Ceylon when necessary.	High
Operational	Disposal of Waste	Risk of harmful waste exposed to the environment.	1. Implemented proper disposal of harmful waste with the agreement of Insee Eco cycle Lanka (Pvt) Ltd. 2. Use of eco friendly raw materials as much as possible Eg: Replacement of Styrofoam in packaging with pulp packaging. 3. Use of R600a as refrigerant for all our Refrigerators. 4. Environmental Protection License has been obtained every year.	High

**Risk Measures taken for COVID-19 impact**

Risks area and impact	Risk measures taken
<b>1. Health and Safety of the employees</b> The nature of the virus makes it challenging for the Company to strike a balance between maintaining productivity and efficiency and providing a safe working environment for the employees	<ol style="list-style-type: none"> <li>Guidelines were issued and communicated among employees to work from home.</li> <li>IT and other infrastructure facilities are provided to work from home for selected employee considering work requirement.</li> <li>Provided health measures as instructed by the health ministry and government for the factory &amp; office employees who are reporting to the work.</li> <li>Frequent reminders to employees about the importance of maintaining personal hygiene and thoroughly washing hands and/or using hand sanitizer. Refer to guidance provided by the WHO and local authorities.</li> </ol>
<b>2. Impact on Financial Reporting</b> Operations for the company were adversely impacted by the COVID-19 situation. The Company should consider the additional risks involved and the impact on the company. In some cases, the impact may necessitate adjustments to accurately reflect the financial situation of the organization (e.g. Trade receivables)	<ol style="list-style-type: none"> <li>Evaluated potential disclosure of subsequent events in the notes to the financial statements.</li> <li>Separate disclosure on COVID-19 to the Annual financial Statement.</li> <li>Liaised with external auditors to determine the possible notes to the accounts.</li> <li>Changes to reporting requirements of SEC and CSE were properly communicated with the management team and the board of directors.</li> </ol>
<b>3. Impact on Economic Sustainability</b> The issues created by COVID-19 lead to fall in revenue, liquidity pressure and going concern	<ol style="list-style-type: none"> <li>Performed financial scenario, sensitivity and ratio analysis, examining the overall threat to the organization should sales and/or production decrease at various percentage rates.</li> <li>Determined the actions which may need to be taken at certain stages to reduce further losses.</li> <li>Renegotiation of banking facilities. Almost all the banks has agreed to grant import loan for tenor of between 04 months to 06 months.</li> <li>Discussed and planned cost reduction methods in each cost drives.</li> </ol>

# CORPORATE GOVERNANCE

Regnis (Lanka) PLC's approach to corporate governance is broadly aligned to that of its parent, Singer (Sri Lanka) PLC which in turn is consistent with the ultimate parent Hayleys PLC. The Group's corporate governance framework drives accountability, transparency and integrity at every level of the organisation, ensuring stability during challenging industry conditions. The Board of Directors is the apex governing body and holds responsibility for setting the strategic direction, formulating policies and exercising oversight over the affairs of the Company.

Regnis (Lanka) PLC's governance framework is based on the following internal and external steering instruments and the company with the all mandatory and most of the voluntarily requirements.

External instruments	Internal standards and principles
Companies Act No. 7 of 2007	Articles of Association
Continuing listing requirements of the Colombo Stock Exchange	Group policy frameworks
Code of Best Practice on Corporate Governance issued by the CA Sri Lanka (2017)	Board and sub-committee terms of reference
	Code of Ethics

## Board of Directors

The Board comprises 9 (nine) directors comprising 6 (six) non-executive directors and 3 (three) executive directors of the non-executive directors, 5 (five) function in an independent capacity.

During the year under review one alternative Director appointed as listed alongside. Please refer to pages 8 to 9 for full profiles of Directors.

## Board Mandate

The Board is collectively responsible for the overall stewardship of the Company. The responsibilities of the Board includes;

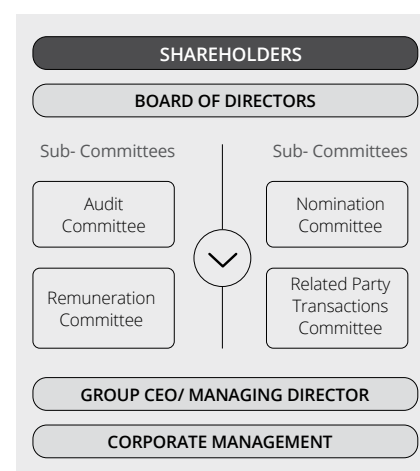
- Setting the strategic agenda to enhance long-term value creation
- Formulating policy
- Setting the risk appetite and ensuring the Group's risk exposure is maintained within the defined parameters
- Ensuring that key management personnel have requisite skills and knowledge to drive the strategic agenda
- Ensuring effectiveness of systems in place to secure integrity of information and internal controls

## Sub-Committees

The Board has delegated certain functions warranting greater attention, to 4 Board Sub-Committees with oversight responsibility for same. This enables the Board to allocate sufficient time to matters within its scope, particularly execution of strategy and forward-looking agenda items. The roles of the committees, composition, meeting attendance during the year and focus areas during the year are given in the respective committee reports from pages 27 to 32 of this Report.

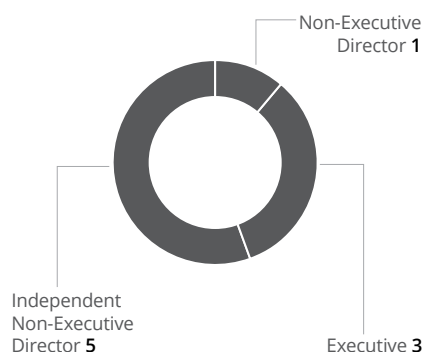
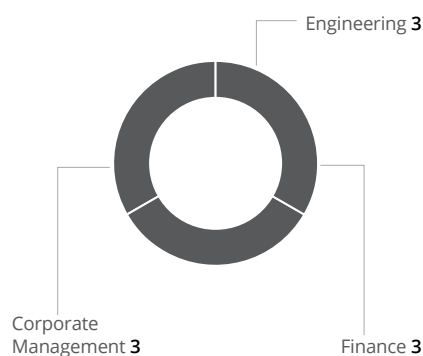
### APPOINTMENTS:

Mr. K K L P Yatiwella (Alternate director to Mr. M H Wijewardene appointed on 1st June 2019)



## Board Effectiveness

Directors combine a unique depth and breadth of skills which includes entrepreneurial, corporate and academic expertise. Non-executive directors are eminent professionals in their respective fields, bringing diverse perspectives to board deliberations. With the appointment of directors representing the Hayleys Group, the Board's skill set has been enhanced further, with substantial expertise being brought in the areas of corporate strategy and financial management. The Board has sufficient financial acumen, with 3 directors holding membership in professional accountancy bodies.

**Board Composition****Board Skills****Role of Chairman and CEO**

The role of Chairman and CEO/Managing Director have been segregated, in line with best practices in Corporate Governance ensuring that no one director has unfettered power and authority. The Chairman leads the Board of Directors, ensuring that it conducts its activities in the best interest of the Company. The CEO/Managing Director is accountable to the Board for the exercise of authority delegated by the Board of Directors and for the performance of the Company.

**Board appointment and re-election**

Directors appointed by the Board to fill casual vacancies during the year retire in terms of the Articles of Association and may offer themselves for re-election at the next Annual General Meeting. Further, at the first

and each subsequent AGM, one-third of the Directors or number nearest to one-third (but not greater than) shall retire from office.

**Board access to information**

Directors are provided comprehensive and timely information to ensure the effective of duties. Quantitative and qualitative information which includes performance against objectives, stakeholder relationships, progress on achieving strategic objectives and risk indicators are furnished to all Directors prior to Board/Sub-Committee meetings. In addition, Directors have opened access to KMP to obtain further information or clarify any concerns that may arise. Directors also have unfettered access to the Company Secretary.

**Board Activities****Board meetings**

The Board convenes at least on a quarterly basis. The scheduled dates of meetings for the year are approved by the Board in advance and Directors are given adequate notice of any changes to the planned schedule. Meeting agendas and Board papers are circulated to all Board members prior to Board and Sub-committee meetings. In addition to the comprehensive Board papers, Directors are also regularly kept abreast of changes in the economic and industry landscape that could potentially impact the Group's ability to create value. The attendance at Board meetings during the year are given below;

Director	Board meeting	Audit Committee meeting <sup>(1)</sup>	Remuneration Committee meeting <sup>(1)</sup>	Nomination Committee meeting <sup>(1)</sup>	Related party transaction committee <sup>(1)</sup>
Mr. A M Pandithage	4/4			-(4)	
Mr. M H Wijewardene	4/4				4/4
Mr. V G K Vidyaratne	3/4				
Mr. S C Ganegoda	4/4				
Mr. M H Jamaldeen	4/4	4/4	1/1	-(4)	
Mr. N L S Joseph	1/4				
Mr. K D G Gunaratne	4/4				
Mr. D K De S Wijeyeratne	4/4	4/4	1/1		4/4
Mr. K D Kospelawatta	4/4				
Mr. A C M Irzan (alternate to K D Kospelawatta)	N/A				
Mr. K K L P Yatiwella (alternate to M H Wijewardene) – appointed 01.06.2019	N/A				
Mr. D Sooriyaarachchi <sup>(2)</sup>		3/4	1/1		3/4
Mr. K D D Perera <sup>(3)</sup>				-(4)	

{1} The Committees of the parent company, Singer (Sri Lanka) PLC functions as the Committee to Regnis (Lanka) PLC.

{2} Independent Non-Executive Director of Singer (Sri Lanka) PLC.

{3} Co-Chairman of Singer (Sri Lanka) PLC.

{4} During the reporting period Nomination Committee meetings were not held whereas appointments were approved by the board via circular resolutions.

# CORPORATE GOVERNANCE

## Board Remuneration

A formal and transparent procedure is in place for determining remuneration of Directors and developing executive remuneration policy. Remuneration for Non-Executive Directors is determined taking into consideration the time commitment, role and responsibilities of each individual Director as well as industry practice. The Board has delegated this responsibility to the Board HR and Remuneration Committee, the details and composition of which are given on page 29 of this Report. No individual director has the capacity to determine his own remuneration.

The Company's remuneration policy is designed to ensure that highly-skilled individuals are attracted and retained, whilst contributing to sustainability and responsibly enhancing shareholder value. Key considerations when setting remuneration include, the remuneration policies of the parent company, market and industry practice and each employees' level of experience and contribution.

Remuneration of executive directors and employees comprise guaranteed pay and pay for performance, designed to incentivise higher levels of achievement according to agreed criteria. Remuneration of non-executive directors comprise solely of guaranteed remuneration. The remuneration of the Directors is disclosed page on 63 of this Annual Report and the detailed Remuneration Committee Report is given on page 29.

## Accountability and Audit

The Board is responsible for presenting a balanced, accurate and understandable assessment of the Company's, performance, financial position and prospects. Interim performance reports are circulated within 45 days of each quarter end whilst other price sensitive information is disclosed to shareholders through the Colombo Stock Exchange. The Company's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act.

The following specialised information requirements are also included in this Annual Report.

- The Annual Report of the Board of Directors on the Affairs of the Company on page 34 to 38 of this Report contains the declarations prescribed by the Code.
- The Statement of Directors' Responsibility is given on page 39 of this Report.
- The Independent Auditor's Report on pages 41 to 43 of this Report.

The Integrated Performance Review as set out from pages 10 to 14 of this Report, includes the following information specified in the Code of Best Practice

- Industry structure and developments
- Risks and opportunities arising from the external and internal operating landscape
- Social and environmental protection activities carried out by the Company
- Financial performance
- Material developments in human resource/industrial relations

## Audit Committee

The Board Audit Committee is chaired by a Non-Executive, Independent Director who has substantial and relevant experience in financial management and related areas. The Committees' responsibilities and specific duties are set out in the Audit Committee Charter which empowers it to examine any matters relating to the financial affairs of the Group and to review the adequacy of the internal control procedures, coverage of internal and external audit programmes, determining appropriate accounting policies and review of significant business risks and control issues. The Finance Director/ Compliance officer of the Parent Company, Head of Risk Manager, Internal Audit Staff, Representatives of External Auditors and when necessary, the chairman, the Group Chief Executive Officer and, relevant operational Directors and Managers attend the meetings by invitation.

## Ethics

All employees are bound to abide by the ethics, values and expectations set out in the Employee Code of Conduct. The Code is made available to all employees to ensure that the highest standards of integrity are maintained in corporate conduct and in interactions with all stakeholders. The Code of Conduct addresses a range of key issues including conflict of interest, bribery and corruption, confidentiality, fair dealing and compliance among others. The Code also includes the following:

- Exercise honesty, objectivity and diligence when performing one's duties
- Avoid situations where personal interest could conflict with the interest of the Company and in such situations disclose such interests in advances
- Maintain confidentiality of commercial and price sensitive information
- Work within applicable laws and regulations
- Safeguard the Company's assets
- Avoid conduct that would reflect badly on the person concerned or the Company's image
- Strictly avoid giving or accepting any kind of bribe, either directly or indirectly
- Strictly avoid making contributions for political funds, either directly or indirectly
- Strictly avoid any kind of sexual harassment

## Whistleblowing Policy

The Company has a Whistleblowing Policy in place which serves as a channel for early identification of corporate fraud or risk management by ensuring that employees reporting legitimate concerns on potential wrong doings are guaranteed complete confidentiality. Such complaints are investigated and addressed through a formalised procedure.

## Communication with Shareholders

The Company's majority shareholder is Singer (Sri Lanka) PLC who is also the sole retailer of goods manufactured

by the Company. There are 5 common directors who sit on the Board of Regnis and that of Singer (Sri Lanka) PLC while the ultimate parent Hayleys PLC and Regnis has 4 Directors in common. Related party transactions between Regnis and its related entities are detailed on pages 101 to 105 of the Annual Report.

The Company maintains a high level of engagement with its shareholders, facilitated through the AGM and dissemination of accurate and relevant information. Channels facilitating shareholder communication include announcements to the Colombo Stock Exchange and other press articles. Interim performance reports published to shareholders whilst Annual Reports are provided to all shareholders at their request. Shareholders can direct their questions, comments and suggestions to the Board of Directors or Management team through the Company Secretary, who acts as the contact points for shareholder concerns.

### The Annual General Meeting

The Annual General Meeting is used as the main platform for engaging with shareholders and is also the main forum of contact between small shareholders and the Board. In using the AGM constructively towards enhancing its relations with its shareholders, the following procedures are followed,

- Notice of the AGM and all relevant papers are sent to the shareholders at least 15 working days prior to the AGM in accordance with the regulation of the Companies Act No. 07 of 2007.
- Directors of the Board, including Chairmen of Audit, Remuneration and Nomination Committees are available to clarify any points raised by the shareholders.
- A summary of procedures governing voting at the AGM is provided in the proxy form, which is also circulated to shareholders 15 working days prior to the AGM.

## Mandatory Compliance Requirement

### 01. Companies Act no 07 of 2007

The Company has disclosed the status of compliance of the following mandatory Disclosure required under Section 168 of the Companies Act no 07 of 2007.

Reference to the Companies Act	Compliance Requirement	Status of Compliance	Comments
Section 168 (1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	<input checked="" type="checkbox"/>	Refer item 1.3 on 'Principal Business Activities and Nature of Operations of the parent Company on page 49.
Section 168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152.	<input checked="" type="checkbox"/>	The Financial Statements of the Company for the period ended 31st March 2020 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) and comply with the requirements of the Companies Act No. 07 of 2007 and which were duly certified by the Chief Financial Officer (the person responsible for the preparation of the Financial Statements in accordance with above requirement) and were signed by two members of the Board as appearing on pages 44 to 105 form an integral part of this Report.
Section 168 (1) (c)	Auditors' Report on the Financial Statements of the Company	<input checked="" type="checkbox"/>	Refer pages 41 to 43 for the Independent Auditors' Report.
Section 168 (1) (d)	Any changes in Accounting Policies of the Company	<input checked="" type="checkbox"/>	Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages 49 to 59.



# CORPORATE GOVERNANCE

Reference to the Companies Act	Compliance Requirement	Status of Compliance	Comments
Section 168 (1) (e)	Particulars of the entries made in the Interests Register of the Company during the accounting period.	<input checked="" type="checkbox"/>	The Company maintain Interests Registers. All Directors have made declarations as required by Sections 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interests Registers during the year under review.  The Interests Registers are available for inspection by shareholders or their authorized representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.
Section 168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	<input checked="" type="checkbox"/>	Refer Note 10 of the Financial Statements on page 63.
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period	<input checked="" type="checkbox"/>	Refer Note 10 on page 63.
Section 168 (1) (h)	Information on Directorate of the Company during and at the end of the accounting period	<input checked="" type="checkbox"/>	Refer the pages 8 to 9.
Section 168 (1) (i)	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	<input checked="" type="checkbox"/>	Refer Note 10 on page 63.
Section 168 (1) (j)	Auditors' relationship or any interest with the Company	<input checked="" type="checkbox"/>	Auditors do not have any other relationship or interest in contracts with the Company other than being the Auditors for the Company.
Section 168 (1) (k)	Acknowledgment of the contents of this Report/Signatures on behalf of the Board	<input checked="" type="checkbox"/>	Refer the page 39.

## 02. Listing rules of Colombo Stock Exchange ("CSE")

The Company has disclosed the status of compliance of the following mandatory rules issued by the Colombo Stock Exchange ("CSE")

### (a). Contents of the Annual Report as per rule 7.6 of the listing rule of CSE

Reference to the Listing Rule	Compliance Requirement	Status of Compliance	Comments
7.6.i	Names of persons who during the financial year were Directors of the entity	<input checked="" type="checkbox"/>	Refer the page 19.
7.6.ii	Principal activities of the Company and its subsidiary during the year	<input checked="" type="checkbox"/>	The principal activities of the Company and its subsidiary during the year are given in the Annual Report item 1.3 on page 49.
7.6.iii	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	<input checked="" type="checkbox"/>	The 20 largest shareholders together with their shareholding as at 31st March 2020 is provided on item 8 on page 109.
7.6.iv	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	<input checked="" type="checkbox"/>	Refer page 108.



Reference to the Listing Rule	Compliance Requirement	Status of Compliance	Comments
7.6.v	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	<input checked="" type="checkbox"/>	Refer Item 6 on page 108.
7.6.vi	Information pertaining to material foreseeable risk factors of the entity	<input checked="" type="checkbox"/>	Risk management section refer on pages 15 to 17.
7.6.vii	Details of material issues pertaining to employees and industrial relations of the entity	<input checked="" type="checkbox"/>	The Company did not encounter any relating to employees and industrial relations during the year 2019/20
7.6.viii	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	<input checked="" type="checkbox"/>	Refer Note 13.9 on page 70.
7.6.ix	Number of shares representing the entity's stated capital	<input checked="" type="checkbox"/>	Refer Item 1 on page 107.
7.6.x	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	<input checked="" type="checkbox"/>	Refer item 3 under Investor relation Information Section on page 107.
7.6.xi	List of ratios and market price of share	<input checked="" type="checkbox"/>	Refer page 11 and 107.
7.6.xii	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value	<input checked="" type="checkbox"/>	Refer Note 13 on pages 16 to 17.
7.6.xiii	If during the year the entity has raised funds either through a public issue, rights issue, and private placement	<input checked="" type="checkbox"/>	The Company did not raise funds to increase its Stated Capital during the year.
7.6.xiv (a & b)	Employee Share Option Schemes and Employee Share Purchase Schemes	<input checked="" type="checkbox"/>	There are no Employee Share option Schemes or purchase Schemes in the Company.
7.6.xv	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules (Relating to Directors)	<input checked="" type="checkbox"/>	Disclosures pertaining to directors - refer on page 23 and 24.
7.6.xvi	Details of related party transactions.	<input checked="" type="checkbox"/>	Refer Note 39 on pages 101 to 105.

## (b). Corporate Governance Compliance as per rule 7.10 and 7.13 of the listing rule of CSE

Reference to the Listing Rule	Compliance Requirement	Status of Compliance	Comments
7.10.1	Non - Executive Directors		
7.10.1 (a)	Two or one third of total number of directors on the Board to be non executive directors, which ever is higher	<input checked="" type="checkbox"/>	Refer page 19.
7.10.2	Independent Directors	<input checked="" type="checkbox"/>	
7.10.2 (a)	One third of non executive directors shall be independent	<input checked="" type="checkbox"/>	Refer page 19.
7.10.2 (b)	Disclosure Relating to non executive Directors' independence.	<input checked="" type="checkbox"/>	Each non executive independent directors have submitted a declaration confirming their Independence.

## CORPORATE GOVERNANCE

Reference to the Listing Rule	Compliance Requirement	Status of Compliance	Comments
7.10.3	Disclosure Relating to Directors		
7.10.3 (a)	The names of Non-Executive Directors determined to be 'independent'.	<input checked="" type="checkbox"/>	The Board has made a determination for the financial year as to the independence or non-independence of each non-executive director based on such declaration and other information made available to the Board.
7.10.3 (b)	In the event a Director does not qualify as 'independent' against any criteria set out in the Rules, however, if the Board is of the opinion that the Director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination.	<input checked="" type="checkbox"/>	Refer page 37. (BOD)
7.10.3 (c)	A brief resume of each directors, including information on the nature of his/ her expertise in relevant functional areas.	<input checked="" type="checkbox"/>	Refer pages 8 to 9.
7.10.3 (d)	In the event of an appointment of a new Director, a brief resume of such director shall be submitted immediately to the CSE for dissemination to the public.	<input checked="" type="checkbox"/>	A brief resume of each new director was published along with the announcement of appointment on CSE.
7.10.4	Criteria for defining independence		
7.10.4 (a - h)	Requirements for meeting the criteria for an Independent Director.	<input checked="" type="checkbox"/>	Refer page 37.
7.10.5	Remuneration Committee		
7.10.5 (a)	Non-Executive Directors, a majority of whom shall be independent, and where both Parent company and the subsidiary are Listed Entities the remuneration committee of the parent company may be permitted to function as the remuneration committee of the subsidiary.	<input checked="" type="checkbox"/>	Refer the Remuneration committee report on page 29.
7.10.5 (b)	Functions- The Committee shall recommend to the Board the remuneration payable to the Executive Directors and Chief Executive Officer.	<input checked="" type="checkbox"/>	Refer the Remuneration committee report on page 29.
7.10.5 (c)	Disclosure In Annual Report, Names of Directors comprising the Remuneration Committee (Or persons in the parent company's committee), Statement of remuneration policy, Aggregate Remuneration paid to Executive & Non- Executive Directors.	<input checked="" type="checkbox"/>	Refer the Remuneration committee report on page 29.
7.10.6	Audit Committee		
7.10.6 (a)	Non-Executive Directors, a majority of whom shall be independent, and where both Parent company and the subsidiaries are Listed Entities the Audit committee of the parent company may be function as the Audit committee of the subsidiary. Unless otherwise determined by the Audit Committee.  The Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings.  The Chairman or one member of the Committee should be a Member of a recognized professional accounting body.	<input checked="" type="checkbox"/>	Refer the Audit committee report on pages 27 to 28.  The Chairman of committee is a member of a recognized professional accounting body.

Reference to the Listing Rule	Compliance Requirement	Status of Compliance	Comments
7.10.6 (b)	<p>Functions,</p> <p>01. Oversee the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.</p> <p>02. Oversee compliance with financial reporting requirements, information requirements as per related regulations and requirements.</p> <p>03. Oversee processes to ensure internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>04. Assessment of the independence and performance of the external auditors.</p> <p>05. Make recommendations to the Board on pertaining to appointment, re-appointment and removal of external auditors and approve remuneration and terms of engagement of the external auditors.</p>	<input checked="" type="checkbox"/>	Refer the Audit committee report on pages 27 to 28.
7.10.6 (C)	<p>Disclosure in the Annual Report on Audit Committee,</p> <ul style="list-style-type: none"> <li>- Names of the directors (persons in the parent company's committee).</li> <li>- The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination.</li> <li>- A report by the Committee setting out the manner of compliance in relation to the above.</li> </ul>	<input checked="" type="checkbox"/>	Refer the Audit committee report on pages 27 to 28.
7.13 (a)	As a listed company in the Main Board, the company maintained the minimum public holding under specified criteria.	<input checked="" type="checkbox"/>	Refer the Investor Information page 108.

## (c). Related Party Transactions as per rule 9 of the listing rule of CSE

Reference to the Listing Rule	Compliance Requirement	Status of Compliance	Comments
<b>9</b>	<b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE</b>		
9.2.1	Except for the transactions set-out in Rule 9.5 all other Related Party transactions should be reviewed by the Committee.	<input checked="" type="checkbox"/>	Refer the Related Party committee report on pages 31 to 32.
9.2.2	The Committee should comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee.	<input checked="" type="checkbox"/>	Refer the Related Party committee report on pages 31 to 32.
9.2.3	In a situation where both the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.	<input checked="" type="checkbox"/>	Refer the Related Party committee report on pages 31 to 32.

# CORPORATE GOVERNANCE

Reference to the Listing Rule	Compliance Requirement	Status of Compliance	Comments
9.2.4	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	<input checked="" type="checkbox"/>	Refer the Related Party committee report on pages 31 to 32.
<b>9.3</b>	<b>DISCLOSURES TO SEC</b>		
9.3.1 (a)	Entity shall make an immediate announcement to the Colombo Stock Exchange- of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements.  Listed Entity shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Entity, entered into with the same Related Party during the financial year.	<input checked="" type="checkbox"/>	Disclosed
9.3.2	Disclosures in the Annual Report		
9.3.2 (a)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements such information must be presented in the Annual Report.	<input checked="" type="checkbox"/>	Refer Note 39.2.1 on page 102.
9.3.2 (b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report.	<input checked="" type="checkbox"/>	Refer Note 39.2.1 on page 102.
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following <ul style="list-style-type: none"> <li>- Names of the Directors comprising the Committee;</li> <li>- A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors.</li> <li>- The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.</li> <li>- The number of times the Committee has met during the Financial Year.</li> </ul>	<input checked="" type="checkbox"/>	Refer the Related Party committee report on pages 31 to 32.
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions.	<input checked="" type="checkbox"/>	Refer page 36.

# AUDIT COMMITTEE REPORT

**Mr. Dilip Kumar de Silva Wijeyeratne**

*Chairman - Audit Committee*

*Mr. Wijeyeratne is an Associate Member of The Institute of Chartered Accountants of Sri Lanka (ACA), Fellow Member of The Chartered Institute of Management Accountants, UK, (FCMA) and a Graduate Member of The Australian Institute of Company Directors (GAICD) experience in audit and advisory services.*

## Preamble

The Audit Committee of the parent company, Singer (Sri Lanka) PLC functions as the Committee to Regnis (Lanka) PLC. The Committee is empowered to review and monitor the financial reporting process of Regnis Group so as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective review. As such, the Audit Committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities on ensuring the quality of financial reporting and related communications to the Shareholders and the Public.

## Composition of the Committee and Attendance

Active Status	Name	Directorship Status	Attended
Active	Mr. D K De S Wijeyeratne (Chairman)	Independent - Non Executive Director	4/4
Active	Mr. D Sooriyaarachchi	Independent - Non Executive Director	4/4
Active	Mr. M H Jamaldeen	Independent - Non Executive Director	4/4

The above composition is in compliance with the provisions of the "Listing Rules of the Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance", issued by The Institute of Chartered Accountants of Sri Lanka. The committee appointed by and responsible to the Board of Directors comprises of three (3) Independent Non-Executive Directors.

## Regular Attendees by Invitation

The Finance Director/Compliance officer of the Parent Company, Head of Risk Manager, Internal Audit Staff, Representatives of External Auditors and when necessary, the chairman, the Group Chief Executive Officer and, relevant operational Directors and Managers attend the meetings by invitation.

## Secretary to the Committee

Hayleys Group Services (Private) Limited functions as the Secretary to the Committee.

## Meetings of the Committee

During the period, 04 Audit Committee meetings were held to discuss the reports of the Internal and External Auditors and quarterly accounts. The final accounts were discussed at the meeting held 11th May 2020. The minutes of the meetings were tabled at the meeting of the Board

of Directors for information and necessary action.

## Responsibilities and Duties of the Committee

The Audit Committee's authority, responsibilities and specific duties have been formalised through an Audit Committee Charter. By this, the Audit Committee is empowered among other things, to examine any matters relating to the financial affairs of the Regnis Group and to review the adequacy of the internal control procedures, coverage of internal and external audit programmes, disclosure of Accounting Policies and Compliance with Statutory and Corporate Governance requirements.

## Financial Reporting

The Committee along with the Board, Internal Audit and External Audit review the Annual and Quarterly Financial Results to ensure compliance with mandatory, statutory and other regulatory requirements laid down by the authorities prior to publication.

## Internal Audit Risk and Control

The Committee provided a forum for the impartial review of the reports of internal and external audits and to

take into consideration findings and recommendations stated therein relating to significant business risks and control issues and also monitors the effectiveness of the internal audit function and is responsible for effectiveness of the internal control systems to ensure that processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Committee ensured that the Internal Audit Function is independent of the activities it audited and that it was performed with impartiality, proficiency and due professional care.

## External Audit

The External Audit approach and scope were reviewed and discussed by the Committee with the External Auditors and Management prior to the commencement of the audit. The External Auditors informed the Committee on an ongoing basis regarding matters of significance that were pending resolution. Before the conclusion of the audit, the Committee met with the External Auditors without Management being present. External Auditors discussed the audit issues with the Audit Committee and the Management to agree on audit issues

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendations to the Board of Directors

## Progress of implementation of SLFRS 16

The Committee continuously monitored the progress of implementation of SLFRS 16 that have been issued with effective date being 1st January 2019.

The Committee reviewed the audited financial statements with the external auditor who is responsible for expressing an

# AUDIT COMMITTEE REPORT

independent opinion on its conformity with the Sri Lanka Accounting Standards (SLFRS's & LKAS's).

The Committee also followed up action points taken by the Management in improving the financial reporting based on the 2019/20 Management Letter by the external auditor Messrs KPMG.

## Compliance with Rules and Regulations

The Committee reviews the Compliance Officer's report on the Regnis Group's compliance with the applicable laws and regulations, including any internal policy codes of conduct of its employees.

## Corporate Governance

The Company is fully compliant with the applicable rules on corporate governance under the listing rules of the Colombo Stock Exchange (CSE). In addition, the Company is in substantially compliant with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

## Re Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be reappointed as the external Auditors of the Company for the financial year ending 31st March 2021.

## Appreciation

I wish to thank all members who served in the Committee during the period and for their contribution to the deliberations of the Committee.

*(Sgd.)*

**Dilip Kumar de Silva Wijeyeratne**  
*Chairman - Audit Committee*

Colombo  
11th May, 2020

# REMUNERATION COMMITTEE REPORT

**Mr. Mohamed Hisham Jamaldeen**  
*Chairman - Remuneration Committee*

*He is a Fellow of the Association of Certified Chartered Accountants, UK and holds a Degree in Engineering and Business from the University of Warwick, UK.*

## Composition of the Committee and Attendance

Active Status	Name	Directorship Status	Attended
Active	Mr. M H Jamaldeen (Chairman)	Independent - Non Executive Director	1/1
Active	Mr. D Sooriyaarachchi <sup>(1)</sup>	Independent - Non Executive Director	1/1
Active	Mr. D K De S Wijeyeratne	Independent - Non Executive Director	1/1

*{1} Represented by Singer Sri (Lanka) PLC*

The Remuneration Committee of the parent Company Singer (Sri Lanka) PLC functions as the Committee to the Company and consists of three independent Non-Executive Directors.

The brief profile of the Directors is given on Pages 8 to 9.

The Chairman and the Group CEO assist the Committee by providing the relevant information and participate in its analysis and deliberations except when their own compensation packages are reviewed.

### Secretary to the Committee

Finance Director of Singer (Sri Lanka) PLC functions as the Secretary to the Committee.

### Responsibilities and Duties of the Committee

The scope of the Committee is to “look into fees, remuneration and perquisites of Chairman, Group Chief Executive Officer, Independent Directors and the Executive Directors of the Board of the Company including alternate Directors and approve recommendations made by the Committee.

The Committee also reviews the policies pertaining to the remuneration and perquisites of the executives of the Company.

### Remuneration Policy

A primary objective of compensation packages is to attract and retain a highly qualified and experienced work force, and reward performances. These compensation packages should provide compensation appropriate for each business within the Group and commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long-term shareholder returns.

### Meetings

The Committee meets from time to time and reviews the Group's remuneration and fee structures to assure alignment with strategic priorities and with compensation offered by competitor companies.

During the year, one Remuneration Committee meetings were held.

### Appreciation

I wish to take this opportunity to thank all members who served in the committee during the period and for their contribution to the deliberations of the Committee

*(Sgd.)*

**Mohamed Hisham Jamaldeen**  
*Chairman - Remuneration Committee*

Colombo  
14th May, 2020

# NOMINATION COMMITTEE REPORT

## Mr. Mohan Pandithage

Chairman - Nomination Committee

*He is a Fellow of the Chartered Institute of Logistics & Transport (UK) and Honorary Consul of the United Mexican States (Mexico), to Sri Lanka. He is also a Council Member of the Employers' Federation of Ceylon and a Member of the Advisory Council of the Ceylon Association of Ship's Agents. He received the Best Shipping Personality award by the Institute of Chartered Shipbrokers and Excellence Leadership Recognition by the Institute of Chartered Accountants of Sri Lanka. He has also been honored with a lifetime achievement award at Seatrade – Sri Lanka Ports, Trade and Logistics and Life time award for most outstanding Logistics and Transport personality of the year by the Chartered Institute of Logistics & Transport.*

## Composition of the Committee and Attendance

Active Status	Name	Directorship Status	Attended
Active	Mr. A M Pandithage (Chairman)	Executive Director	– (2)
Active	Mr. K D D Perera <sup>(1)</sup>	Non Executive Director	– (2)
Active	Mr. M H Jamaldeen	Independent - Non Executive Director	– (2)

{1} Co-Chairman of Singer (Sri Lanka) PLC

{2} During the reporting period nomination committee meetings were not held whereas appointments were approved by the board via circular resolutions

Nomination committee of the parent Company, Singer (Sri Lanka) PLC functions as the Committee for the Company. Brief profiles of the Directors are given on pages 8 to 9 of the Annual Report.

The Board appoints during the period were approved via circular resolutions and therefor no physical meetings were held due to prevailing situation.

### Responsibilities and Duties of the Committee

- Consideration of making any appointment of new Directors or re-electing current Directors.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director taking into consideration the Directors' number of listed Company Boards on which

the Director is represented and other principal commitments.

- Review the structure size, compensation and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend or any other matter referred by the Board of Directors.

### Appointment to the Board

Mr. K K L P Yatiwella appointed to the board with effect from 01st June 2019 as the Alternative Director to Mr. M H Wijewardene.

### Re-election of Directors at the Annual General Meeting

In terms of article 24 (4) of the Article of Association of the Company, Mr. M H Jamaldeen retires by rotation. The Committee recommended to the Board that Mr. M H Jamaldeen be proposed for re-election to the Board at the Annual General Meeting to be held on 23rd July 2020.

In terms of article 24 (4) of the Article of Association of the Company, Mr. S C Ganegoda retires by rotation. The Committee recommended to the Board that Mr. S C Ganegoda be proposed for re-election to the Board at the Annual General Meeting to be held on 23rd July 2020.

In terms of Article 24(10) of the Article of Association of the Company, all the Directors who were appointed to the Board during the year are subject for re-election by the shareholders at the Annual General meeting as given on the Notice of Meeting.

The recommendations were approved by the Board.

### Appreciation

I wish to take this opportunity to thank all members who served in the Committee and for their contribution to the deliberations of the Committee during the period.

(Sgd.)

Mohan Pandithage

Chairman - Nomination Committee

Colombo

14th May, 2020



# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## Preamble

The parent Company Singer (Sri Lanka) PLC established the Related Party Transactions Review Committee (RPTRC) in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the “Code”) and Section 9 of the Listing Rules of the Colombo Stock Exchange (the “Rules”).

Parent Company's Related Party Transactions Review Committee (RPTRC) functions as the RPTRC Committee to the Company. Composition of the Related Party Transactions Review Committee

## Composition of the Committee and Attendance

Active Status	Name	Directorship Status	Attended
Active	Mr. D Sooriyaarachchi (Chairman) <sup>(1)</sup>	Independent - Non Executive Director	3/4
Active	Mr. D K De S Wijeyeratne	Independent - Non Executive Director	4/4
Active	Mr. M H Wijewardene	Executive Director	4/4

<sup>(1)</sup> Represented by Singer (Sri Lanka) PLC

Mr. J A Setukavalor - Independent - Non executive Director of Singer Finance (Lanka) PLC attends all meetings by invitation

The above composition is in compliance with the “Listing Rules of the Colombo Stock Exchange” and “Code of Best Practice on Corporate Governance”, issued by The Institute of Chartered Accountants of Sri Lanka. The Committee appointed by and responsible to the Board of Directors comprises two Independent Non - Executive Directors and one Executive Director.

Brief profiles of the members are given on pages 8 & 9 of the Annual Report.

## Secretary to the Committee

Hayleys Group Services (Private) Limited functions as the Secretary to the Related Party Transactions Review Committee. Responsibilities and Duties of the Committee

1. To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
2. Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.

3. Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
4. To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
5. To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
6. Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
7. To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
8. To review the economic and commercial substance of both recurrent/non recurrent related party transactions
9. To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining ‘competent independent advice’ from independent professional

experts with regard to the value of the substantial asset of the related party transaction.

Policies and Procedures Adopted by the RPTRC for Reviewing Related Party Transactions (RPTs)

1. Relevant information to capture RPTs are fed into the Company Data Collection System.
2. All Officers concerned are informed of the applicable regulatory requirements relating to the reporting of RPTs.
3. Key Management Personnel (KMPs) and their Close Family Members (CFMs) are identified half yearly together with their NIC numbers and business registration numbers. This information is in the system.
4. Systems are updated with KMP and their CFM details on a half yearly basis or as and when the need arises in the event of a material change.
5. Data is extracted from the system, verified and validated
6. All Managers are advised to report RPTs to the Finance Director who has been identified as the Focal Point, for this purpose.
7. Data is shared with the Finance Director and the Company Secretaries to meet the regulatory requirements if required.

## Task of the Committee

The Committee reviewed the related party transactions and their compliances in Singer Group Companies including Regnis (Lanka) PLC.

The Committee in its re-view process recognized the adequacy of the content and quality of the information forwarded to its members by the management and confirmed that they are in compliance with rule 9.3 of the listing rule.

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## Meetings

During the year 04 Committee meetings were held.

## Reporting to the Board

The Minutes of the RPTRC meetings are tabled at Board meetings the Board members to have access to same.

## Disclosures

A detailed disclosure of all the related party transactions including Recurrent and Non Recurrent related party transactions which are required to be disclosed under section 9.3.2 of the listing rules of the Colombo Stock Exchange has been made in Note 39.2.1 to the financial statements given in page 102 to this report.

## Appreciation

I wish to take this opportunity to thank all members who served in the Committee and for their contribution to the deliberations of the Committee during the period.

*(Sgd.)*

**Deepal Sooriyaarachchi**

*Chairman - Related Party Transactions  
Review Committee*

Colombo  
11th May, 2020

# 365 Days Results

## FINANCIAL INFORMATION

### Financial Calendar 2019/20

#### Annual General Meeting (AGM) Calendar

	2019/20
Annual Report approved	14th May 2020
Thirty third Annual General Meeting	23rd July 2020

### Interim Financial Statements Calendar – Submission to the Colombo Stock Exchange (CSE)

*(In terms of Rule 7.4 of the Colombo Stock Exchange)*

	2019/20
For the three months ended/ending June 30, (unaudited)	7th August 2019
For the six months ended/ending September 30, (unaudited)	8th November 2019
For the nine months ended/ending December 31, (unaudited)	11th February 2020
For the twelve months ended/ending March 31, (unaudited)	15th May 2020

### Dividend Calendar

	2019/20
Final dividend for the previous year paid	29th March 2019
Final dividend for the period to be paid	26th May 2020

### Proposed Financial Calendar 2020/21

	2020/21
For the three months ended/ending June 30, (unaudited)	August 2020
For the six months ended/ending September 30, (unaudited)	November 2020
For the nine months ended/ending December 31, (unaudited)	February 2021
For the twelve months ended/ending March 31, (unaudited)	May 2021
Annual General Meeting	June 2021

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Annual Report of the Board of Directors on the Affairs of the Company and Statement of Compliance of the Contents of the Annual Report as Required by Section 168 of the Companies Act No. 07 of 2007.

## Preface

The Directors have pleasure in presenting to the shareholders their report on the affairs of Regnis (Lanka) PLC together with the Audited Financial Statements of the Company and the audited consolidated financial statements of the Group for the year ended 31st March 2020 and the Independent Auditors' Report on those Financial Statements conforming to all relevant statutory requirements. This Report provides the information as required by the Companies Act No. 07 of 2007, and amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE) and the recommended best practices.

This Report was approved by the Board of Directors on 14th May 2020. The appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

The Regnis (Lanka) PLC was incorporated on 3rd June 1987 under the Companies Act No 17 of 1982 and was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 3rd September 2008, under the Registration No. PQ 191. The registered office of the Company is situated at No. 52, Ferry Road, Off Borupana Road, Ratmalana, Sri Lanka.

The ordinary shares of the Company are quoted on the Main Board of the CSE.

Singer (Sri Lanka) PLC is the parent company of Regnis (Lanka) PLC which has the direct holding of 58.29% of the Group.

Information required to be disclosed under the Section 168 of the Companies Act No. 07 of 2007 are given on page 21 and 22.

## Review of the Year

The Chairman's statement on pages 4 to 5, the Chief Executive Officer's review on pages 6 to 7 and Integrated Performance Review on pages 10 to 14 the Company's affairs and the Group business and mention important events that occurred during the period, and up to the date of this Report. These reports together with the audited financial statements reflect the state of affairs of the Group/Company.

## Principal Business Activities

The principal activities of the Company are the manufacture of Refrigerators and Bottle Coolers.

Principal activities of the Subsidiary, Regnis Appliances (Private) Ltd are manufacturing and assembling of Washing Machines and producing Plastic Components for Refrigerators.

The details of the Group and its main activities are described in Integrated Performance Review on pages 13 to 14.

## Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 41 to 43 in this Annual Report.

## Financial Statements

The financial statements for the year ended 31st March 2020 are in accordance with the Sri Lanka Accounting Standards, SLFRSs/LKASs, issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of Section 151 (and Section 153 for consolidated entity) of the Companies Act No. 07 of 2007.

The financial statements duly signed by the Directors are provided on page 45 in this Annual Report.

## Accounting Policies

The accounting policies adopted in preparation of the financial statements and the changes thereto are provided in the Notes to the financial statements on pages 49 to 59. The Group has consistently

applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements.

## Property, Plant and Equipment

During the period under review, the Group and Company invested a sum of Rs.42,553,494/- (2018/19 Rs.171,698,861/-) and Rs.28,096,573/- (2018/19 Rs.140,099,381/-).

Details of Property, Plant & Equipment and Intangible Assets and their movements are given in Notes 13 and 15 to the financial statements respectively.

Details of Freehold Land and Building are given in Note 13.9 to the financial statements.

## Market Value of Properties

The Freehold Property of the Company is valued by an Independent Qualified Valuer, when there is a substantial difference between the fair value and the carrying amount of the Freehold Property. Company reviews its assets once in each reporting date.

The most recent valuation was carried out on 30th March 2019. The details of the valuation are given in Note 13.9 to the financial statements on page 70 in this Report.

## Investments

Details of long term investments are given in Notes 16 and 17 to the financial statements on page 73.

## Directors' Responsibility

The Statement of the Directors' Responsibility is given on page 39 of this Report.

## Corporate Governance

The Company has complied with the following mandatory rules issued by the Colombo Stock Exchange ("CSE"), relevant provision of Companies Act No. 07 of 2017 and Code of best practice on Corporate Governance laid down by the Institute of Chartered Accountants of Sri Lanka.

- 1) Requirements mentioned in Section 168 of the Companies Act No. 07 of 2007 in page 21 and 22.
- 2) Content of the Annual Report as per rule 7.6 of the listing rules of CSE in page 22.
- 3) Requirements on Corporate Governance as per rule 7.10 of the listing rules of CSE in pages 23 to 25.
- 4) Requirements on Related Party Transactions as per rule 9 of the listing rules of CSE in pages 25 to 26.
- 5) Code of best practices on Corporate Governance 2017 issued by CA Sri Lanka.

The Corporate Governance Section on pages 18 to 26 describes good Corporate Governance principles adopted by the Company.

#### Dividend

Interms of Article 7 of the Articles of Association of the Company, a final dividend of Rs.6.25 per share paid on 26th May 2020 for the year ended 31st March 2020. The Board signed a Certificate of Solvency stating that the Company would satisfy the Solvency Test immediately after the said distribution is made in accordance with Section 57 of the Companies Act No. 07 of 2007. The Board of Directors will obtain a Certificate of Solvency from the Auditors prior to the date of dispatch of the dividend payment.

#### Reserves

The summary of Group and the Company reserves given below:

Information on the movement of reserves is given in the Statement of Changes in Equity on pages 46 to 47 to the Financial Statements.

#### Stated Capital

As per the terms of the Companies Act No. 07 of 2007, the Stated Capital of the Company was Rs.211,192,425/- as at 31st March 2020 and was unchanged during the period. The details are given in Note 24 to the financial statements on page 78.

#### Events Occurring After the Reporting Period

No circumstances have arisen since the reporting date, which would require adjustment or disclosure except for the following event.

The Board of Directors of Regnis Appliances (Pvt) Ltd approved the final dividend of Rs.3.25 per share for the year ended 31st March 2020 will be paid on 22nd May 2020.

#### Statutory Payments

The declaration relating to Statutory Payments is made in the Statement of Directors' Responsibility on page 39.

#### Directors' Interests and Interest Register

Details of transactions with Director-related entities are disclosed in Note 39 to the financial statements on pages 101 to 105 and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 07 of 2007.

In terms of the Companies Act No 07 of 2007 an Interest Register was maintained during the accounting period under review. All the Directors of the Company have disclosed their interest in other Companies to the Board and those interests are recorded in the Directors interest register, confirming to the provision of the Companies Act No 07 of 2007.

#### Interest in Shares

No share transactions by the Directors have taken place during the year to disclose, in terms of section 200 of the Companies act in respect of the Group Companies.

#### Board Committees

##### Audit Committee

The Audit Committee of the parent company, Singer (Sri Lanka) PLC functions as the Committee to Regnis (Lanka) PLC

The members and the composition of the members are given on Pages 27 to 28 under the Audit Committee Report.

The Report of the Audit Committee on Pages 27 to 28 sets out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10 of the Rules of the Colombo Stock Exchange on Corporate Governance.

##### Remuneration Committee

Remuneration Committee of the parent company, Singer (Sri Lanka) PLC functions as the Remuneration Committee of Regnis (Lanka) PLC.

The members and the composition of the members are given on Page 29 under the Report of the Remuneration Committee.

The Report of the Remuneration Committee on page 29 contains a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the financial year are given in Note 10 on page 63 to the financial statements.

Particulars	Group		Company	
	As at 31st March 2020 Rs.'000	As at 31st March 2019 Rs.'000	As at 31st March 2020 Rs.'000	As at 31st March 2019 Rs.'000
Stated Capital	211,192	211,192	211,192	211,192
Revaluation Reserve	425,097	430,655	425,097	430,655
Available-for-Sales Reserve/ FVOCI	6,570	6,113	6,570	6,113
Retained Earnings	898,973	854,635	709,421	663,219
<b>Total</b>	<b>1,541,832</b>	<b>1,502, 595</b>	<b>1,352,280</b>	<b>1,311,179</b>

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## Nomination Committee

The members and the composition of the members are given on Page 30 under the Report of the Nomination Committee of Regnis (Lanka) PLC.

The Report of the Board Nomination Committee on page 30 sets out the manner of compliance by the Company in accordance with the requirements of the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.

## Related Party Transactions Review Committee

Related Party Transactions Review Committee of the parent company, Singer (Sri Lanka) PLC functions as the Related Party Transactions Review Committee of Regnis (Lanka) PLC.

The members and the composition of the members are given on Page 31 under the Report of the Related Party Transactions Review Committee.

Board Related Party Transactions Review Committee for Singer Group was formed to assist the Board in reviewing all related party transactions within the Singer Group in accordance with the requirements of the rule 9.3.2 of the CSE Listing Rules.

## Directors' Indemnity and Insurance

Directors and Officers of the Company and Subsidiary are covered in respect of Directors' and Officers' liability by the Insurance Policy obtained by the Ultimate Parent Company, as per the provisions in Article 44.

## Share Information and Substantial Shareholdings

The distribution of shareholding, public holding percentage, market value of shares, twenty largest shareholders and the percentage held by each of them are disclosed on pages 107 to 109.

Earnings per share, dividends per share, dividend pay-out and net asset value per share are given in Snapshot on page 2 and

Decade at a Glance on page 106 in this Annual Report.

## Directorate and Shareholdings

### Directorate

The names of the Directors who served during the year and their brief profiles appear on pages 8 and 9 of this report.

In terms of article 24 (4) of the Article of Association of the Company, Mr. M H Jamaldeen retires by rotation and being eligible, offers himself for re-election.

In terms of article 24 (4) of the Article of Association of the Company, Mr. S C Ganegoda retires by rotation and being eligible, offers himself for re-election.

Mr. K K L P Yatiwella was appointed as an Alternate Director to Mr. M H Wijewardene w.e.f 1st June 2019.

## Directors' Remuneration

Executive Directors' Remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2020 is Rs.15,875,514 (2018/2019 - Rs.17,645,336 /-), which includes the value of perquisites granted to them as part of their term of service. The total remuneration of Non-Executive Directors for the year ended 31st March 2020 is Rs.2,751,000/- (2018/2019 - Rs.3,001,500/-), determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

## Directors' Interest in Shares

Shareholdings of the Directors and the Chief Executive Officer at the beginning of the year and as at the end of the period ended 31st March 2020 are stated below:

	Shareholding 31st March 2020 (Number of Shares)	Shareholding 31st March 2019 (Number of Shares)
Mr. A M Pandithage	-	-
Mr. M H Wijewardene	-	-
Mr. D K De Silva Wijeyeratne	-	-
Mr. M H Jamaldeen	-	-
Mr. N L S Joseph	-	-
Mr. K D G Gunaratne	-	-
Mr. V G K Vidyaratne	60,155	60,155
Mr. S C Ganegoda	-	-
Mr. K D Kospelawatta	-	-
Mr. A. C. M. Irzan (Alternate to Mr. K D Kospelawatta)	-	-
Mr. K K L P Yatiwella (Alternate to Mr. M H Wijewardene) - Appointed w.e.f. 01.06.2019	-	-

## Independence of Directors

Mr. M H Jamaldeen  
Mr. D K De Silva Wijeyeratne  
Mr. V G K Vidyaratne  
Mr. N L S Joseph  
Mr. K D G Gunaratne

In accordance with Rule 7.10.2 (b) of Colombo Stock Exchange (CSE) Listing Rules, independent Directors have submitted signed and dated declaration as per the specimen given in Appendix 7A of Continuing Listing requirements of CSE.

Although, Mr. M H Jamaldeen has met criteria (g) of Rule 7.10.4 of the CSE Rules, being a Director of Singer Industries (Ceylon) PLC in which the majority of other Directors of the entity are also Directors, the Board of Directors of the Company is of the opinion that;

**(i) Mr. M H Jamaldeen is nevertheless determined to be independent on the following basis:**

- a) His high standing in society and business sector.
- b) His experience and knowledge particularly in the field of Accounting will continue to be an asset to the Company.
- c) He does not participate in executive decision making.
- d) He serves as an independent Non-executive director in Singer Industries (Ceylon) PLC and the Ultimate parent company as well.

Although, Mr. D K De Silva Wijeyeratne has met criteria (g) of Rule 7.10.4 of the CSE Rules, being a Director of Singer Industries (Ceylon) PLC in which the majority of other Directors of the entity are also Directors, the Board of Directors of the Company is of the opinion that;

**(ii) Mr. D K De Silva Wijeyeratne is nevertheless determined to be independent on the following basis:**

- a) His high standing in society and business sector.
- b) His experience and knowledge particularly in the field of Accounting will continue to be an asset to the Company.
- c) He does not participate in executive decision making.
- d) He serves as an independent Non-executive director in Singer Industries (Ceylon) PLC and the Ultimate parent company as well.

Although, Mr. V G K Vidyaratne has met criteria (g) of Rule 7.10.4 of the CSE Rules, and notwithstanding that he has served on the board of the company continually for

a period exceeding 09 years, the Board of Directors of the Company is of the opinion that;

**(iii) Mr. V G K Vidyaratne is nevertheless determined to be independent on the following basis:**

- a) His high standing in business sector.
- b) His experience and knowledge particularly in the field of engineering will continue to be an asset to the Company.
- c) He does not participate in executive decision making.
- d) He serves as an independent Non-executive director in Singer Industries (Ceylon) PLC as well.

Although, Mr. N L S Joseph has met criteria (g) of Rule 7.10.4 of the CSE Rules, being a Director of Singer Industries (Ceylon) PLC in which the majority of other Directors of the entity are also Directors, the Board of Directors of the Company is of the opinion that;

**(iv) Mr. N L S Joseph is nevertheless determined to be independent on the following basis:**

- a) His high standing in business sector.
- b) His experience and knowledge particularly in the field of Engineering will continue to be an asset to the Company.
- c) He does not participate in executive decision making.
- d) He serves as an independent Non-executive director in Singer Industries (Ceylon) PLC as well.

Although, Mr. K D G Gunaratne has met criteria (g) of Rule 7.10.4 of the CSE Rules, being a Director of Singer Industries (Ceylon) PLC in which the majority of other Directors of the entity are also Directors the Board of Directors of the Company is of the opinion that;

**(v) Mr. K D G Gunaratne is nevertheless determined to be independent on the following basis:**

- a) His high standing in business sector.

- b) He does not participate in executive decision making.
- c) He serves as an independent Non-executive director in Singer Industries (Ceylon) PLC as well.

### Employment

The number of persons employed by the Group and Company as at 31st March 2020 was 323 (2018/19 - 319) and 260 (2018/19 - 260) respectively.

### Corporate Governance Directors' Declarations

The Directors declare that having considered all information and explanations made available to them that –

- a) The Company complied with all applicable laws and regulations in conducting its business;
- b) They have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;
- c) The Company has made all endeavours to ensure the equitable treatment of shareholders;
- d) The business is a going concern with supporting assumptions or qualifications as necessary; and
- e) They have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The measures taken and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

### Donations

During the 12 months period under review, Donations amounting to Rs.338,764/- (2018/19 - Rs.706,256/-) were made by the Company.



# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

At the last Annual General Meeting shareholders approved a sum not exceeding Rs.200,000/- in respect of donations. The donations given during the year amounted to Rs.338,764/- (2018/19 - Rs.706,256/-). The ratification by the shareholders of the excess amount of Rs.138,764 made as donations for 2019/20 will be sought at the Annual General Meeting.

Subsidiary company made donations amounting to Rs.186, 222/- during 2019/20 (2018/19 – 118,731/-).

## Auditors

The Financial Statements for the period under review were audited by Messrs KPMG, Chartered Accountants who offer themselves for reappointment for the ensuing year. As recommended by the Audit Committee, The Directors propose the reappointment of Messrs KPMG, Chartered Accountants as Auditors of the Company for the year 2020/21 subject to the approval of the shareholders at the Annual General Meeting.

The Audit Committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditors

The Auditors, Messrs KPMG, Chartered Accountants, were paid Rs.715,000 (2018/19 – Rs.865,000/-) and Rs.1,015,000 (2018/19 – Rs.3,371,027/-) as audit fees by the Company and the group respectively. In addition, they were paid Rs.339,784/- (2018/19 – Rs.250,000/-) and Rs.339,784 (2018/19 – Rs.499,900/-) by the Company and the Group, for non-audit related work, which consisted mainly of tax advisory services.

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiary. The Auditors have confirmed that they do not have any relationship (other than that of Auditors) with or interest in the Company or any of its subsidiaries other than those disclosed above.

## Notice of Meeting

The Annual General Meeting will be held at Hayleys PLC No. 400 Deans Road, Colombo 10, Sri Lanka on 23rd July 2020 at 12 Noon. The Notice of the Annual General Meeting of the Shareholders is on page 110.

## Acknowledgement of the Contents of the Report

As required by the Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

For and on behalf of the Board,

*(Sgd.)*

**A M Pandithage**  
*Chairman*

*(Sgd.)*

**M H Wijewardene**  
*Director/Group Chief Executive Officer*

*(Sgd.)*

**Hayleys Group Services (Private) Limited**  
*Company Secretaries*  
Regnis (Lanka) PLC

Colombo  
14th May, 2020



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1)) & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for the twelve months giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial period.

The Directors are also responsible, under section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the financial statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting standards (SLFRS/LKAS), Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange. Further, the financial statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the company, key operations and specific inquiries that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the company and the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Board of Directors declared a Final Dividend for the year 2019/20 in terms of the Articles of Association of the Company and in line with Section 56 of the Companies Act No 7 of 2007 (Act) which will be paid on 26th May 2020. The Company satisfied the solvency test immediately after such distribution in accordance with Section 57 of the Act and have obtained the certificate of solvency from the Auditors.

The external Auditors, Messrs. KPMG who will be reappointed as the Auditors of the Company at the Annual General Meeting were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on pages 41 to 43 sets out their responsibilities in relation to the Financial Statements. The Board has recommended that Messrs KPMG be reappointed as Auditors for the year 2020/21.

## Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.

By order of the Board

(Sgd.)

**Hayleys Group Services (Private) Limited**  
*Company Secretaries*  
Regnis (Lanka) PLC

Colombo  
14th May, 2020

# MANAGING DIRECTOR'S/CEO AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of the Regnis (Lanka) PLC (the Company) as at 31st March 2020 are prepared and presented in conformity with the requirements of the following:

Sri Lanka Accounting Standards Issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

*Companies Act No. 07 of 2007*

*Statement of Recommended Practice (SoRP)*

*Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995*

*Listing Rules of the Colombo Stock Exchange (CSE)*

*Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.*

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed in the SORP. The Company presents the financial results to its shareholders on a quarterly basis.

The significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied unless otherwise stated in the notes accompanying the Financial Statements. Application of Significant Accounting Policies and Estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and Company's External Auditors. Comparative information has been restated to comply with the current presentation, where applicable. We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the Cash Flows of the Company during the twelve months under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the company. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the entity are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the entity for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves management or other employees. The Group's Internal Audit Department also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants and their Report is given on pages 41 to 43. The Audit Committee pre-approves the audit and non-audit services provided by Messrs. KPMG, in order to ensure that the provision of such services does not impair KPMG's independence and objectivity. The Board Audit Committee (BAC), inter alia, reviewed all the Internal and External Audit and Inspection Programmers, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to Statutory and Regulatory Requirements.

The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the BAC, ensure that the Internal Controls and Procedures are followed consistently.

To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the entity have complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required. We confirm that to the best of our knowledge.

- a) The company has complied with all applicable laws and regulations and guidelines and there is no material litigation against the company other than those disclosed in Note 36 on pages 97 to 98 of the Financial Statements.
- b) All taxes, duties, levies and all statutory payments by the company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the company as at 31st March 2020 have been paid, or where relevant provided for.

*(Sgd.)*

**Mahesh Wijewardene**

*Managing Director / Chief Executive Officer*

*(Sgd.)*

**Kanchana Atukorala**

*Chief Financial Officer*

Colombo  
14th May, 2020

## INDEPENDENT AUDITOR'S REPORT



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  
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF  
REGNIS (LANKA) PLCReport on the Audit of the Financial  
Statements

## Opinion

We have audited the financial statements of Regnis (Lanka) PLC (the "Company") and the consolidated financial statements of the Company and its subsidiary (the "Group"), which comprise the statement of financial position as at 31st March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes set out on pages from 44 to 105.

In our opinion, the accompanying financial statements of the Group and the Company give a true and fair view of the financial position of the Group and the Company as at 31st March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial

Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 01. Carrying value of Inventory

Refer to accounting policy and disclosures in Note 19 to these Financial Statements.

Risk Description	Our response
<p>Group has recognized a total inventory provision of Rs. 29.7 Mn (Company Rs. 10.2 Mn) in relation to the total inventory value of Rs.1.3 Bn (Company Rs. 866 Mn) as at 31st March 2020.</p> <p>The Group has significant levels of inventories and judgments are taken regarding categorization of inventories into obsolete and/or slow moving and which should be therefore be considered for provision. Estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories and arrive at valuation based on lower of cost and net realizable value.</p> <p>Further, COVID 19 outbreak resulted in interruption in business activities and resulted in loss of income for some of the individuals which would adversely affect the ability to sell its inventories with a reasonable margin which has potential impact on the Net realizable value adjustments.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Challenging the management with regard to the calculation methodology, the basis for provision and the process with respect to inventory provision.</li> <li>Testing the design, implementation and operating effectiveness of the key control/s management has established for provision computations and to ensure the accuracy of the inventory provision.</li> <li>Performing the observations of inventory physical verifications in order to identify the existence and any damaged, obsolete inventory.</li> <li>Assessing the adequacy of, and movements in, inventory provisions held, by recalculating a sample of items included within the provision to ensure appropriate basis of valuation.</li> </ul>

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.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel ACA

C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LL.B., Attorney-at-Law, H.S. Goonewardene ACA  
Ms. P.M.K. Sumanasekara FCA

# INDEPENDENT AUDITOR'S REPORT



01. Carrying value of Inventory (Contd.)	
Refer to accounting policy and disclosures in Note 19 to these Financial Statements.	
Risk Description	Our response
Given the level of judgments and estimates involved carrying value of inventory has been considered as a key audit matter.	<ul style="list-style-type: none"> <li>Evaluating, on a sample basis, whether inventories were stated at the lower of cost or net realizable value at the reporting date by comparing the sales prices of inventories subsequent to the reporting date where available and with the latest prices prior to the business interruption and checked whether there were any considerably low margin products which would potentially have an effect of the net realizable value.</li> <li>Evaluating the appropriateness of the assumptions used in management assessment of provision for slow moving inventory to ensure that management assessment is adequate based on our knowledge and information of the client and the industry.</li> </ul>

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the Financial Statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements


in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.



**CHARTERED ACCOUNTANTS**  
Colombo, Sri Lanka

14th May 2020

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	GROUP		COMPANY	
		For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
		Rs.	Rs.	Rs.	Rs.
Revenue	6	5,041,418,186	6,844,458,144	3,395,816,829	4,808,344,270
Cost of sales		(4,779,789,206)	(6,513,339,449)	(3,243,321,829)	(4,562,338,939)
<b>Gross profit</b>		<b>261,628,980</b>	<b>331,118,695</b>	<b>152,495,000</b>	<b>246,005,331</b>
Other income	8	1,950,798	2,321,260	63,598,298	58,286,260
Administrative expenses		(20,067,472)	(30,068,198)	(16,726,693)	(23,824,314)
Selling and distribution (expenses)/ Reversal	10.2	(7,145,002)	(67,068,336)	839,837	(40,153,870)
<b>Results from operating activities</b>		<b>236,367,304</b>	<b>236,303,421</b>	<b>200,206,442</b>	<b>240,313,407</b>
Finance costs	9.1	(85,084,327)	(121,695,530)	(69,136,404)	(94,335,388)
Finance income	9.2	4,712,920	1,253,617	8,096,602	5,135,226
Net finance costs		(80,371,407)	(120,441,913)	(61,039,802)	(89,200,162)
<b>Profit before income tax expense</b>	10	<b>155,995,897</b>	<b>115,861,508</b>	<b>139,166,640</b>	<b>151,113,245</b>
Income tax expense	11	(48,097,065)	(24,690,260)	(29,610,554)	(19,644,625)
<b>Profit for the Year/ period</b>		<b>107,898,832</b>	<b>91,171,248</b>	<b>109,556,086</b>	<b>131,468,620</b>
<b>Other Comprehensive Income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Revaluation of property, plant and equipment	25.1	-	156,573,989	-	156,573,989
Re-measurement of defined benefit liability	27	5,539,415	1,304,429	5,059,127	2,278,996
Related tax	11.2	(1,512,614)	(44,283,923)	(1,416,556)	(44,478,836)
<b>Items that may be reclassified subsequently to profit or loss</b>					
<b>Net change in fair value of equity securities - FVOCI</b>					
Change of fair value and loss on deemed disposal of FVOCI Investment	17.1	(1,672,611)	1,263,527	(1,672,611)	1,263,527
<b>Other comprehensive income for the period, net of tax</b>		<b>2,354,190</b>	<b>114,858,022</b>	<b>1,969,960</b>	<b>115,637,676</b>
<b>Total comprehensive income for the year/ period</b>		<b>110,253,022</b>	<b>206,029,270</b>	<b>111,526,046</b>	<b>247,106,296</b>
<b>Profit attributable to:</b>					
Owners of the Company		107,898,832	91,171,248	109,556,086	131,468,620
Non-Controlling Interest		-	-	-	-
		107,898,832	91,171,248	109,556,086	131,468,620
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		110,253,022	206,029,270	111,526,046	247,106,296
Non-Controlling Interest		-	-	-	-
<b>Total comprehensive income for the year/period</b>		<b>110,253,022</b>	<b>206,029,270</b>	<b>111,526,046</b>	<b>247,106,296</b>
Basic earnings per share	12	9.58	8.09	9.72	11.67

The Accounting Policies and Notes on page 49 to 105 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

## STATEMENT OF FINANCIAL POSITION

As at	Note	GROUP		COMPANY	
		31st March 2020	31st March 2019	31st March 2020	31st March 2019
		Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	1,281,801,477	1,328,558,918	1,184,029,761	1,230,335,583
Right of use asset	14	27,067,741	-	-	-
Intangible assets	15	2,687,539	3,196,051	2,640,289	3,054,301
Investment in subsidiary	16	-	-	150,000,000	150,000,000
Investment in equity securities	17	22,440,507	24,113,118	22,440,507	24,113,118
Pre-paid operating leases	18	61,917,822	63,219,072	-	-
Other receivables	20.1	10,924,553	8,297,194	5,808,921	6,482,392
<b>Total non-current assets</b>		<b>1,406,839,639</b>	<b>1,427,384,353</b>	<b>1,364,919,478</b>	<b>1,413,985,394</b>
<b>Current assets</b>					
Inventories	19	1,263,068,695	1,081,271,558	856,175,699	750,317,908
Other receivables	20.2	34,628,781	38,361,731	29,567,423	19,235,224
Amounts due from related parties	21	466,328,024	913,145,778	417,501,306	685,299,014
Income tax recoverable	31	45,193,790	52,613,052	39,749,876	41,953,592
Prepayments	22	10,699,176	13,923,830	8,463,192	11,035,025
Cash and cash equivalents	23.1	6,130,008	43,699,894	4,532,532	43,649,894
<b>Total current assets</b>		<b>1,826,048,474</b>	<b>2,143,015,843</b>	<b>1,355,990,028</b>	<b>1,551,490,657</b>
<b>Total assets</b>		<b>3,232,888,113</b>	<b>3,570,400,196</b>	<b>2,720,909,506</b>	<b>2,965,476,051</b>
<b>Equity</b>					
Stated capital	24	211,192,425	211,192,425	211,192,425	211,192,425
Reserves	25	429,537,564	436,767,675	429,537,564	436,767,675
Retained earnings		901,102,050	854,635,296	711,550,686	663,218,673
<b>Total equity attributable to owners of the Company</b>		<b>1,541,832,039</b>	<b>1,502,595,396</b>	<b>1,352,280,675</b>	<b>1,311,178,773</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	26	249,482,186	236,077,928	240,350,074	227,949,895
Employee benefits	27	126,522,268	118,780,699	120,792,281	113,741,322
Lease liability	33.5	13,071,159	-	-	-
<b>Total non-current liabilities</b>		<b>389,075,613</b>	<b>354,858,627</b>	<b>361,142,355</b>	<b>341,691,217</b>
<b>Current liabilities</b>					
Trade and other payables	28	574,134,628	493,075,053	402,002,213	303,959,031
Amounts due to related parties	29	55,946,922	49,482,991	132,637,472	117,315,556
Provisions	30	9,684,317	64,854,746	348,420	45,001,160
Dividends payable	32	75,739,760	37,422,866	75,739,760	37,422,866
Lease liability	33.5	15,601,494	-	-	-
Loans and borrowings	33.1	514,633,270	964,616,052	344,570,846	753,006,610
Bank overdraft	23.2	56,240,070	103,494,465	52,187,765	55,900,838
<b>Total current liabilities</b>		<b>1,301,980,461</b>	<b>1,712,946,173</b>	<b>1,007,486,476</b>	<b>1,312,606,061</b>
<b>Total liabilities</b>		<b>1,691,056,074</b>	<b>2,067,804,800</b>	<b>1,368,628,831</b>	<b>1,654,297,278</b>
<b>Total equity and liabilities</b>		<b>3,232,888,113</b>	<b>3,570,400,196</b>	<b>2,720,909,506</b>	<b>2,965,476,051</b>

The Accounting Policies and Notes on page 49 to 105 form an integral part of these financial statements.

I certify that the financial statements have been prepared in accordance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)

Kanchana Atukorala

Chief Financial officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board,

(Sgd.)

A M Pandithage

Chairman

(Sgd.)

M H Wijewardene

Director/ Group Chief Executive Officer

Colombo

May 14, 2020



# STATEMENT OF CHANGES IN EQUITY

GROUP		Stated Capital	Revaluation Reserve	FVOCI	Retained Earnings	Total
	Notes	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2018		211,192,425	324,101,285	4,849,591	956,990,787	1,497,134,088
<b>Total comprehensive income</b>						
Profit for the period		-	-	-	91,171,248	91,171,248
<b>Other comprehensive income</b>						
Revaluation of property, plant & equipment	25.1	-	156,573,989	-	-	156,573,989
Re-measurement of defined benefit obligation	27	-	-	-	1,304,429	1,304,429
Change of fair value of FVOCI Investment	17.1	-	-	1,263,527	-	1,263,527
Tax on defined benefit obligation	11.2	-	-	-	(443,206)	(443,206)
Deferred tax on revaluation of land	26	-	(43,840,717)	-	-	(43,840,717)
<b>Total other comprehensive income for the period</b>	27, 11.2, 26 & 17.2	-	112,733,272	1,263,527	861,223	114,858,022
<b>Total comprehensive income for the period</b>		-	112,733,272	1,263,527	92,032,471	206,029,270
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Final dividend 2017		-	-	-	(118,312,562)	(118,312,562)
Final dividend 2018/19					(82,255,400)	(82,255,400)
<b>Total transaction with owners of the Company</b>		-	-	-	(200,567,962)	(200,567,962)
Realisation of revaluation surplus	25.1	-	(6,180,000)	-	6,180,000	-
<b>Balance as at 31 March 2019</b>		211,192,425	430,654,557	6,113,118	854,635,296	1,502,595,396
Impact of adoption of SLFRS 16, net of tax	-	-	-	-	(592,235)	(592,235)
<b>Adjusted Balance as at 01st April 2019</b>		211,192,425	430,654,557	6,113,118	854,043,061	1,502,003,161
<b>Total comprehensive income</b>						
Profit for the Year		-	-	-	107,898,832	107,898,832
<b>Other comprehensive income</b>						
Re-measurement of defined benefit obligation	27	-	-	-	5,539,415	5,539,415
Change of fair value and loss on deemed disposal of FVOCI Investment	17.1	-	-	(1,672,611)	-	(1,672,611)
Tax on defined benefit obligation	11.2	-	-	-	(1,512,614)	(1,512,614)
<b>Total other comprehensive income for the Year</b>	25.2, 27.1, 11.2 & 17.2	-	-	(1,672,611)	4,026,801	2,354,190
<b>Total comprehensive income for the Year</b>		-	-	(1,672,611)	111,333,398	109,660,787
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Final dividend 2019/20		-	-	-	(70,424,144)	(70,424,144)
<b>Total transaction with owners of the Company</b>		-	-	-	(70,424,144)	(70,424,144)
Realisation of revaluation surplus	25.1	-	(5,557,500)	-	5,557,500	-
<b>Balance as at 31st March 2020</b>		211,192,425	425,097,057	4,440,507	901,102,050	1,541,832,039

The Accounting Policies and Notes on page 49 to 105 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

COMPANY		Stated Capital	Revaluation Reserve	FVOCI	Retained Earnings	Total
	Notes	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2018		211,192,425	324,101,285	4,849,591	724,497,138	1,264,640,439
<b>Total comprehensive income</b>						
Profit for the Period		-	-	-	131,468,620	131,468,620
<b>Other comprehensive income</b>						
Revaluation of property, plant & equipment	25.1	-	156,573,989	-	-	156,573,989
Re-measurement of defined benefit obligation	27	-	-	-	2,278,996	2,278,996
Change of fair value of FVOCI Investment	17.1	-	-	1,263,527	-	1,263,527
Tax on defined benefit obligation	11.2	-	-	-	(638,119)	(638,119)
Deferred Tax on revaluation of land	26.1	-	(43,840,717)	-	-	(43,840,717)
<b>Total other comprehensive income for the period</b>	27, 11.2, 26 & 17.2	-	112,733,272	1,263,527	1,640,877	115,637,676
<b>Total comprehensive income for the period</b>		-	112,733,272	1,263,527	133,109,497	247,106,296
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Final dividend 2017		-	-	-	(118,312,562)	(118,312,562)
Final dividend 2018/19					(82,255,400)	(82,255,400)
<b>Total transaction with owners of the Company</b>		-	-	-	(200,567,962)	(200,567,962)
Realisation of revaluation surplus	25.1	-	(6,180,000)	-	6,180,000	-
<b>Balance as at 31st March 2019</b>		211,192,425	430,654,557	6,113,118	663,218,673	1,311,178,773
<b>Total comprehensive income</b>						
Profit for the Year		-	-	-	109,556,086	109,556,086
<b>Other comprehensive income</b>						-
Re-measurement of defined benefit obligation	27	-	-	-	5,059,127	5,059,127
Change of fair value and loss on deemed disposal of FVOCI Investment	17.1	-	-	(1,672,611)	-	(1,672,611)
Tax on defined benefit obligation	11.2	-	-	-	(1,416,556)	(1,416,556)
<b>Total other comprehensive income for the Year</b>	25.1, 27, 11.2 & 17.2	-	-	(1,672,611)	3,642,571	1,969,960
<b>Total comprehensive income for the Year</b>		-	-	(1,672,611)	113,198,657	111,526,046
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Final dividend 2019/20		-	-	-	(70,424,144)	(70,424,144)
<b>Total transaction with owners of the Company</b>		-	-	-	(70,424,144)	(70,424,144)
Realisation of revaluation surplus	25.1	-	(5,557,500)	-	5,557,500	-
<b>Balance as at 31st March 2020</b>		211,192,425	425,097,057	4,440,507	711,550,686	1,352,280,675

The Accounting Policies and Notes on page 49 to 105 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

	Notes	GROUP		COMPANY	
		For twelve months ended 31st March 2020 Rs.	For fifteen months ended 31st March 2019 Rs.	For twelve months ended 31st March 2020 Rs.	For fifteen months ended 31st March 2019 Rs.
<b>Cash flows from operating activities</b>					
Profit before income tax expense		155,995,897	115,861,508	139,166,640	151,113,245
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment	13.2 & 13.6	89,314,004	96,751,042	74,401,991	80,627,406
Depreciation of ROU asset	14	13,138,105	-	-	-
Amortisation of intangible assets	15	508,512	635,637	414,012	517,512
Amortisation of lease assets	18	1,301,250	1,626,563	-	-
Gain on disposal of property, plant and equipment	8	(1,315,666)	(289,349)	(1,313,166)	(229,349)
Provision for inventories	10	18,670,426	1,152,621	3,580,041	606,911
Interest expense	9.1	85,084,327	121,695,530	69,136,404	94,335,388
Interest income	8 & 9.2	(4,799,724)	(1,283,227)	(8,096,602)	(5,164,836)
Dividend income	8	-	-	(61,650,000)	(56,025,000)
Provision for employee benefits	27	19,544,057	22,154,422	18,326,903	21,286,538
<b>Operating profit before working capital changes</b>		377,441,188	358,304,747	233,966,223	287,067,815
(Increase)/Decrease in inventories	19	(200,467,563)	67,825,352	(109,437,832)	161,523,671
(Increase)/Decrease in trade and other receivables	20 & 9.2	2,365,055	1,069,195	(8,642,873)	3,401,896
(Increase)/Decrease in amounts due from related parties	21	446,817,754	(374,620,986)	267,797,708	(302,707,743)
(Increase)/Decrease in prepayments	22	3,224,654	(603,631)	2,571,833	(6,570,743)
Increase/(Decrease) in trade and other payables	28	81,059,575	170,392,599	98,043,182	61,655,047
(Increase)/(Decrease) in amounts due to related parties	29	6,463,931	(53,347,149)	15,321,916	(44,452,797)
Increase/(Decrease) in provisions	30	(55,170,429)	19,260,323	(44,652,740)	15,831,179
<b>Cash generated from operations</b>		661,734,165	188,280,450	454,967,416	175,748,325
Interest paid	9	(88,364,211)	(118,965,206)	(71,739,336)	(93,305,453)
Employee benefits paid	27	(6,263,073)	(6,664,108)	(6,216,817)	(6,559,675)
Income tax paid	31	(28,638,100)	(41,873,523)	(16,423,215)	(22,940,029)
<b>Net cash flows generated from operating activities</b>		538,468,781	20,777,613	360,588,049	52,943,168
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment, capital work-in progress	13 & 15	(42,556,563)	(171,698,861)	(28,096,573)	(140,099,381)
Proceeds from disposal of property, plant and equipment	8	1,313,166	299,130	1,313,166	239,130
Interest income received	8 & 9.2	3,540,260	248,129	7,080,747	4,450,443
Dividend income received	8	-	-	61,650,000	56,025,000
<b>Net cash flows generated/(used) in investing activities</b>		(37,703,137)	(171,151,602)	41,947,340	(79,384,808)
<b>Cash flows from financing activities</b>					
Repayment of long-term loans	33.4	-	(100,040,000)	-	(100,040,000)
Proceeds from short-term borrowings	33.2	2,106,293,680	2,259,610,629	1,336,635,726	1,410,785,929
Repayment of short-term borrowings	33.2	(2,447,770,318)	(1,810,905,815)	(1,638,468,154)	(1,071,476,005)
Repayment of related company borrowings	33.3	(104,000,000)	-	(104,000,000)	-
Payment of finance lease liability	33.5	(13,497,247)	-	-	-
Dividend paid	32 & 34	(32,107,250)	(164,363,071)	(32,107,250)	(164,363,071)
<b>Net cash flows generated/(used) from financing activities</b>		(491,081,135)	184,301,743	(437,939,678)	74,906,853
<b>Net Increase/(decrease) in cash and cash equivalents</b>		9,684,509	33,927,754	(35,404,289)	48,465,213
<b>Cash and cash equivalents at the beginning of the year/ period</b>	23	(59,794,571)	(93,722,325)	(12,250,944)	(60,716,157)
<b>Cash and cash equivalents at the end of the year/ period</b>	23	(50,110,062)	(59,794,571)	(47,655,233)	(12,250,944)

The Accounting Policies and Notes on page 49 to 105 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

Regnis (Lanka) PLC ('Company') is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business are situated at No. 52, Ferry Road, Off Borupana Road, Ratmalana, Sri Lanka.

#### 1.1.1 Change in the reporting period

The reporting period of Regnis Lanka PLC, and its subsidiary has been changed from 31st December to 31st March with effect from Financial Year 2018/19 in order to align with the parent and ultimate parent company reporting period. The comparative year information comprises a period of fifteen months from 1st January 2018 to 31st March 2019. Therefore, amounts presented in the Financial Statements are not entirely comparable. The disclosures pertaining to change of the financial reporting period has been made in accordance with LKAS 1 on "Presentation of Financial Statements".

These consolidated financial statements for the year ended 31 March 2020 comprise the Company and its subsidiary (together referred to as the 'Group' and individually as 'Group entities').

### 1.2 Subsidiary - Regnis Appliances (Private) Ltd

A fully-owned Subsidiary, Regnis Appliances (Private) Ltd., was Incorporated on 18 January 2010 under the Companies Act No. 07 of 2007 and commenced its commercial operations On 1 October 2010.

Financial statements of the Company and the subsidiary are prepared for a common financial period, which ends on 31 March.

### 1.3 Principal Activities and Nature of Operations Parent Company and Subsidiary

#### Parent Company

The principal activities of Regnis (Lanka) PLC are manufacturing of refrigerators and bottle coolers.

#### Subsidiary

Principal activities of Regnis Appliances (Private) Ltd. are manufacturing and assembling of washing machines, producing plastic components for refrigerators and plastic chairs.

### 1.4 Parent Enterprise and Ultimate Parent Enterprise

The Company's Parent undertaking as at 31st March 2020 is Singer (Sri Lanka) PLC.

After getting necessary regulatory approval, Singer (Sri Lanka) PLC acquired 58.29% stake in Regnis (Lanka) PLC on 23rd February 2016 from then common parent, Retail Holdings (Sri Lanka) B.V - formally Singer (Sri Lanka) B.V., making Regnis

(Lanka) PLC and Regnis Appliances (Private) Ltd. subsidiaries of Singer (Sri Lanka) PLC.

On 15th September 2017, Hayleys PLC with its Group Companies acquired 61.73% of Singer (Sri Lanka) PLC. Accordingly, Hayleys PLC became the ultimate parent company of Regnis (Lanka) PLC with effect from 15th September 2017.

On 15th October 2018, Hayleys PLC with parties acting in concert purchased the balance 35,562,883 (9.47% ordinary shares held by Retail Holding (Sri Lanka) BV in Singer (Sri Lanka) PLC at a price of Rs.47/- per share upon Retail Holding (Sri Lanka) BV exercising their option to sell its shares to Hayleys PLC as previously agreed. After accepting this offer, Hayleys' PLC together with its group Companies hold 90.43% (80.96% previously) of Singer (Sri Lanka).

### 1.5 Number of Employees

The number of employees of the Company - 260 (2018/19 - 260).

### 1.6 Responsibilities for Financial Statements & Approval of Financial Statements

The Board of Directors is responsible for preparation and presentation of the financial statements of the Company as per the provision of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The Directors responsibility over financial statements is set out in detail in the Statement of Director's Responsibility. The financial statements for the year ended 31 March 2020 were approved by the Board of Directors at the board meeting held on 14th May 2020.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and complies with the requirements of the Companies Act No. 07 of 2007.

This is the first set of Group's annual Financial Statements in which SLFRS 16 - "Leases" has been applied. The related changes to significant accounting policies are described in Note 3.8 & Note 4.1.

### 2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- Investment classified as FVOCI is measured at fair value.
- Land and building are measured at fair value.
- Defined benefit plans which are measured at the present value of the Employee Benefits.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.3 Functional and Presentation Currency

These consolidated financial statements are presented in Sri Lankan Rupees, which is the functional currency of the Company and its Subsidiary.

## 2.4 Use of Estimates and Judgments

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

### 2.4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following note.

### 2.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the period ending 31st March 2020 is included in the following notes:

Note 27 - measurement of defined benefit obligations: key actuarial assumptions

Note 26 - recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised

Note 19 - Provision for Inventories

Note 30 - Provisions

Note 36 - Contingencies

## 2.5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

<b>Level 1:</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
<b>Level 2:</b>	Inputs other, than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly. (i.e. derived from prices).
<b>Level 3:</b>	Inputs for the asset or liability that are not based on observable market data. (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair value is included in Note 13.13, and Note 35.

## 2.6 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or cease trading.

## 2.7 Comparative information

The amounts presented in the financial statements are not entirely comparable due to changes of the reporting period. The presentation & classification of financial statement in the previous year are amended, where relevant for better presentation. Please refer Note 1.1.1 for further clarifications.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed in Note 4. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

Except for the above, the accounting policies set out the below have been applied consistently to all periods presented in these financial statements.

**3.1 Basis of consolidation**

The Company accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

**3.1.1 Subsidiaries**

Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

**3.1.2 Non-controlling Interests**

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

Company owns 100% of its Subsidiary Regnis Appliances (Private) Ltd and accordingly there is no non-controlling interest.

**3.1.3 Loss of control**

When a Company loses control over a Subsidiary, it derecognises the asset and liabilities of subsidiary, and any related Non Controlling Interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**3.1.4 Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

**3.2 Foreign currency****3.2.1 Foreign currency transactions**

Transactions in foreign currency are translated to Sri Lanka Rupees at the foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Foreign exchange differences arising on the settlement or reporting of the Group's monetary items at rates different from those which were initially recorded are dealt with in the profit or loss

Non-monetary assets and liabilities that are denominated in foreign currencies that are stated at historical cost at the reporting date are translated to functional currency at the foreign exchange rate prevailing at the date of initial transaction.

Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the dates that the value were determined. Foreign exchange differences arising on translation are recognized in the profit or loss

**3.3 Financial Instruments****Financial Assets Recognition and initial measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction value.

**Classification and subsequent measurement of financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE FINANCIAL STATEMENTS

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered

sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

## Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate, including variable rate features
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

## Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.



Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Group financial assets classified and measured at amortized cost are limited to its other receivables, short term investments, amounts due from related party and cash & cash equivalent.

Group's investment in equity Investments are classified as FVOCI.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition. Financial Asset at amortized cost comprises Amount due from related parties, other receivable and cash and cash equivalent.

#### Financial liabilities

Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held – for – trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial; liabilities comprise retirement benefit obligation, Trade and Other payable, Amount due from related parties and Bank Overdrafts.

#### Derecognition

##### Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

##### Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### Non-derivative financial liabilities Measurement

A financial liability is classified as at Fair Value through Profit or Loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at FVTPL are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

The Group classifies non derivative financial liabilities in to other financial liability category.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group has the following non-derivative financial liabilities: trade and other payables, bank overdrafts, loans and borrowings and financial guarantees.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

##### Cash And Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

Bank overdrafts, if any, which form an integral part of cash management, are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under liabilities.

## 3.4 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## 3.5 Impairment

### Non derivative financial assets

#### Financial Assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
- 12-month ECLs are the portion of ECLs that result from

default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

- The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### Measurement of Measurement of ECLS.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar

assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due.

#### Non-financial assets

The carrying amount of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-Generating Unit (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.6 Property, Plant and Equipment

#### 3.6.1 Recognition and Measurement

Items of property, plant and equipment are initially measured at cost which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant part of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### Cost Model

The Group applies the cost model to property, plant and equipment except for freehold land and buildings.

#### Revaluation Model

The Group applies the revaluation model to the entire class of freehold land and buildings. A revaluation is carried out when there is a substantial difference between the fair value and the carrying amount of the property, and is undertaken by professionally qualified valuers. Group revalues its assets once in every two years.

Increases in the carrying amount on revaluation is recognised in other comprehensive income and accumulated in equity in the revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down.

Decreases in the carrying amount on revaluation that offset previous increases of the same individual assets are charged against revaluation reserve directly in equity. All other decreases are recognised in profit or loss.

The relevant portion of the revaluation reserve is transferred to retained earnings as the asset is depreciated with the balance being transferred on ultimate disposal.

#### 3.6.2 Subsequent Expenditure

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

#### 3.6.3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

# NOTES TO THE FINANCIAL STATEMENTS

The estimated useful lives are as follows:

Buildings	over 40 years
Machinery and Equipment	over 12 years
Tools, Dies and Gauges	over 10 years
Furniture and Fittings	over 10 years
Motor Vehicles	over 07 years
EDP Equipment	over 05 years
Leasehold Improvement	over leasehold Period/ useful life

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## 3.6.4 Derecognition

An item of property, plant and equipment is derecognised upon disposal of or when no future economic benefits are expected from its use or disposal. Gain and losses arising on derecognition of the assets are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in profit or loss.

## 3.7 Intangible Assets

### 3.7.1 Recognition and measurement

An intangible asset is recognised if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 on 'Intangible Assets'. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

### 3.7.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

### 3.7.3 Amortization

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful life of intangible assets with finite life is as follows:

Computer Software (Without Windows & Office Packages)	10 years
Windows and Office Packages	5 years
Leasehold rights	50 years

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is derecognised.

## 3.8 Leases

The Group has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately.

### Policy applicable after 01 April 2019

#### Definition of a Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's

incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early. The lease liability is measured at amortised cost using the effective interest method. It is re measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use assets and lease liabilities in the statement of financial position.

#### Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1st April 2019

### 3.8.2 PRE-PAID OPERATING LEASES

The non-current and current portion of pre-paid operating lease solely consists of the operating lease paid in advance for the land acquired by the group from Board of investment (BOI) in Sri Lanka during the year. The group amortise the lease hold

land over the lease period of fifty (50) years, on straight line basis.

#### Leased assets

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate. Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's statement of financial position. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value.

### 3.9 Inventories

Inventories are measured at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of each category of inventory is determined on the following basis:

Raw Materials	At actual cost
Finished Goods and Work-in-Progress	At the cost of direct materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity
Goods-in-Transit	At actual cost
Allowance for Impairment	All inventory items are tested for impairment periodically

### 3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### 3.10.1 Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on the historical warranty data and a weighting of all possible outcomes against their associated probabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 3.11 Employee Benefits

### 3.11.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### 3.11.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for Employees' Provident Fund Contributions Mercantile Services Provident Society and Employees' Trust Fund contributions in line with respective statutes and regulations. The Group contributes 12%, 12% and 3% of gross emoluments of employees to Employees' Provident Fund Mercantile Services Provident Society and Employees' Trust Fund respectively and is recognised as an expense in profit or loss in the periods during which services are rendered by employees.

### 3.11.3 Defined Benefit Plans

The Group net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking in to account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. The liability is not externally funded.

## 3.12 Revenue Recognition

Performance obligations and revenue recognition policies

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

As per the standard, revenue is measured based on the consideration specified in a contract with a customer.

### Sale of Goods

Revenue is recognised when the goods are delivered to its Customers as the performance obligations will be satisfied on delivery.

## Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group's contracts with customers are similar in nature and revenue from these contracts are not significantly affected by economic factors apart from exports sales. The Group believes objective of this requirement will be met by using one type of category – Product type. (Refer Note 6 (b))

## 3.13 Finance Income and Finance Cost

The Group's finance income and costs include

- interest income;
- interest expense;
- The reclassification of net gains previously recorded in OCI
- Interest income or expense is recognised using the effective interest method.

## 3.14 Dividend income

Dividend income is recognised in profit or loss on the date the entities right to receive dividend is established.

## 3.15 Other income and expenses

Gains and losses on disposal of property, plant & equipment and other non-current assets including investments are recognised by comparing the net sales proceeds with the carrying amount of the corresponding asset and are recognised net within 'other income' or 'other expenses' in profit or loss.

## 3.16 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the purpose of presentation of statement of profit or loss and other comprehensive income, the Directors are of the opinion that 'function of expenses method' presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

## 3.17 Income tax

Income tax expense comprises current and deferred tax.

It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

### 3.17.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best



estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

### 3.17.2 Deferred Income Tax

Deferred income tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### 3.18 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 3.19 Segmental Operation

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating results are reviewed regularly by the Group Chief Executive Officer to make decisions regarding resources to be allocated to the segments and to assess its performance and for which discrete finance information is available. Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire Property, Plant and Equipment and intangible assets other than goodwill. Segment information is presented in the respective Notes to the Financial Statements.

## 4 CHANGES IN ACCOUNTING POLICY

The Group initially applied SLFRS 16 Leases from 1 April 2019. A number of other new standards are also effective from 1 April 2019 but they do not have a material effect on the Group's/ Company's financial statements

### 4.1 Impact on transition from LKAS 17 to SLFRS 16

On transition to SLFRS 16, the Group recognised additional right of use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarised below.

#### 4.1.1 Impact on Financial Statements

As at 1st April 2019	Rs.
<b>Statement of Financial Position</b>	
Right of Use Assets	10,677,401
Deferred Tax Asset	148,059
Lease Liabilities	(11,417,694)
Retained Earnings	592,234

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1st April 2019. Based on the period of the lease agreements the applied discount rate is 13.34% as at 1st April 2019.

#### 4.1.2 Computation of Lease Liabilities as at 1st April 2019

As at 1st April 2019	Rs.
Operating lease commitment at 31st March 2019 as disclosed in the Group's financial statements	12,125,236
Discounted using the incremental borrowing rate at 1st April 2019	11,417,694
Finance lease liabilities recognised as at 31st March 2019	15,585,144
Recognition exemption for:	
Short-term leases	(4,167,450)
Lease liabilities recognised at 1st April 2019	11,417,694

#### 4.1.3 Opening Balance Reconciliation

As at 1st April 2019	Rs.
Amount of RoU recognised at the time of transition to SLFRS 16 from LKAS 17	10,677,401
Payments made at or before the commencement date of SLFRS 16	-
Total Right-of-Use assets recognised as at 1st April 2019	10,677,401

## 5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

### Other standards

The following amended standards and the interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

### Effective Date -1 January 2020

- Amendments to References to Conceptual Framework in SLFRS standards
- Definition of a Business (Amendments to SLFRS 3)
- Amendments to LKAS 1 and LKAS 8
- SLFRS 17 Insurance Contracts



# NOTES TO THE FINANCIAL STATEMENTS

## 6 REVENUE

### (a). Revenue Streams

The Group generates revenue primarily from the sale of refrigerators, washing machines and others to its parent company.

	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Sale of goods-Local net of taxes	5,041,418,186	6,844,458,144	3,395,816,829	4,808,344,270
	5,041,418,186	6,844,458,144	3,395,816,829	4,808,344,270

### (b). Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major products.

	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Refrigerators	3,395,816,829	4,808,344,270	3,395,816,829	4,808,344,270
Washing Machines	1,598,575,623	1,985,983,428	-	-
Others	47,025,734	50,130,446	-	-
	5,041,418,186	6,844,458,144	3,395,816,829	4,808,344,270

### (c). Contract balances

The following table provides information about receivables from contracts with customers.

- The company does recognised all of its income at point of time
- Disaggregated revenue and the revenue presented in segment analysis are presented same

	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Receivables which are included in 'Amounts due from related parties'				
-Singer (Sri Lanka) PLC	452,441,095	902,552,610	360,171,164	683,870,499
-Singer Industries (Ceylon) PLC	13,886,929	10,593,168	-	-
	466,328,024	913,145,778	360,171,164	683,870,499

## 7 OPERATING SEGMENTS

### 7.1 Segmental Information - Group

The Group has three reportable segments, as described below. These three different segments are managed separately because they require different marketing strategies.

The following summary describes the operations in each of the Group's reportable segments.

Reportable Segments	Operations	Location
Refrigerators	* Manufacture of Refrigerators and bottle coolers	Regnis (Lanka) PLC
Washing Machines	* Manufacture and assembly of fully auto and semi auto washing machines	Regnis Appliances (Pvt) Ltd
Other	* Production of plastic chairs and plastic components for refrigerators	Regnis Appliances (Pvt) Ltd

Inter-segment revenue includes sale of plastic components of refrigerators manufactured at Regnis Appliances (Pvt) Ltd to Regnis (Lanka) PLC and transfer of raw materials.

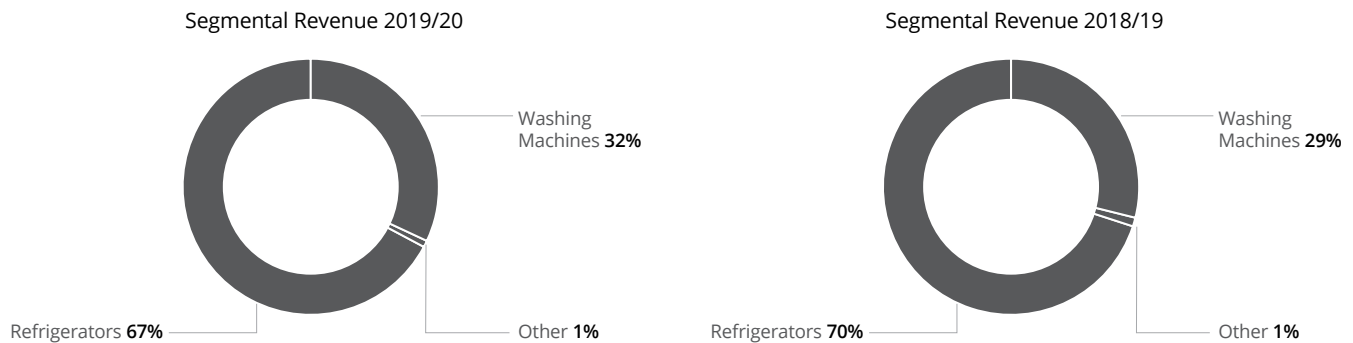
### 7.2 Information about Reportable Segments

Information regarding the results of each reporting segments are included below. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results.

	Refrigerators		Washing Machines		Other		Total	Total
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
External revenue	3,395,816,829	4,808,344,270	1,598,575,623	1,985,983,428	47,025,734	50,130,446	5,041,418,186	6,844,458,144
Inter segment revenue	-	-	-	-	230,758,084	319,086,035	230,758,084	319,086,035
<b>Reportable segment revenue (Note 7.3)</b>	<b>3,395,816,829</b>	<b>4,808,344,270</b>	<b>1,598,575,623</b>	<b>1,985,983,428</b>	<b>277,783,818</b>	<b>369,216,481</b>	<b>5,272,176,270</b>	<b>7,163,544,179</b>
Reportable segment results from operating activities	137,951,775	186,292,360	83,845,697	42,171,001	14,569,832	7,840,060	236,367,304	236,303,421
Net finance income/(costs) (Note 7.4)	(61,039,802)	(89,200,162)	(16,469,676)	(26,344,091)	(2,861,929)	(4,897,660)	(80,371,407)	(120,441,913)
<b>Reportable segment profit before tax</b>	<b>76,911,973</b>	<b>97,092,198</b>	<b>67,376,021</b>	<b>15,826,910</b>	<b>11,707,903</b>	<b>2,942,400</b>	<b>155,995,897</b>	<b>115,861,508</b>
Property, plant and equipment	1,184,029,761	1,230,335,583	73,328,785	73,667,500	24,442,931	24,555,836	1,281,801,477	1,328,558,918
Right of Use Asset	-	-	23,060,523	-	4,007,218	-	27,067,741	-
Other segment assets	1,250,589,175	1,515,840,900	493,791,669	493,791,669	151,067,536	164,395,698	1,895,448,380	2,174,028,267
<b>Reportable segment assets</b>	<b>2,434,618,936</b>	<b>2,746,176,483</b>	<b>590,180,984</b>	<b>567,459,176</b>	<b>179,517,685</b>	<b>188,951,534</b>	<b>3,204,317,591</b>	<b>3,502,587,185</b>
Long-term investments	-	-	-	-	-	-	22,440,507	24,113,118
Cash and cash equivalents	-	-	-	-	-	-	6,130,008	43,699,894
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,232,888,106</b>	<b>3,570,400,197</b>
Reportable segment liabilities	760,756,771	706,173,718	217,260,316	215,950,155	37,753,234	40,147,544	1,015,770,321	962,271,417
Bank overdraft	52,187,765	55,900,838	3,452,385	40,132,540	599,920	7,461,087	56,240,070	103,494,465
Lease liability	-	-	24,371,755	-	4,300,898	-	28,672,653	-
Loans and borrowings	344,570,846	753,006,610	170,062,424	211,609,443	-	-	514,633,270	964,616,053
Dividends payable	-	-	-	-	-	-	75,739,760	37,422,866
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,691,056,074</b>	<b>2,067,804,801</b>
Capital expenditure	28,096,573	140,099,381	12,319,215	26,645,740	2,140,775	4,953,740	42,556,563	171,698,861
Depreciation and amortisation	74,816,003	81,144,918	22,084,402	13,401,244	7,361,467	4,467,083	104,261,872	99,013,243

# NOTES TO THE FINANCIAL STATEMENTS

## 7 OPERATING SEGMENTS (CONTD.)



### 7.3 Reconciliation of Segmental Revenue

	GROUP	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.
Total reportable segment revenue	5,272,176,270	7,163,544,179
Elimination of inter-segment revenue	(230,758,084)	(319,086,035)
<b>Consolidated revenue</b>	<b>5,041,418,186</b>	<b>6,844,458,144</b>

### 7.4 Reconciliation of Segmental Net Finance Costs

	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
Net finance costs for segments	(80,371,407)	(120,441,913)
<b>Consolidated net finance costs</b>	<b>(80,371,407)</b>	<b>(120,441,913)</b>

### 7.5 Segmental Information - Company

The Company, Regnis (Lanka) PLC, does not have different segments for the Refrigerators and Bottle Coolers because, they require same technology and market strategies. The segment is managed as one SBU (Strategic Business Unit) and CEO being the chief operating decision maker considers the products manufacture by the Company within Refrigerator segment and make assessment of the performance and make decision about resource allocation as whole.

## 8 OTHER INCOME

	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Interest income - from loans to Company officers	86,804	29,610	86,804	29,610
Gain on sale of property, plant and equipment	1,315,666	289,349	1,313,166	229,349
Dividend income	-	-	61,650,000	56,025,000
Other income - Miscellaneous	548,328	2,002,301	548,328	2,002,301
	<b>1,950,798</b>	<b>2,321,260</b>	<b>63,598,298</b>	<b>58,286,260</b>

**9 NET FINANCE COSTS**

	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>9.1 Finance Costs</b>				
Interest expense on				
Short term loans and borrowings	62,247,496	72,968,863	45,735,605	43,570,787
Long term loans and borrowings	-	7,117,078	-	7,117,078
Unwinding of interest on lease liability	1,223,762	-	-	-
Related parties	21,613,069	41,609,589	23,400,799	43,647,523
	85,084,327	121,695,530	69,136,404	94,335,388
<b>9.2 Finance Income</b>				
Interest income from				
Intercompany funding	3,453,456	218,519	2,980,747	-
Corporate guarantee issued to related party	-	-	4,100,000	4,420,833
Unwinding of interest on interest- free employee loan	1,259,464	985,315	1,015,855	714,393
Unwinding of interest on deposit given to lessor	-	49,783	-	-
	4,712,920	1,253,617	8,096,602	5,135,226
<b>Net Finance Costs</b>	<b>(80,371,407)</b>	<b>(120,441,913)</b>	<b>(61,039,802)</b>	<b>(89,200,162)</b>

**10 PROFIT BEFORE INCOME TAX EXPENSE**

Profit before income tax expense is stated after charging all expenses including the following:

	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Depreciation on property, plant and equipment	89,314,004	96,751,042	74,401,990	80,627,401
Amortisation of intangible assets	508,512	635,637	414,012	517,512
Amortisation of lease assets	1,301,250	1,626,563	-	-
Amortisation of ROU assets	13,138,105	-	-	-
Provision for inventories	18,670,426	1,152,621	3,580,041	606,911
Personnel costs (Note 10.1)	523,809,859	681,526,310	463,977,517	620,763,750
Legal and professional fees	8,727,752	7,016,078	8,727,752	7,016,078
Auditors' remuneration	1,015,000	1,230,000	715,000	865,000
Donations	524,986	824,987	338,764	700,000
Executive Directors' emoluments	15,875,514	17,645,336	15,875,514	17,645,336
Non-Executive Directors' fees	2,751,000	3,001,500	2,751,000	3,001,500
Selling and distribution expenses (Note 10.2)	7,145,002	67,068,336	(839,837)	40,153,870

## NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>10.1 Personnel Costs</b>				
Salaries	472,807,062	581,942,116	417,675,182	530,136,756
Defined contribution plan- EPF,ETF and MSPS	27,968,365	32,739,149	24,749,297	29,205,428
Bonus	3,970,661	44,690,623	3,226,188	40,135,028
Defined benefit plan cost - recognised in profit or loss (Note 27)	19,063,771	22,154,422	18,326,903	21,286,538
<b>Total</b>	<b>523,809,859</b>	<b>681,526,310</b>	<b>463,977,570</b>	<b>620,763,750</b>
<b>10.2 Selling and distribution expenses/ (Reversal)</b>				
Outside Transport	5,320,706	7,431,860	1,846,843	2,937,832
(Reversal) Provision for warranty	(5,980,592)	43,397,918	(9,409,009)	23,580,251
Advertising - Internal	7,804,888	16,238,558	6,722,329	13,635,787
<b>Total</b>	<b>7,145,002</b>	<b>67,068,336</b>	<b>(839,837)</b>	<b>40,153,870</b>
<b>11 INCOME TAX EXPENSE</b>				
<b>Current Tax Expense</b>				
Current year (Note 11.1)	34,113,354	1,790,540	18,782,923	1,790,540
(Over)/Under provision in respect of previous years	(155,992)	(1,185,948)	(155,992)	559,415
WHT on dividend received from Regnis Appliances (Pvt) Ltd	2,100,000	6,225,000	-	-
	36,057,362	6,829,592	18,626,931	2,349,955
<b>Deferred Tax Expense</b>				
Origination of temporary difference (Note 26)	12,039,703	17,860,668	10,983,623	17,294,670
<b>Income tax expense in statement of profit or loss</b>	<b>48,097,065</b>	<b>24,690,260</b>	<b>29,610,554</b>	<b>19,644,625</b>
<b>11.1 Reconciliation between Accounting Profit and the Taxable Profit</b>				
Profit before income tax expense	155,995,897	115,861,508	139,166,640	151,113,245
Tax exempted profit due to Inland Revenue direction	-	(33,531,992)	-	(72,643,425)
Adjusted profit before tax	155,995,897	82,329,516	139,166,640	78,469,820
Total disallowable expenses	144,595,900	124,294,179	97,826,681	88,592,328
Total allowable expenses	239,421,185	(207,711,952)	(194,286,452)	(160,667,363)
Investment Income (Dividend receivable from subsidiary)	-	-	48,750,000	-
	61,170,612	(1,088,257)	91,456,869	6,394,785
Statutory income	61,170,612	(1,088,257)	91,456,869	6,394,785
Tax loss claimed for the year	(3,461,590)	-	-	-
Taxable profit/(loss)	57,709,022	(1,088,257)	91,456,869	6,394,785
Tax at 28%	11,957,923	1,790,540	11,957,923	1,790,540
Tax at 20%	15,330,431	-	-	-
Tax at 14%	6,825,000	-	6,825,000	-
<b>Tax on profit for the year</b>	<b>34,113,354</b>	<b>1,790,540</b>	<b>18,782,923</b>	<b>1,790,540</b>

**11.2 Tax Recognised in Other Comprehensive Income**

GROUP	For twelve months ended 31st March 2020			For fifteen months ended 31st March 2019		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Surplus on revaluation of building	-	-	-	50,823,989	(14,230,717)	36,593,272
Surplus on revaluation of land	-	-	-	105,750,000	(29,610,000)	76,140,000
Defined benefit plan actuarial gain or (losses)	5,539,415	(1,512,614)	4,026,801	1,304,429	(443,206)	861,223
	5,539,415	(1,512,614)	4,026,801	157,878,418	(44,283,923)	113,594,495

COMPANY	For twelve months ended 31st March 2020			For fifteen months ended 31st March 2019		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Surplus on revaluation of building	-	-	-	50,823,989	(14,230,717)	36,593,272
Surplus on revaluation of land	-	-	-	105,750,000	(29,610,000)	76,140,000
Defined benefit plan actuarial gain or (losses)	5,059,127	(1,416,556)	3,642,571	2,278,996	(638,119)	1,640,877
	5,059,127	(1,416,556)	3,642,571	158,852,985	(44,478,836)	114,374,149

**11.3 Applicable Tax Rates**

The Group tax expense is based on taxable profit of the Company and Subsidiary.

**Regnis (Lanka) PLC**

For the year ended 31st March 2020 Regnis (Lanka) PLC is liable to income tax at 28% (2018/19 - 28%) and Investment Income tax on 14% in terms of the IRD Act No. 24 of 2017.

**Regnis Appliances (Pvt) Ltd**

Pursuant to agreement entered into with the Board of Investment under section 17 of the Board of Investment Law No. 4 of 1978, the profits from business of Regnis Appliances (Pvt) Ltd was liable for the rate at 20% for the twelve months ended 31st March 2020, (2018/19 - 20%). However, non-business income of the Company is liable at the rate of 28% in terms of the IRD Act No. 24 of 2017.

Tax loss movement for the year ended 31st March 2019/20 is as follows

	as at 31st March 2020	as at 31st March 2019
	Rs.	Rs.
Balance at the beginning of the year	3,461,500	-
Incurred during the year	-	3,461,500
Claimed during the year	(3,461,500)	-
<b>At the end of the year</b>	<b>-</b>	<b>3,461,500</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12 EARNINGS PER SHARE

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>Profit Attributable to Ordinary Shareholders (Basic)</b>				
Amounts Used as the Numerators				
Profit for the year (Rs.)	107,898,832	91,171,248	109,556,086	131,468,620
Profit for the year, attributable to ordinary shareholders (Rs.)	107,898,832	91,171,248	109,556,086	131,468,620
<b>Weighted Average number of ordinary shares (Basic)</b>				
Number of Ordinary Shares Used as Denominators				
Issued number of ordinary shares at 01 April	11,267,863	11,267,863	11,267,863	11,267,863
Weighted Average number of shares	11,267,863	11,267,863	11,267,863	11,267,863
Basic earnings per share (Rs.)	9.58	8.09	9.72	11.67

## 13 PROPERTY, PLANT AND EQUIPMENT

### 13.1 Gross Carrying Amounts - Group as at 31st March 2020

	Balance as at 01.04.2019	Additions	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.	Rs.	Rs.	Rs.
<b>At Cost</b>				
Machinery and equipment	688,211,522	700,000	-	688,911,522
Tools, dies and gauges	333,775,908	28,364,445	(55,076,230)	307,064,123
Furniture and fittings	9,618,181	299,419	-	9,917,600
EDP equipment	18,789,630	2,186,259	-	20,975,889
Motor vehicles	8,819,601	-	-	8,819,601
Improvement on leasehold premises	5,946,295	-	-	5,946,295
Leasehold asset	1,377,866	-	-	1,377,866
Gross carrying amount at cost	1,066,539,003	31,550,123	(55,076,230)	1,043,012,896
<b>At Valuation</b>				
Freehold land	423,000,000	-	-	423,000,000
Building on freehold land	257,098,799	515,120	-	257,613,919
Gross carrying amount at valuation	680,098,799	515,120	-	680,613,919
Gross carrying amount excluding capital work-in-progress	1,746,637,802	32,065,243	(55,076,230)	1,723,626,815
<b>Capital work-in-progress</b>				
Machinery and equipment	5,801,262	43,124,811	(32,633,491)	16,292,582
Total capital work-in-progress	5,801,262	43,124,811	(32,633,491)	16,292,582
Gross carrying amount	1,752,439,064	75,190,054	(87,709,721)	1,739,919,397

There was no any borrowing cost capitalised in respect of PPE additions.



<b>13.2 Depreciation and Impairment Losses - Group as at 31st March 2020</b>	Balance as at 01.04.2019	Charge for the Year	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.	Rs.	Rs.	Rs.
<b>At Cost</b>				
Machinery and equipment	249,321,824	48,221,960	-	297,543,784
Tools, dies and gauges	141,876,465	26,355,502	(55,076,230)	113,155,737
Furniture and fittings	5,979,481	784,197	-	6,763,678
EDP equipment	14,239,551	2,002,829	-	16,242,380
Motor vehicles	5,942,419	708,761	-	6,651,180
Improvement on leasehold premises	5,946,295	-	-	5,946,295
Leasehold asset	574,111	114,822	-	688,933
Total depreciation on assets at cost	423,880,146	78,188,071	(55,076,230)	446,991,987
<b>At Valuation</b>				
Building on freehold land	-	11,125,933	-	11,125,933
Total depreciation on asset at valuation	-	11,125,933	-	11,125,933
Impairment losses	-	-	-	-
Total depreciation and impairment losses	423,880,146	89,314,004	(55,076,230)	458,117,920
<b>13.3 Gross Carrying Amounts - Group as at 31st March 2019</b>				
Balance as at 01st January 2018				1,450,547,942
Additions				436,732,332
Offset of Accumulated Depreciation on Revaluation				(25,047,677)
Surplus on Revaluation				156,573,989
Disposals/Transfers				(266,367,522)
Balance as at 31st March 2019				1,752,439,064
<b>Depreciation and Impairment Losses</b>				
Balance as at 01st January 2018				353,501,897
Charge for the Year				96,751,042
Disposals/Transfers				(25,047,677)
Adjustment on Revaluation				(1,325,116)
Balance as at 31st March 2019				423,880,146
<b>Total carrying amount of property, plant and equipment</b>				1,328,558,918

# NOTES TO THE FINANCIAL STATEMENTS

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.
<b>13.4 Carrying Amounts - Group</b>		
At cost	596,020,909	642,658,857
At valuation	669,487,986	680,098,799
Capital work-in-progress	16,292,582	5,801,262
Total carrying amount of property, plant and equipment	1,281,801,477	1,328,558,918

There was no any borrowing cost capitalised in respect of PPE addition.

Capital work-in-progress represent cost incurred on building and machinery.

## 13.5 Gross Carrying Amounts - Company as at 31st March 2020

	Balance as at 01.04.2019	Additions	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.	Rs.	Rs.	Rs.
<b>At Cost</b>				
Machinery and equipment	555,640,199	540,000	-	556,180,199
Tools, dies and gauges	285,927,420	15,747,347	(55,076,230)	246,598,537
Furniture and fittings	8,519,336	299,419	-	8,818,755
EDP equipment	16,029,748	802,748	-	16,832,496
Motor vehicles	8,819,601	-	-	8,819,601
Gross carrying amount	874,936,304	17,389,514	(55,076,230)	837,249,588
<b>At Valuation</b>				
Freehold land	423,000,000	-	-	423,000,000
Building on freehold land	257,098,799	515,120	-	257,613,919
Gross carrying amount	680,098,799	515,120	-	680,613,919
Gross carrying amount excluding capital work-in-progress	1,555,035,103	17,904,634	(55,076,230)	1,517,863,507
<b>Capital work-in-progress</b>				
Machinery and equipment	5,181,547	25,049,560	(14,858,025)	15,373,082
Total capital work-in-progress	5,181,547	25,049,560	(14,858,025)	15,373,082
Gross carrying amount	1,560,216,650	42,954,194	(69,934,255)	1,533,236,589

<b>13.6 Depreciation and Impairment Losses - Company as at 31st March 2020</b>	Balance as at 01.01.2019	Charge for the Year	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.	Rs.	Rs.	Rs.
<b>At Cost</b>				
Machinery and equipment	173,018,885	39,955,627	-	212,974,512
Tools, dies and gauges	132,934,841	20,529,652	(55,076,230)	98,388,263
Furniture and fittings	5,472,443	674,312	-	6,146,755
EDP equipment	12,512,477	1,407,706	-	13,920,183
Motor vehicles	5,942,421	708,761		6,651,182
Total depreciation on assets	329,881,067	63,276,058	(55,076,230)	338,080,895
<b>At Valuation</b>				
Building on freehold land	-	11,125,933	-	11,125,933
Total depreciation on assets	-	11,125,933	-	11,125,933
Impairment losses	-		-	-
Total depreciation and impairment losses	329,881,067	74,401,991	(55,076,230)	349,206,828

<b>13.7 Gross Carrying Amounts - Company as at 31st March 2019</b>	
Balance as at 01st January 2018	1,289,864,680
Addition	400,524,960
Offset of Accumulated Depreciation on Revaluation	(25,047,677)
Surplus on Revaluation	156,573,989
Disposals/Transfers	(261,699,302)
Balance as at 31st March 2019	1,560,216,650
<b>Depreciation and Impairment Losses</b>	
Balance as at 01st January 2018	275,566,127
Charge for the Year	80,627,405
Disposals/Transfers	(25,047,677)
Adjustment on Revaluation	(1,264,788)
Balance as at 31st March 2019	329,881,067
<b>Total carrying amount of property, plant and equipment</b>	<b>1,230,335,583</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

### 13.8 Carrying Amounts - Company

	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.
At cost	499,168,693	545,055,237
At valuation	669,487,986	680,098,799
Capital work-in-progress	15,373,082	5,181,547
Total carrying amount of property, plant and equipment	1,184,029,761	1,230,335,583

There was no any borrowing cost capitalised in respect of PPE addition.

Capital work-in-progress represent cost incurred on building and machinery.

### 13.9 Information on the Freehold Land and Building of the Company

Location - No.52, Ferry Road , Off Borupona Road, Ratmalana.

	Last Revaluation Date	Valuation	Extent	Per Perches/ Sq.ft Value	No. of Buildings	Accommodation
Land	31st March 2019	423,000,000	705 Perches	Rs.600,000	-	Factory
Buildings	31st March 2019	257,098,799	123,910 Sq.ft	Rs.2,074.88	18	Factory

**13.10** The carrying amount of the revalued assets that would have been included in the financial statements had the assets been carried at cost would amount to Rs.79,274,813/-.

	Cost	Accumulated Depreciation	Carrying Amount
	Rs.	Rs.	Rs.
Land	11,742,796	-	11,742,796
Building	111,983,241	(44,451,224)	67,532,017
Total carrying amount	123,726,037	(44,451,224)	79,274,813

**13.11** During the year, Group and the Company acquired property, plant and equipment and intangible assets amounting to Rs.32,065,243/- (2018-19 - Rs.301,868,505/-) and Rs.17,904,634/- (2018-19 - Rs.265,041,418/-) respectively.

Group and the Company made cash payments of Rs.42,553,494/- (2018-19 - Rs.171,698,861/-) and Rs.28,096,573/- (2018-19 - Rs.140,099,381/-) respectively during the year for the purchase of property, plant and equipment and intangible assets.

**13.12** The amount of the Property, Plant and Equipment includes fully-depreciated assets value as follows.

	COMPANY	
	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.
Fully depreciated assests	121,981,317	167,199,951

**13.13 Property, Plant and Equipment at Fair Value****(a) Reconciliation of Carrying Amount**

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1 April</b>	<b>680,098,799</b>	513,823,510	<b>680,098,799</b>	513,823,510
Additions	515,120	21,439,648	515,120	21,439,648
Change in fair value	-	156,573,989	-	156,573,989
Depreciation	(11,125,933)	(11,738,348)	(11,125,933)	(11,738,348)
<b>Balance as at 31 December</b>	<b>669,487,986</b>	680,098,799	<b>669,487,986</b>	680,098,799

**(b) Measurement of Fair Value****Fair Value Hierarchy**

The freehold land and buildings were re-valued on 30th March 2019 by Messrs. Chulananda Wellappili, B.Sc. (Estate Management & Valuation), PG. Dip. (Regional Planning), M.Sc. (Town & Country Planning) an Independent Qualified Valuer. The result of such revaluation was incorporated in these financial statements from its effective date which is 30th March 2019. The surplus arising from the revaluation was transferred to a revaluation reserve.

The fair value measurement for freehold land and building of Rs 680.1 million at the effective date of revaluation has been categorised as a Level 3 fair values based on the inputs to the valuation techniques used in Note 13.13 (d)

**(c) Level 3 Fair Value**

Reconciliation of from opening balance to the closing balance is shown in note 13.13 (a) above.

**(d) Valuation Techniques and Significant Unobservable Inputs**

The property is valued in an open market value for existing use basis. The following table shows the valuation techniques used in measuring the fair value of freehold land and building, as well as the significant unobservable inputs used.

	Valuation Techniques	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
<b>Land</b>	Open market value for existing use basis	600,000/- per perch	The estimated fair value would increase/ (decrease) if :
	Land Value is based on the market prices of each land respectively. Value of property is considered as summation of Land & Building value.		<ul style="list-style-type: none"> <li>• Market value per perch was higher (lower)</li> <li>• Cost per square feet was higher (lower)</li> <li>• Depreciation rate for usage lower (higher)</li> </ul>
<b>Buildings</b>	Contractors method	<ul style="list-style-type: none"> <li>• Construction cost per square feet of a similar building</li> </ul>	
	The contractor's method works on the basis that a property's value can be equated to its cost. Valuer assess the cost of the building if it would have constructed in current year and deduct margin for usage of the property based on their year of construction.	<ul style="list-style-type: none"> <li>• Depreciation rate for the usage of assets</li> </ul>	

Land Value as per the previous revaluation report dated 30th June 2016 was Rs 450,000/- per perch.

# NOTES TO THE FINANCIAL STATEMENTS

## 14 RIGHT OF USE ASSETS RECOGNISED AS AT THE DATE OF ADOPTION

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Recognition as at the date of adoption	10,677,401	-	-	-
Acquisition during the year	29,528,445	-	-	-
Depreciation	(13,138,105)	-	-	-
At end of the year	27,067,741	-	-	-

14.1 Right-of-use assets related to leased properties that do not meet the definition of investment property are presented separately.

	Cost			Depreciation		
	Opening balance	New lease	Closing balance	Opening balance	Charge for the period	Closing balance
Land	10,677,401	29,528,445	40,205,846	-	13,138,105	13,138,105

## 14.2 Lease Liability

	Balance As at 1st April 2019	New lease additions	Interest charge	Payments	Balance as at 31st March 2020
Land	11,417,694	29,528,445	1,223,762	(13,497,247)	28,672,654

## 14.3 Amounts recognised in profit or loss

### 2019 Leases under SLFRS 16

Interest on lease liabilities	1,223,762
-------------------------------	-----------

### 2018 Operating Leases under LKAS 17

Lease Expense	14,608,696
---------------	------------

### Analysis of Lease Liability

Payable within one year	15,601,494
Payable within 01-05 year	13,071,159

## 15 INTANGIBLE ASSETS

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Software:				
Cost				
As at the beginning of the year	5,085,074	5,085,074	4,140,074	4,140,074
Acquired/incurred during the year	-	-	-	-
As at the end of the year	5,085,074	5,085,074	4,140,074	4,140,074
Amortisation				
As at the beginning of the year	1,889,023	1,253,386	1,085,773	568,261
Amortisation charge for the year	508,512	635,637	414,012	517,512
As at the end of the year	2,397,535	1,889,023	1,499,785	1,085,773
Carrying Amount				
As at the beginning of the year	3,196,051	3,831,688	3,054,301	3,571,813
As at the end of the year	2,687,539	3,196,051	2,640,289	3,054,301

## 16 INVESTMENT IN SUBSIDIARY

	Country of Incorporation	Holding % as at 31.03.2020	Shares 31.03.2020	Cost as at 31st March 2020	Cost as at 31st March 2019
				Rs.	Rs.
Regnis Appliances (Pvt) Ltd	Sri Lanka	100	15,000,000	150,000,000	150,000,000
Carrying amount as at the end of the period		100	15,000,000	150,000,000	150,000,000

## 17 INVESTMENT IN EQUITY SECURITIES - UNQUOTED

## Investment In Equity Securities - Group/Company

With the adoption of SLFRS 9, on 1 January 2018, the Group classified its investments in Equity shares in Reality Lanka (Pvt) Ltd under fair value through other comprehensive income category, which was earlier classified as "Available for sale" under LKAS 39.

	Holding as at 31.03.2020 %	Holding as at 31.03.2019 %	Carrying Value as at 31.03.2020	Loss on deemed disposal	Change in fair value	Carrying Value as at 31.03.2019
17.1 Reality Lanka limited						
Total gross carrying amount of investments in equity accounted investees	9.9%	15%	22,440,507	(2,129,256)	456,645	24,113,118



# NOTES TO THE FINANCIAL STATEMENTS

## 17 INVESTMENT IN EQUITY SECURITIES - UNQUOTED (CONTD.)

### 17.2 Non-Quoted - Related Entities - Group/Company

Movements of FVOCI investment during the year

	Carrying Amount As at 31st March 2020	Carrying Amount As at 31st March 2019
	Rs.	Rs.
<b>Reality Lanka Ltd</b>		
As at beginning of the year	24,113,118	22,849,591
Change in fair value of FVOCI Investment	456,645	1,263,527
Loss on deemed disposal	(2,129,256)	-
Total Carrying amount of investment	22,440,507	24,113,118

Reality (Lanka) Limited has obtained an inter-company loan from Singer (Sri Lanka) PLC and as per the accounts as at 31.03.2019 of Reality (Lanka) Limited, such loan balance of Rs.62,150,770/- has been capitalized by issuing 6,215,077 shares at Rs.10/- per share on 20th October 2019 after obtaining the approvals from the Board and the Shareholders of Reality (Lanka) Limited. Accordingly, the Company's holding of the Investment, Reality Lanka Limited has been reduced from 15% to 9.9% with effect from the said date.

## 18 PRE-PAID OPERATING LEASES

The Non-Current and Current portion of Pre- Paid Operating Lease solely consists of the operating lease paid in advance for the Land acquired by the group from Board of investment (BOI) in Sri Lanka. The group amortise the lease hold land over the lease period of 50 years, on straight line basis. The Reconciliation of Pre Paid Operating Lease is as follows:

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
At beginning of the year	63,219,072	64,845,635	-	-
Acquisition of during the year	-	-	-	-
Amortisation	(1,301,250)	(1,626,563)	-	-
At end of the year	61,917,822	63,219,072	-	-

The subsidiary has made a request to cancel the agreement and hence, the same has not been considered for the SLFRS 16 adjustment

## 19 INVENTORIES

		GROUP		COMPANY	
		As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
		Rs.	Rs.	Rs.	Rs.
Raw materials	at cost or net realizable value	862,928,801	736,492,614	609,376,932	532,448,178
Work-in-progress	at cost	52,567,960	67,760,144	27,283,672	50,310,800
Finished goods	at cost	38,106,761	101,036,620	14,198,802	96,875,274
Goods-in-transit	at cost	324,051,637	177,944,610	200,310,040	68,143,755
		1,277,655,159	1,083,233,988	851,169,446	747,778,007
Consumables and spares	at cost	15,176,251	14,305,928	15,176,251	14,305,928
		1,292,831,410	1,097,539,916	866,345,697	762,083,935
Less: Provision for inventories		(29,762,715)	(16,268,358)	(10,169,998)	(11,766,027)
Total inventories		1,263,068,695	1,081,271,558	856,175,699	750,317,908

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>19.1 Provision for Inventory</b>				
Balance as at the beginning of the year	16,268,359	15,958,773	11,766,027	12,002,150
Charge for the year	18,670,413	1,152,619	3,580,028	606,911
Utilised during the year	(5,176,057)	(843,034)	(5,176,057)	(843,034)
Balance as at the end of the year	29,762,715	16,268,358	10,169,998	11,766,027

Raw materials, consumables and changes in work-in-progress and finished goods recognised as cost of sales by the Group and Company amounted to Rs.4,001,127,583/- (2018-19-Rs.5,511,211,646/-) and Rs.2,610,364,829/- (2018-19-Rs.3,728,153,220/-) respectively.

The Group and Company inventories amounting to Rs.5,176,070/- (2018-19-Rs.843,034/-) and Rs.5,176,070/- (2018-19-Rs.843,034/-) respectively, were written off against provision made during the year.

## 20 OTHER RECEIVABLES

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>20.1 Non-Current</b>				
Deposits (Note 20.4)	3,579,160	-	-	-
Loans to Company officers (Note 20.3)	7,345,393	8,297,194	5,808,921	6,482,392
	10,924,553	8,297,194	5,808,921	6,482,392
<b>20.2 Current</b>				
Advances and other receivables	29,301,108	18,576,263	27,206,818	17,549,079
Other taxes recoverable ( Note 20.5)	2,688,738	14,489,275	-	-
	31,989,846	33,065,538	27,206,818	17,549,079
Loans to company officers (Note 20.3)	2,638,935	1,717,033	2,360,605	1,686,145
Rent deposits (Note 20.4)	-	3,579,160	-	-
	34,628,781	38,361,731	29,567,423	19,235,224
<b>Total</b>	<b>45,553,334</b>	<b>46,658,925</b>	<b>35,376,344</b>	<b>25,717,616</b>
<b>20.3 Loans to Company Officers</b>				
<b>Summary</b>				
Balance as at the beginning of the year	10,014,227	4,085,183	8,168,537	3,062,348
Loans granted during the year	1,686,440	9,237,133	1,686,440	6,487,133
Unwinding of interest	1,259,464	985,316	1,015,855	714,393
Less: Recoveries	(2,975,803)	(4,293,405)	(2,701,306)	(2,095,337)
Balance as at the end of the year	9,984,328	10,014,227	8,169,526	8,168,537
<b>Current/Non-Current Distinction</b>				
Amount receivable within one year	2,638,935	1,717,033	2,360,605	1,686,145
Amount receivable after one year	7,345,393	8,297,194	5,808,921	6,482,392
	9,984,328	10,014,227	8,169,526	8,168,537

## NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>20.4 Lease Deposits</b>				
<b>Summary</b>				
At the beginning of the year	3,579,160	2,200,217	-	-
Deposits during the year	-	1,329,160	-	-
Unwinding of interest	-	49,783	-	-
Less: Recoveries	-	-	-	-
Balance as at the end of the year	3,579,160	3,579,160	-	-
<b>Current/Non-Current Distinction</b>				
Amount receivable within one year	-	3,579,160	-	-
Amount receivable after one year	3,579,160	-	-	-
	3,579,160	3,579,160	-	-
<b>20.5 Other Taxes Recoverable</b>				
Value Added Tax (VAT)	2,688,738	11,737,659	-	-
Excise Duty	-	1,894,340	-	-
Nation Building Tax (NBT)	-	857,276	-	-
	2,688,738	14,489,275	-	-

**21 AMOUNTS DUE FROM RELATED PARTIES**

		GROUP		COMPANY	
		As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
Relationship		Rs.	Rs.	Rs.	Rs.
Singer (Sri Lanka) PLC	Parent Company	452,441,095	902,552,610	360,171,164	683,870,499
Regnis Appliances (Pvt) Ltd	Subsidiary	-	-	57,330,142	1,428,515
Singer Industries (Ceylon) PLC	Related Company	13,886,929	10,593,168	-	-
		466,328,024	913,145,778	417,501,306	685,299,014

Group exposure to credit risks relating to trade and other receivables are disclosed in note 35.1 to the financial statements.

## 22 PREPAYMENTS

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Pre-paid rent	1,389,150	1,323,000	-	-
Pre-paid employee benefit	3,053,245	3,387,559	2,420,249	2,573,706
Other prepayments	6,256,781	9,213,271	6,042,943	8,461,319
<b>Total</b>	<b>10,699,176</b>	<b>13,923,830</b>	<b>8,463,192</b>	<b>11,035,025</b>

## 23 CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

## 23.1 Favourable Cash and Cash Equivalent Balances

Cash at Bank	5,976,273	43,549,894	4,432,532	43,549,894
Cash in Hand	153,735	150,000	100,000	100,000
Cash and cash equivalents	6,130,008	43,699,894	4,532,532	43,649,894

## 23.2 Unfavourable Cash and Cash Equivalent Balances

Bank overdraft (Note 23.2.1)	(56,240,070)	(103,494,465)	(52,187,765)	(55,900,838)
Total cash and cash equivalents for the purpose of statement of cash Flows	(50,110,062)	(59,794,571)	(47,655,233)	(12,250,944)

## 23.2.1 GROUP

				31-Mar-20 Carrying Amount	31-Mar-19 Carrying Amount
Bank/Institution	Facility	Nominal interest rate		Rs.	Rs.
		As at 31st March 2020	As at 31st March 2019		
Bank overdraft	Commercial Bank	30Mn	Market Rate	12,171,362	23,825,138
	Hatton National Bank	60Mn	AWPLR+0.75%	39,256,738	11,782,939
	National Development Bank	30Mn	Market Rate	-	5,216,138
	Sampath Bank	15Mn	AWPLR+1.5%/AWPLR+2%	-	45,884,638
	Seylan Bank	25Mn	AWPLR+0.75%	4,811,970	3,368,290
	DFCC Vardhana Bank	25Mn	AWPLR+1.25%	-	4,420,402
	Cargills Bank	25Mn	AWPLR+1.5%	-	8,996,920
				56,240,070	103,494,465
<b>COMPANY</b>					
Bank overdraft	Commercial Bank	30Mn	Market Rate	12,171,362	23,825,138
	Hatton National Bank	40Mn	AWPLR+0.75%	35,204,433	10,491,081
	National Development Bank	20Mn	Market Rate	-	-
	Sampath Bank	10Mn	AWPLR+1.5%	-	4,799,007
	Seylan Bank	25Mn	AWPLR+0.75%	4,811,970	3,368,290
	DFCC Vardhana Bank	25Mn	AWPLR+1.25%	-	4,420,402
	Cargills Bank	25Mn	AWPLR+1.5%	-	8,996,920
				52,187,765	55,900,838

# NOTES TO THE FINANCIAL STATEMENTS

## 24 STATED CAPITAL

24.1	At the beginning of the Year 01.04.2019 Number	Issued for Cash during the Year Number	Issued for Non-Cash Consideration Number	At the end of the Year 31.03.2020 Number
Number of shares - Ordinary shares	11,267,863	-	-	11,267,863
	11,267,863	-	-	11,267,863
	Rs.	Rs.	Rs.	Rs.
Value - Ordinary shares	211,192,425	-	-	211,192,425
	211,192,425	-	-	211,192,425

The holders of ordinary shares are entitled to receive dividend as declared from time to time are entitled to one vote per share at a meeting of the company.

## 24.2 Shares Held by Group Companies

The shares of the Company held by the Group Companies as at 31 March are as follows:

	As at 31st March 2020		As at 31st March 2019	
	Number	%	Number	%
<b>Held by Group Companies</b>				
Singer (Sri Lanka) PLC	6,568,577	58.29%	6,568,577	58.29%
	6,568,577	-	6,568,577	-

## 25 RESERVES

### 25.1 Revaluation Reserve

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Revaluation Reserve relates to the Surplus on revaluation of Land and Buildings				
<b>The movement of revaluation reserve as follows:</b>				
At the beginning of the year	430,654,557	324,101,285	430,654,557	324,101,285
Surplus from revaluation of land & building	-	156,573,989	-	156,573,989
Deferred tax effect on surplus on revaluation	-	(43,840,717)	-	(43,840,717)
Realisation of revaluation surplus	(5,557,500)	(6,180,000)	(5,557,500)	(6,180,000)
Balance at the end of the year	425,097,057	430,654,557	425,097,057	430,654,557

The revaluation reserve relates to freehold land and buildings as at the date of revaluation.

**25.2 Fair Value Through Other Comprehensive Income**

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	6,113,118	4,849,591	6,113,118	4,849,591
Surplus/(Deficit) during the year	(1,672,611)	1,263,527	(1,672,611)	1,263,527
Balance at the end of the year	4,440,507	6,113,118	4,440,507	6,113,118
Total Reserves	429,537,564	436,767,675	429,537,564	436,767,675

With the adoption of SLFRS 09 the Group and Company has classified its available for sales financial assets to fair value through other comprehensive income (FVOCI) category.

**26 DEFERRED TAX LIABILITIES**

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	236,077,928	173,933,336	227,949,895	166,176,389
<b>Origination/(reversal )of temporary difference:</b>				
Adjustment on SLFRS 16 adoption	(148,059)	-	-	-
Recognised in profit or loss	12,039,703	17,860,669	10,983,623	17,294,670
Recognised in OCI (actuarial gain)	1,512,614	443,206	1,416,556	638,119
Recognised in OCI (revaluation of Building )	-	14,230,717	-	14,230,717
Recognised in OCI (revaluation of Land )	-	29,610,000	-	29,610,000
Balance at the end of the year	249,482,186	236,077,928	240,350,074	227,949,895

Deferred tax liability has been recognized using 28% for the parent company and using 20% for the subsidiary company.

- 26.1** As per the Inland Revenue Act No 24 of 2017, business income includes gains from realization of capital assets and liabilities of a business. Accordingly, the gain from the realization of an asset or liability shall be the amount by which the sum of the consideration received for the asset or liability exceeds the acquiring cost of the asset or liability at the time of realization. The Company has recognized a revaluation reserve on free hold land (Capital asset of the Company) amounting to Rs.411,257,204/- as at 31st March 2019 which is the amount by which the sum of the carrying value of the freehold land exceeds the acquiring cost of the land based on the revaluation carried out and accounted for as at the balance sheet date. Hence, the Company has recognized a deferred tax liability of Rs.115,152,017 (Rs.85,542,017- December 2017) on revaluation reserve of freehold land which is computed at the corporate tax rate of 28%.

## NOTES TO THE FINANCIAL STATEMENTS

## 26 DEFERRED TAX LIABILITIES (CONTD.)

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Deferred tax assets	45,443,437	38,680,698	33,821,839	31,847,570
Deferred tax liabilities	294,925,623	274,758,626	274,171,913	259,797,465
Net deferred tax liabilities	249,482,186	236,077,928	240,350,074	227,949,895

## Recognised Deferred Tax Assets and Liabilities - Group

	As at 31st March 2020		As at 31st March 2019	
	Assets	Liabilities	Assets	Liabilities
	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment	-	174,156,792	-	159,606,610
Revaluation of land	-	115,152,017	-	115,152,016
Employee benefits	34,967,836	-	32,855,441	-
Bonus	-	203,266	515,510	-
Warranty	2,070,445	-	3,455,207	-
Inventory Provision	2,945,027	-	900,467	-
Right of Use Asset	-	5,413,548	-	-
Lease Liability	5,460,129	-	-	-
Tax Loss	-	-	954,073	-
	45,443,437	294,925,623	38,680,698	274,758,626
Net deferred tax liabilities	-	249,482,186	-	236,077,928

## Recognised Deferred Tax Assets and Liabilities - Company

	As at 31st March 2020		As at 31st March 2019	
	Assets	Liabilities	Assets	Liabilities
	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment	-	159,019,896	-	144,645,449
Revaluation of land	-	115,152,017	-	115,152,016
Employee benefits	33,821,839	-	31,847,570	-
	33,821,839	274,171,913	31,847,570	259,797,465
Net deferred tax liabilities	-	240,350,074	-	227,949,895



## 27 EMPLOYEE BENEFITS

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Present value of unfunded gratuity	126,522,268	118,780,699	120,792,281	113,741,322
Total present value of the obligation	126,522,268	118,780,699	120,792,281	113,741,322
<b>Provision for employee benefits movement in the present value of employee benefits</b>				
Balance at the beginning of the year	118,780,699	104,594,814	113,741,322	101,293,455
Current service costs	6,478,181	7,461,214	5,815,358	7,021,591
Interest costs	13,065,876	14,385,280	12,511,545	13,957,019
Adjustment due to transfer of employees	-	307,928	-	307,928
Expenses recognised in comprehensive income statement	19,544,057	22,154,422	18,326,903	21,286,538
Actuarial gain	(5,539,415)	(1,304,429)	(5,059,127)	(2,278,996)
Expenses recognised in other comprehensive income	(5,539,415)	(1,304,429)	(5,059,127)	(2,278,996)
Benefits paid	(6,263,073)	(6,664,108)	(6,216,817)	(6,559,675)
Balance at the end of the year	126,522,268	118,780,699	120,792,281	113,741,322

The Group maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees which is expressed in terms of final monthly salary and service.

As at 31 March 2020, the gratuity liability was actuarially valued by a professionally qualified actuary Mr. Pushpakumara Gunasekera, Actuary/Associate of the Institute of Actuaries of Australia (AIAA) of firm Smiles Global (Pvt) Limited.

The required accounting provision of the Group as at 31 March 2020 has been determined based on the recommendation of this report.

Key assumptions used by the actuary include the following:	As at 31st March 2020	As at 31st March 2019
(a) Discount rate	10% p.a.	11% p.a.
(b) Salary increment rate	9%	10%
(c) Assumptions regarding future mortality (Basis)	A67/70	A67/70
(d) Retirement age	Executive Grade	Executive Grade
Males	60 Years	60 Years
Females	60 Years	60 Years

As per the Group accounting policy, the expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 EMPLOYEE BENEFITS (CONTD.)

### 27.1 Sensitivity of assumptions used

Effect on the defined benefit obligation liability is one percentage point change in the assumptions, would have the following effects.

	Effect as at 31st March 2020		Effect as at 31st March 2020	
	Group	Company	Group	Company
	Rs.	Rs.	Rs.	Rs.
(A) Discount Rate				
Increase by one percentage point - (Increase)/Decrease	(6,413,191)	(5,942,098)	(6,114,985)	(5,655,293)
Decrease by one percentage point - (Increase)/Decrease	7,085,559	6,541,482	6,752,345	6,215,748
(B) Salary Increment Rate				
Increase by one percentage point - Increase/(Decrease)	6,895,504	6,360,030	6,551,357	6,021,458
Decrease by one percentage point - Increase/(Decrease)	(6,352,103)	(5,879,978)	(6,037,377)	(5,575,309)

## 28 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Trade payables	516,129,547	386,628,904	369,752,657	214,660,806
Sundry creditors and accrued expenses (Note 28.1)	40,363,640	51,202,680	18,488,570	34,064,791
Value Added Tax ,Excise Duty and Nation Building Tax payable	17,641,441	55,243,469	13,760,986	55,233,434
Total	574,134,628	493,075,053	402,002,213	303,959,031
28.1 Sundry Creditors and Accrued Expenses				
Sundry creditors	1,465,393	921,496	569,494	469,832
Accrued expenses	38,898,247	50,281,184	17,919,076	33,594,959
	40,363,640	51,202,680	18,488,570	34,064,791

## 29 AMOUNTS DUE TO RELATED PARTIES

		GROUP		COMPANY	
		As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
		Rs.	Rs.	Rs.	Rs.
29.1 Amounts due to Related Party - Trade	Relationship				
Regnis Appliances (Pvt) Ltd.	Subsidiary	-	-	113,725,697	100,397,535
Singer Industries (Ceylon) PLC	Related Entity	35,918,921	27,358,146	240,126	100,805
		35,918,921	27,358,146	113,965,823	100,498,340

		GROUP		COMPANY	
		As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
		Rs.	Rs.	Rs.	Rs.
<b>29.2</b>	<b>Amounts due to Related Parties -Non Trade</b>				
	Relationship				
	Singer (Sri Lanka) PLC	19,234,973	21,434,683	17,952,027	16,127,054
	Hayleys PLC	367,811	30,669	294,405	30,669
	Singer Industries (Ceylon) PLC	425,217	659,493	425,217	659,493
		20,028,001	22,124,845	18,671,649	16,817,216
		55,946,922	49,482,991	132,637,472	117,315,556

The Group exposure to required risk related to trade and other payable is disclosed in Note 35.1.2 to the financial statements.

### 30 PROVISIONS

#### 30.1 Provisions - Group

		As at 31st March 2020			As at 31st March 2019
		Warranties	Bonus	Total	Total
		Rs.	Rs.	Rs.	Rs.
	Balance as at the beginning of the year	42,595,908	22,258,838	64,854,746	45,594,423
	Provision/ (reversed) made during the year	(5,980,591)	3,970,661	(2,009,930)	88,088,540
	Utilised during the year	(18,440,827)	(34,719,672)	(53,160,499)	(68,828,217)
	Balance at the end of the year	18,174,490	(8,490,173)	9,684,317	64,854,746

Warranties: A provision reversal Rs.5,980,591/- has been recognised for expected future warranty claims for products sold.

Warranty provision has been recognized for the expected warranty claims on products manufactured at Regnis (Lanka) PLC. The provision is based on last twelve months warranty claims received and the current annual turnover.

Bonus: A provision of Rs.3,970,661/- has been recognised for expected bonus payable for all employees employed as at 31 March 2020.

\* Advance bonus payment during the year Rs.10,226,378/-.

#### 30.2 Provisions - Company

		As at 31st March 2020			As at 31st March 2019
		Warranties	Bonus	Total	Total
		Rs.	Rs.	Rs.	Rs.
	Balance as at the beginning of the year	25,319,874	19,681,286	45,001,160	29,169,981
	Provision made during the year	(9,409,008)	3,226,188	(6,182,820)	63,715,278
	Utilised during the year	(8,088,602)	(30,381,318)	(38,469,920)	(47,884,099)
	Balance at the end of the year	7,822,264	(7,473,844)	348,420	45,001,160

# NOTES TO THE FINANCIAL STATEMENTS

## 30 PROVISIONS (CONTD.)

Warranties: A provision reversal of Rs.9,409,008/- has been recognised for expected future warranty claims for products sold.

Warranty provision has been recognized for the expected warranty claims on products manufactured at Regnis (Lanka) PLC. The provision is based on last twelve months warranty claims received and the current annual turnover.

Bonus: A provision of Rs.3,226,188/- has been recognised for expected bonus payable for all employees employed as at 31 March 2020.

\* Advance bonus payment during the year Rs.9,006,991

## 31 INCOME TAX RECOVERABLE

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	(52,613,052)	(17,569,121)	(41,953,592)	(21,363,518)
Tax on profit for the year (Note 11.1 )	34,113,354	1,790,540	18,782,923	1,790,540
Under/(over) provision in respect of previous year	(155,992)	(1,185,948)	(155,992)	559,415
WHT on dividend received from Regnis Appliances (Pvt) Ltd	2,100,000	6,225,000	-	-
Current tax expense for the year (Note 11)	36,057,362	6,829,592	18,626,931	2,349,955
Payments made during the year	(28,638,100)	(41,873,523)	(16,423,215)	(22,940,029)
Balance at the end of the year	(45,193,790)	(52,613,052)	(39,749,876)	(41,953,592)

## 32 DIVIDEND PAYABLE

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Balance as at beginning of the Year	37,422,866	1,217,975	37,422,866	1,217,975
Final dividends - Rs.6.25 paid on 26 May 2020(2018 Rs.10.50)	70,424,144	118,312,562	70,424,144	118,312,562
Final dividends - Rs.7.30 paid on 29th March 2019	-	82,255,400	-	82,255,400
Dividend Paid	(32,107,250)	164,363,071	(32,107,250)	(164,363,071)
Unclaimed dividend	75,739,760	37,422,866	75,739,760	37,422,866

## 33 LOANS AND BORROWINGS

### 33.1 Payable as Follows:

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>Payable within one Year</b>				
Short-term bank loans (Note 33.2)	467,793,315	809,269,953	298,042,635	599,875,063
Loan from Related Company (Note 33.3)	46,000,000	150,000,000	46,000,000	150,000,000
Interest payable	839,955	5,346,099	528,211	3,131,547
Total	514,633,270	964,616,052	344,570,846	753,006,610

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>33.2 Short-Term Loans</b>				
At the beginning of the year	809,269,953	360,565,139	599,875,063	260,565,139
Obtained during the year	2,106,293,680	2,259,610,629	1,336,635,726	1,410,785,929
Repayments during the year	(2,447,770,318)	(1,810,905,815)	(1,638,468,154)	(1,071,476,005)
At the end of the year	467,793,315	809,269,953	298,042,635	599,875,063

**33.3 Loan from Related Company -Singer (Sri Lanka) PLC**

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	150,000,000	-	150,000,000	-
Obtained during the year	-	150,000,000	-	150,000,000
Repayments during the year	(104,000,000)	-	(104,000,000)	-
At the end of the year	46,000,000	150,000,000	46,000,000	150,000,000
<b>33.4 Long-Term Loans</b>				
At the beginning of the year	-	100,040,000	-	100,040,000
Obtained during the year	-	-	-	-
Repayments during the year	-	(100,040,000)	-	(100,040,000)
At the end of the year	-	-	-	-

Singer (Sri Lanka) PLC granted this facility based on fund requirement of the Company and will be paid on demand. Interest is charged based on the lowest AWPLR prevail in the respective month + 0.25%

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
<b>33.5 Lease Liability Recognized as at the date of SLFRS 16 adoption</b>				
At the beginning of the year	11,417,694	-	-	-
Obtained during the year	29,528,445	-	-	-
Repayments during the year	(13,497,248)	-	-	-
Unwinding of interest on lease liability	1,223,762	-	-	-
At the end of the year	28,672,653	-	-	-
<b>Current/Non-Current Distinction</b>				
Amount receivable within one year	15,601,494	-	-	-
Amount receivable after one year	13,071,159	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 33 LOANS AND BORROWINGS (CONTD.)

### 33.6 Group

Terms and Conditions of Outstanding Loans were as follows

Bank/Institution			Nominal Interest Rate		Carrying Amount	
Repayment			As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
					Rs.	Rs.
Short- term	Commercial Bank	1 Month	VARIABLE RATE	VARIABLE RATE	-	50,000,000
	Hatton National Bank	1 Month	AWPLR +0.5% /0.75%	AWPLR +0.75%	115,000,000	217,000,000
	National Development Bank	1 Month	FIXED RATE (11.1%)	FIXED RATE (13.35%)	70,000,000	60,000,000
	Sampath Bank	1 Month	AWPLR +1.5%/PLR +1.25%	AWPLR +1.0%/PLR +1.25%	45,000,000	66,824,119
Trust receipt	Commercial Bank	1 Month	PLR +0.5%	PLR +0.5%	169,635,093	160,286,967
	Hatton National Bank	1 Month	PLR +0.5%/PLR+0.75%	PLR +0.5%/PLR+0.75%	56,673,222	83,161,026
	National Development Bank	1 Month	FIXED RATE (11.63%)	FIXED RATE (11.63%)	-	34,119,472
	Sampath Bank	1 Month	PLR +1.0%	PLR +1.0%	-	11,011,906
	DFCC Vardhana Bank	1 Month	PLR +0.75%	PLR +1.25%	-	32,403,930
	Cargills Bank	1 Month	PLR +1.00%	PLR +1.00%	-	94,462,533
	Seylan Bank	1 Month	AWPLR +0.5%	-	11,485,000	-
Related Company Loan	Singer (Sri Lanka) PLC	1 Month	VARIABLE RATE	VARIABLE RATE	46,000,000	150,000,000
Interest payable					839,955	5,346,099
Loans and borrowings					514,633,270	964,616,052

Securities for the above facilities are as follows.

- Corporate Guarantee executed by Singer (Sri Lanka) PLC for Rs.455.50 mn for the facilities granted to Regnis (Lanka) PLC.
- Corporate Guarantee executed by Regnis (Lanka) PLC for Rs.410.0 mn for the facilities granted to Regnis Appliances (Pvt) Ltd.

### 33.7 Company

Bank/Institution			Nominal Interest Rate		Carrying Amount	
Repayment			As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
					Rs.	Rs.
Short- term	Commercial Bank	1 Month	VARIABLE RATE	VARIABLE RATE	-	50,000,000
	Hatton National Bank	1 Month	AWPLR +0.5%	AWPLR +0.75%	50,000,000	129,000,000
	Sampath Bank	1 Month	AWPLR +1.5%	AWPLR +1.0%	25,000,000	50,000,000
Trust receipt	Commercial Bank	1 Month	PLR +0.5%	PLR +0.5%	169,635,097	160,286,967
	Hatton National Bank	1 Month	PLR +0.5%	PLR +0.5%	41,922,538	38,590,255
	National Development Bank	1 Month	FIXED RATE (11.63%)	FIXED RATE (11.63%)	-	34,119,472
	Sampath Bank	1 Month	PLR +1.0%	PLR +1.0%	-	11,011,906
	DFCC Vardhana Bank	1 Month	PLR +0.75%	PLR +1.25%	-	32,403,930
	Cargills Bank	1 Month	PLR +1.00%	PLR +1.00%	-	94,462,533
	Seylan Bank	1 Month	AWPLR +0.5%	-	11,485,000	-
	Singer (Sri Lanka) PLC	1 Month	VARIABLE RATE	VARIABLE RATE	46,000,000	150,000,000
Interest payable					528,211	3,131,547
Loans and borrowings					344,570,846	753,006,610

Securities for the above facilities are as follows.

- Corporate Guarantee executed by Singer (Sri Lanka) PLC for Rs.455.50 mn for the facilities granted to Regnis (Lanka) PLC.
- The Group's exposure to credit risk and liquidity risk is given in Note 36 to the financial statements.

**34 DIVIDENDS**

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Final dividends - Rs.6.25 to be paid on 26 May 2020 (2018 Rs.10.50)	70,424,144	118,312,562	70,424,144	118,312,562
Final dividends - Rs.7.30 paid on 29th March 2019	-	82,255,400	-	82,255,400
	70,424,144	200,567,962	70,424,144	200,567,962

As per the notice dated April 08, 2020, issued by the Department of Inland Revenue on the proposed changes to the Inland Revenue Act, No. 24 of 2017 withholding tax on dividend payment made to a resident person has been removed with effect from January 01, 2020.

As per the above-mentioned notice, a dividend paid by a resident Company to a member to the extent that the dividend payment is attributable to, or derived from, another dividend received by that resident Company or another resident Company will be exempted from income tax with effect from January 01, 2020.

Withholding Tax of 14% imposed, on dividends declared from April 01, 2018. In case of any dividend paid to the shareholder of any Company prior to April 01, 2019, out of dividend received by that Company from another company on which tax had been deducted prior to April 01, 2018 in accordance with the provisions of the Inland Revenue Act No 10 of 2006, such dividend shall not be subjected to tax under the provisions of the Inland Revenue Act No 24 of 2017.

**35 FINANCIAL INSTRUMENTS****35.1 Financial risk management -Overview**

The Group has exposure to the following risks arising from financial instrument.

- \* Credit risk
- \* Market risk
- \* Liquidity risk

This note presents information about the Group's exposure to each above risks, the Group's Supervision, policies and processes for measuring and managing risk and the Group's management of capital

**Risk Management Framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities. The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.



# NOTES TO THE FINANCIAL STATEMENTS

## 35 FINANCIAL INSTRUMENTS (CONTD.)

### 35.1.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fail to meet contractual obligations. Credit risk arises principally from the Group's receivables from related parties and placement of deposits.

The Group has taken several measures to manage and mitigate the credit risk including carrying out a credit evaluations as par the Group credit policy, prior to extending credit. A review of age analysis of receivable and follow up meeting are carried out Group management.

#### Guarantees

The Group policy is to provide financial guarantees only to the affiliate companies.

The Company has provided financial guarantees to the wholly-owned subsidiary.

Details of the guarantees are given in Note 33.6 & 33.7 to this report.

#### Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Other receivables (Note 20.2)	45,553,334	46,658,925	35,376,344	25,717,616
Amounts due from related parties (Note 21)	466,328,024	913,145,778	417,501,306	685,299,014
Cash at bank (Note 23.1)	5,976,273	43,549,894	4,432,532	43,549,894
Investment in equity securities (Note 17.1)	22,440,507	24,113,118	22,440,507	24,113,118
Total	540,298,138	1,027,467,715	479,750,689	778,679,642

#### Trade and Other Receivables

The maximum exposure to credit risk for related party and other receivables at the end of the reporting period was as follows:

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Other receivables	45,553,334	46,658,925	35,376,344	25,717,616
Amounts due from related parties (Note 21)	466,328,024	913,145,778	417,501,306	685,299,014
	511,881,358	959,804,703	452,877,650	711,016,630

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period by type of counterparty is as follows:

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Singer (Sri Lanka) PLC	452,441,095	902,552,610	360,171,164	683,870,499
Singer Industries (Ceylon) PLC	13,886,929	10,593,168	-	-
Regnis Appliances (Pvt) Ltd	-	-	57,330,142	1,428,515
Loans to company officers (Note 20.3)	9,984,328	10,014,227	8,169,526	8,168,537
Advances and other receivables	29,301,108	22,155,423	27,206,818	17,549,079
Operating lease deposits (Note 20.4)	3,579,160	-	-	-
Other taxes recoverable	2,688,738	14,489,275	-	-
<b>Total</b>	<b>511,881,358</b>	<b>959,804,703</b>	<b>452,877,650</b>	<b>711,016,630</b>

The Group's principal customer, Singer (Sri Lanka) PLC, settles dues on a four-week credit term.

Loans are given to permanent confirmed employees and are deducted from the salaries as per the terms of granting the loan. Company has adequate security over the vehicle loans granted.

The credit quality of financial assets which are neither past due nor impaired can be assessed by reference to historical information on counter-party default rates. All receivables of the Group has a history of zero defaults. None of the above assets are impaired.

#### Cash at bank

Both the Group/Company held cash at bank of Rs.5,976,273/- and 4,432,532/- respectively- as at 31 March 2020. The cash at bank are held with reputed commercial banks.

Fitch Rating	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
AA+	264,252	664,904	264,252	664,904
A+	2,477,907	9,694,866	934,166	9,694,866
AA-	1,210,821	33,190,124	1,210,821	33,190,124
A	1,074,533	-	1,074,533	-
AA-	187,543	-	187,543	-
A+	695,413	-	695,413	-
A-	65,804	-	65,804	-
<b>Total Bank Balance</b>	<b>5,976,273</b>	<b>43,549,894</b>	<b>4,432,532</b>	<b>43,549,894</b>

#### 35.1.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations related to its financial liabilities, through settlement by cash or financial assets. Liquidity risk is managed by the Group by ensuring as much as possible, sufficient liquidity to meet liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or tarnishing the Group's reputation.

# NOTES TO THE FINANCIAL STATEMENTS

## 35 FINANCIAL INSTRUMENTS (CONTD.)

Liquidity issues can have an adverse impact on ongoing operations as well as investment decisions of the Group. In order to minimise the risk, the Company regularly reviews its liquidity position and reports to the Board. Future cash requirements are ascertained through continuous rolling forecasts. Further, the expected cash inflows from trade receivables, outflows from trade payables and imports are closely monitored by the Group.

The Group also maintains excellent relationships with banks, it has dealings with and enjoys substantial banking facilities. The Group aims to maintain banking facilities in excess of expected funding requirement. The table below highlights the lines of credit and utilised facilities as at 31 March 2020.

Lines of Credit	GROUP		COMPANY	
	As at 31st March 2020		As at 31st March 2020	
	Facility	Utilisation	Facility	Utilisation
	Amounts	Amounts	Amounts	Amounts
	Rs.	Rs.	Rs.	Rs.
Short-term loans	509,000,000	230,000,000	319,000,000	75,000,000
Import-term loans	237,793,311	237,793,311	223,042,631	223,042,631
Bank overdraft	210,000,000	56,240,070	175,000,000	52,187,765
Total borrowing facility vs utilisation	956,793,311	524,033,381	717,042,631	350,230,396
Total borrowings	2,631,000,000	1,112,143,991	2,121,000,000	768,556,175
Letter of credit facility vs utilisation	1,674,206,689	588,110,610	1,403,957,369	418,325,779

In addition, the treasury of the parent Company, Singer (Sri Lanka) PLC also assists the Company by providing funds at competitive rates in times of need.

This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Following are the remaining contractual maturities of financial liabilities, excluding estimated interest payments as at the end of the reporting period:

31st March 2020	Carrying Amount	Contractual Cash Flows					
		Total	1 Month	2 Months	4-12 Months	1-2 Years	Over 2 Years
GROUP	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans	514,633,270	517,068,640	517,068,640	-	-	-	-
Bank overdraft	56,240,070	56,240,070	56,240,070	-	-	-	-
Trade and other payables	574,134,628	574,134,628	574,134,628	-	-	-	-
Amount due to related parties	55,946,922	55,946,922	55,946,922	-	-	-	-

31st March 2019	Carrying Amount	Contractual Cash Flows					
		Total	1 Month	2 Months	4-12 Months	1-2 Years	Over 2 Years
GROUP	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans	964,616,052	973,517,582	973,517,582	-	-	-	-
Bank overdraft	103,494,465	103,494,465	103,494,465	-	-	-	-
Trade and other payables	493,075,053	493,075,053	493,075,053	-	-	-	-
Amount due to related parties	49,482,991	49,482,991	49,482,991	-	-	-	-

31st March 2020	Carrying Amount	Contractual Cash Flows					
		Total	1 Month	2 Months	4-12 Months	1-2 Years	Over 2 Years
COMPANY	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans	344,570,846	347,006,216	347,006,216	-	-	-	-
Bank overdraft	52,187,765	52,187,765	52,187,765	-	-	-	-
Trade and other payables	402,002,213	402,002,213	402,002,213	-	-	-	-
Amount due to related parties	132,637,472	132,637,472	132,637,472	-	-	-	-

31st March 2019	Carrying Amount	Contractual Cash Flows					
		Total	1 Month	2 Months	4-12 Months	1-2 Years	Over 2 Years
COMPANY	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans	753,006,610	758,117,403	758,117,403	-	-	-	-
Bank overdraft	55,900,838	55,900,838	55,900,838	-	-	-	-
Trade and other payables	303,959,031	303,959,031	303,959,031	-	-	-	-
Amount due to related parties	117,315,556	117,315,556	117,315,556	-	-	-	-

Gross inflows/outflows disclosed in the previous table represents the contractual undiscounted cash flows obtained on variable interest rates. Interest payments of these loans indicated in the table above reflect the present market interest rates at the period end and may vary according to changes in the market interest rates.

### 35.1.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that would impact Group's income or the value of investment in financial instruments. The objective of managing market risk is to manage and control market risk exposures within acceptable parameters, while optimising returns.

#### (a) Currency Risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated to the respective functional currency of the Group. The functional currency of Group is LKR. The currencies in which these transactions are primarily denominated are US dollars.

## NOTES TO THE FINANCIAL STATEMENTS

## 35 FINANCIAL INSTRUMENTS (CONTD.)

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
US\$				
Trade payables	2,241,454	1,728,805	1,565,032	828,714
Net exposure	2,241,454	1,728,805	1,565,032	828,714

On reporting date Book rate was US\$ 1 = LKR 189.91 (2019 - US\$ 1 = LKR 176.09) yearly Average rate was US\$ 1 = LKR 180.28.

**Sensitivity Analysis.****Group**

At 31 March 2020, the pre-tax profit and shareholder equity of the Group would be (Rs.'000) 17,027 (2019- 304), (higher/lower) based on the appreciation/depreciation of the Sri Lankan Rupee by 4% (2019- 0.1%) against the US\$, due to the US\$ denominated trade payables.

	Equity		Profit and Loss	
	Appreciation	Depreciation	Appreciation	Depreciation
31st March 2020	Rs.'000	Rs.'000	Rs.'000	Rs.'000
US\$ (4% movement)	(17,027)	17,027	(17,027)	17,027

	Equity		Profit and Loss	
	Appreciation	Depreciation	Appreciation	Depreciation
31st March 2019	Rs.'000	Rs.'000	Rs.'000	Rs.'000
US\$ (0.1% movement)	(304)	304	(304)	304

**Company**

At 31 March 2020, the pre-tax profit and shareholder equity of the Company would be (Rs.'000)11,889(2019 - 146), (higher/lower) based on the appreciation/depreciation of the Sri Lankan Rupee by 4%(2019-0.1%) against the US\$, due to the US\$ denominated trade payables.

	Equity		Profit and Loss	
	Appreciation	Depreciation	Appreciation	Depreciation
31st March 2020	Rs.'000	Rs.'000	Rs.'000	Rs.'000
US\$ (4% movement)	(11,889)	11,889	(11,889)	(11,889)

	Equity		Profit and Loss	
	Appreciation	Depreciation	Appreciation	Depreciation
31st March 2019	Rs.'000	Rs.'000	Rs.'000	Rs.'000
US\$ (0.1% movement)	(146)	146	(146)	146

**(b) Interest Rate Risk**

The Group adopts a policy of ensuring borrowings are maintained at manageable levels while optimising returns. Interest rates are negotiated leveraging on the strength of the Singer Group and thereby ensuring the availability of cost-effective funding at all times, while minimising the negative effect of market fluctuations. In addition, Company has considerable banking facilities with several reputed banks which has enabled the Company to negotiate competitive rates.

The Group manages its Interest rate risk by monitoring and managing cash flows, negotiating favourable rate on borrowings and deposits including and maintaining and appropriate combination of fixed and variable rate debt.

Interest Bearing Assets	- No such assets
Interest Bearing Liabilities	- Bank Overdraft
	- Short term Loans
	- Import Loans

The borrowings are denominated in Sri Lankan Rupees which is the functional currency.

**Profile**

At the Reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Fixed Rate Instruments				
Financial Assets	-	-	-	-
Financial Liabilities	-	94,119,472	-	34,119,472
	-	94,119,472	-	34,119,472
Variable Rate Instruments				
Financial Assets	-	-	-	-
Financial Liabilities	492,003,397	818,644,428	338,745,397	621,656,428
	492,003,397	818,644,428	338,745,397	621,656,428

**Cash Flow Sensitivity for Variable Rate Instruments**

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased (Decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant:

Profit or Loss Equity Net of Tax	Group		Company	
	1% Increase Rs. '000	1% Decrease Rs. '000	1% Increase Rs. '000	1% Decrease Rs. '000
31st March 2020				
Variable Rate Instruments	(4,920.03)	4,920.03	(3,387.45)	3,387.45
<b>Cash Flow Sensitivity (Net)</b>	<b>(4,920.03)</b>	<b>4,920.03</b>	<b>(3,387.45)</b>	<b>3,387.45</b>
31st March 2019				
Variable Rate Instruments	(8,186.44)	8,186.44	(6,216.56)	6,216.56
<b>Cash Flow Sensitivity (Net)</b>	<b>(8,186.44)</b>	<b>8,186.44</b>	<b>(6,216.56)</b>	<b>6,216.56</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 35.1.4 Capital Management

The Board's policy is to maintain a strong capital base to maintain confidence of the investors, creditors and the market while sustaining future development of the business. Capital consists of total equity. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seek to maintain a balance between higher returns facilitated through a higher level of borrowings and the benefits and security afforded by a sound capital position.

The capital structure of the Group consists of net debt (borrowings as detailed in Notes 23.2.1 & 33.1 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in Notes 24 and 25). The capital structure of the Group is reviewed by the Board of Directors. The gearing ratios are given below:

### Gearing Ratio

The gearing ratio at the end of the reporting period is as follows:

	GROUP		COMPANY	
	As at 31st March 2020	As at 31st March 2019	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.	Rs.	Rs.
Total borrowings (Note 33.1 & 23.2.1)	570,873	1,068,111	396,759	808,907
Equity	1,541,832	1,502,595	1,352,281	1,311,179
Equity + Borrowings	2,112,705	2,570,706	1,749,039	2,120,086
Gearing ratio	27%	42%	23%	38%

- (1) Debt is defined as long and short-term borrowings as described in Notes 23.2.1 & 33.1
- (2) Equity includes all capital and reserves of the Group and Company.



**35.2 Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

35.2.1 Group		Financial asset at Amortized cost	FVOCI	Financial Liabilities at Amortized cost	Total Carrying Amount	Fair Value			
						Level 1	Level 2	Level 3	Total
In Rs '000	Note								
31st March 2020									
Cash and cash equivalents	23.1	6,130	-	-	6,130	-	-	-	-
Other receivables	20.1, 20.2	45,553	-	-	45,553	-	-	-	-
Amounts due from related party	21	466,328	-	-	466,328	-	-	-	-
Investment in equity Securities	17	-	22,441	-	22,441	-	-	22,441	22,441
		518,011	22,441	-	540,452	-	-	22,441	22,441
Bank loans	33.1	-	-	(514,633)	(514,633)	-	-	-	-
Trade and other payables	28	-	-	(574,135)	(574,135)	-	-	-	-
Amount due to related parties	29	-	-	(55,947)	(55,947)	-	-	-	-
Bank overdraft	23.2	-	-	(56,240)	(56,240)	-	-	-	-
Dividends payable	32	-	-	(75,740)	(75,740)	-	-	-	-
		-	-	(1,276,695)	(1,276,695)	-	-	-	-
31st March 2019									
Cash and cash equivalents	23.1	43,700	-	-	43,700	-	-	-	-
Other receivables	20.1, 20.2	46,659	-	-	46,659	-	-	-	-
Amounts due from related party	21	913,146			913,146				
Investment in equity securities	17	-	24,113	-	24,113	-	-	24,113	24,113
		1,003,505	24,113	-	1,027,619	-	-	24,113	24,113
Bank loans	33.1	-	-	(964,616)	(964,616)	-	-	-	-
Trade and other payables	28	-	-	(493,075)	(493,075)	-	-	-	-
Amount due to related parties	29			(49,483)	(49,483)				
Bank overdraft	23.2	-	-	(103,494)	(103,494)	-	-	-	-
Dividends payable	32	-	-	(37,423)	(37,423)	-	-	-	-
Current tax liabilities	31	-	-	-	-	-	-	-	-
		-	-	(1,648,091)	(1,648,091)	-	-	-	-

Wherever the assets and liabilities are not fair valued, it was assuming that the carrying value of such assets and liabilities are a reasonable approximation to this fair value as majority of such assets and liabilities are with shorter maturity periods.

# NOTES TO THE FINANCIAL STATEMENTS

## 35 FINANCIAL INSTRUMENTS (CONTD.)

35.2.2 Company		Financial asset at Amortized cost	FVOCI	Financial Liabilities at Amortized cost	Total Carrying Amount	Fair Value			
						Level 1	Level 2	Level 3	Total
In Rs '000	Note								
31st March 2020									
Cash and cash equivalent	23.1	4,533	-	-	4,533	-	-	-	-
Other receivables	20.1 ,20.2	35,376	-	-	35,376	-	-	-	-
Amounts due from related party	21	417,501			417,501				
Investment in equity securities	17	-	22,441	-	22,441	-	-	22,441	22,441
		457,410	22,441	-	479,851	-	-	22,441	22,441
Bank loans	33.1	-	-	(344,571)	(344,571)	-	-	-	-
Trade and other payables	28	-	-	(402,002)	(402,002)	-	-	-	-
Amount due to related parties	29			(132,637)	(132,637)				
Bank overdraft	23.2	-	-	(52,188)	(52,188)	-	-	-	-
Dividends payable	32	-	-	(75,740)	(75,740)	-	-	-	-
		-	-	(1,007,138)	(1,007,138)	-	-	-	-

Company		Financial asset at Amortized cost	FVOCI	Financial Liabilities at Amortized cost	Total Carrying Amount	Fair Value			
						Level 1	Level 2	Level 3	Total
In Rs '000	Note								
31st March 2019									
Cash and cash equivalents	23.1	43,650	-	-	43,650	-	-	-	-
Other receivables	20.1 ,20.2	25,718	-	-	25,718	-	-	-	-
Amounts due from related party	21	685,299			685,299				
Investment in equity securities	17	-	24,113	-	24,113	-	-	24,113	24,113
		754,667	24,113	-	778,780	-	-	24,113	24,113
Bank loans	33.1	-	-	(753,007)	(753,007)	-	-	-	-
Trade and other payables	28	-	-	(303,959)	(303,959)	-	-	-	-
Amount due to related parties	29			(117,316)	(117,316)				
Bank overdraft	23.2	-	-	(55,901)	(55,901)	-	-	-	-
Dividends payable	32	-	-	(37,423)	(37,423)	-	-	-	-
Current tax liabilities	31	-	-	-	-	-	-	-	-
		-	-	(1,267,605)	(1,267,605)	-	-	-	-

Wherever the assets and liabilities are not fair valued, it was assuming that the carrying value of such assets and liabilities are a reasonable approximation to this fair value as majority of such assets and liabilities are with shorter maturity periods.

The management assessed that cash and short-term deposits, trade and other receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties, other than in a forced sale or on liquidation.

#### Reconciliation of Fair Value Measurements of Level 3 Financial Instrument

The Group and Company carry unquoted equity shares as Investments - FVOCI instruments classified as Level 3 within the fair value hierarchy.

In Rs '000	Investments - FVOCI			
	GROUP		COMPANY	
	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
Balance as at 1 January	24,113	22,850	24,113	22,850
Deemed disposal loss	(2,129)	-	(2,129)	-
Fair value gain	457	1,264	457	1,264
Ending Balance	22,441	24,113	22,441	24,113

The fair value of Investments - FVOCI is determined by considering Regnis (Lanka) PLC's, share of the investee's net assets (Note 17)

## 36 COMMITMENTS AND CONTINGENCIES - GROUP/COMPANY

### 36.1 Finance Commitments

Document credit are effected for foreign purchases of the Group amounting to Rs.469,099,977/- (2018/19- Rs.258,635,788/-)

Document credit are effected for foreign purchases of the Company amounting to Rs.379,753,070/- (2018/19- Rs.214,585,893 /-)

### 36.2 Operating Lease commitment - Group

#### (a) The land and buildings of Regnis Appliances (Pvt) Ltd

Operating lease unexpired period details are as follows:

Location of Premises	Unexpired Period as at 31 March 2020
Moratuwa	Nine Months

Operating lease rentals are payable as follows :

	As at 31st March 2020	As at 31st March 2019
	Rs.	Rs.
Within one Year	4.16Mn	16.09Mn
Between one to five Years	-	-
More than five Years	-	-

### 36.3 Amounts recognised in Income Statement

	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
Lease amortisation	-	-
Rent expenses	5.36 Mn	24.62 Mn

# NOTES TO THE FINANCIAL STATEMENTS

## 36 COMMITMENTS AND CONTINGENCIES - GROUP/COMPANY (CONTD.)

### 36.4 Contingencies

36.4.1 Corporate guarantees were given to banks on behalf of Regnis Appliances (Pvt) Ltd amounting to Rs.410 mn for the purpose of obtaining banking facilities.

36.4.2 The Company cleared a shipment of imported goods during the year 2008 on provision of a bank guarantee amounting to Rs.6,522,083/- to the Director of Customs. The bank guarantee relates to alleged additional duty payable on imports which is contested by the Company. The customs inquiry initiated in 2008 is still pending. The management based on the latest information available, is of the opinion that there Probability id higher that the Company would not require to make any settlement and there is no basis that. The Company is liable for the additional duty. Hence, no provision is made in the financial statements.

Other than the above, Company does not have significant contingencies as at the reporting date.

### 36.5 Capital Commitments

There were no material capital commitments as at the reporting date.

## 37 DISCLOSURE REGARDING IMPACT OF COVID-19

Following the spread of global pandemic Covid 19 in Sri Lanka, Regnis Group's' Operation was adversely affected in the month of March 2020 (financial year ended 31st March 2020) and April 2020 (Financial year ending 31st March 2021). Group experienced temporally closedown of factories thus no production during this period and no sales and purchases for the month of April 2020.

Further, operations of the Parent Company Singer (Sri Lanka) PLC (the Group main customer), experienced temporally disruption in retail sales, collections from trade debtors, hire purchase collections and lease instalment collection during this period. Parent Companies operations has been continued under limited capacity during the curfew lifted areas and reasonable sales volume and collections from receivables were reported during this short period.

The impact of COVID-19 on the country's economy and how businesses and consumers respond is still uncertain. There is possible risk on revenue due to the loss of income by some of the businesses and the individuals.

Group has very limited risk on recoverability of trade receivable balances as all receivables are from the parent company Singer (Sri Lanka) PLC. Please refer the note 21.

Group expects that factories operation will be normalized in the month of June onwards. Management are in the opinion that reasonable sales volume can be achieved in second quarter and will operate in full capacity from the month of July onwards. Further to that, we expect existing temporally restrictions on importation of some material categories will be effective until 15th July 2020. Group having a decent material stock levels (3 months of forward production), strong supply chain and local manufacturing facilities which is un-parallel to competition, is able to respond to any disruption.

The above matters lead to challenges in managing the liquidity of the Group due to the loss in revenue and delays in productions and disruptions on the supply chain.

Accordingly, management had carried out a careful assessment and had planned as to how the entity will continue its operations in the future in a manner it will continue to operate in its optimum capacity to generate profits and meet its commitments.

The Group has performed projections for its profitability and its liquidity and the projected liquidity positions appear to be reasonably manageable and able to meet all the commitments that the Group has to meet including the loan commitments in current terms.

Further, the Group has access to utilize financing facilities through bank to manage its liquidity and cash flow requirements.

Management is very positive and expect to sustain business in a manner it did in the past supported by strong banking relationships and banking facilities which help Group to honor all capital & interest payments and all statutory payment on due dates. Group is confident that it can manage its liquidity and operate in future with the same capacity.

#### **Estimation uncertainty in preparation of financial statements**

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements.

The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and inflation). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, impact of unemployment and decline in consumer discretionary spending.
- the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group in consultation with immediate parent company, Singer (Sri Lanka) PLC has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2020 about future events that the Directors believe are reasonable in the prevailing circumstances. There is a considerable degree of judgment involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group and the company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected or may exceed the expectation which may impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to delays in settlements and recoverable amount assessments of non-financial assets.

Based on the assessments made on the recoverable amounts of financial and non-financial assets, there were no indications that required to make an adjustment into financial statements due to COVID-19.

Since we are adding more than 35% of local value addition to the most of our products manufactured at Regnis Group, it will help the Group to respond positively to any disruptions due to government regulations and to overcome any import restrictions, to maintain strong import supply chain.

# NOTES TO THE FINANCIAL STATEMENTS

## 37 DISCLOSURE REGARDING IMPACT OF COVID-19 (CONTD.)

The Group imports 80% of its raw material which are subject to the risk of foreign exchange rate increase which adversely affects to the cost of purchases. Exchange rate's upward trend will impact to the Group's financials and keep pressure on stabilizing the transfer prices and face for the future competition under prevailing economic downturn. However, the Group would continue to manage the risk through various currency risk management strategies.

Nevertheless, Group envisages that no impact to the Group business continuity and supply chain will be stable to provide continues resource requirements for the Group production.

Given the current uncertainty regarding the intensity, regulatory directions and time of pandemic in Sri Lanka, it requires more time to access and quantify the impact of Covid19 at Group level in consultation with our immediate and ultimate parent companies. Liquidity and the anticipate losses will be reviewed periodically by the Group Management & the Board of Directors.

We hope that the pandemic will open new business opportunities for the Group being a local manufacturing Company & its subsidiary and have aligned better than the competitors to engage on those to improve the financial results in the coming years. We indorse COVID19 measures and guidelines published by the government to eradicate the pandemic within the country and will continue the factories operations in line with the health and safety measures & its updates under government directions.

**38 EVENTS OCCURRING AFTER THE REPORTING DATE**

No circumstances have arisen since the reporting date, which would require adjustments to or disclosure except for the COVID 19 impact disclosure and the following:

The Board of Directors of Regnis(Lanka)PLC has authorized the final dividend for the year ended March 31, 2019/20 and made an announcement to CSE on March 30, 2020.

Subsequent announcement made by the Colombo stock exchange on the market closure from April 01, 2020 until the curfew is lifted, the final dividend will be payable within ten market days from the date of reopening the Colombo Stock Exchange.

**39 RELATED PARTY DISCLOSURES**

The company carries out transaction in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) The Related Parties disclosures, the details are as follows.

**39.1 Parent and Ultimate Controlling Party**

Singer (Sri Lanka) PLC is the parent company of Regnis (Lanka) PLC which holds 58.29% of the company. The Hayleys PLC is the ultimate parent company of Regnis (Lanka) PLC.

On 15th October 2018, Hayleys PLC purchased the balance 35,562,883 (9.47%) Ordinary shares held by Retail Holdings (Sri Lanka) BV in Singer (Sri Lanka) PLC at a price of Rs.47/- per share upon Retail Holdings (Sri Lanka) BV exercising their option to sell its shares to Hayleys PLC as previously agreed.

After accepting this offer, Hayleys PLC together with its group Companies holds 90.43% (80.96% previously) of Singer (Sri Lanka) PLC.

**39.2 Transactions with Parent Company and Subsidiary Company****(a) During the year Company had following transactions with its Parent Company:****Singer (Sri Lanka) PLC**

		For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
Principal Activities	Nature of Transaction	Rs.	Rs.
The principal activities of the Company were marketing domestic and industrial sewing machines, appliances, furniture, agricultural equipment, personal computers and manufacturing furniture and agricultural equipment.	Corporate guarantees obtained on behalf of the Company	455,500,000	455,500,000
	Revenue	3,387,927,202	4,797,335,768
	Sales taxes	466,736,626	832,226,245
	Non-trade settlement	106,257,602	209,457,608
	Funds received for sales	4,181,482,128	5,217,562,723
	Expenses reimbursed	86,679,453	100,668,885
	Purchase of fixed asset	361,145	598,087
	Transfer of staff loan	-	128,000
	Interest expense	15,642,776	36,563,738
	Dividend	-	112,283,875
	Interest expenses on Corporate Guarantee	2,280,206	2,839,080
	Balance receivable	342,219,168	667,743,446
	Loan settled	104,000,000	-
	Loan payable	46,000,000	150,000,000



# NOTES TO THE FINANCIAL STATEMENTS

## 39 RELATED PARTY DISCLOSURES

(b) During the year Company had following transactions with its Subsidiary Company:

### Regnis Appliances (Pvt) Ltd

		For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
Principal Activities	Nature of Transaction	Rs.	Rs.
Manufacture and assembly of washing machines, plastic chairs and producing plastic components for refrigerators.	Corporate guarantees given	410,000,000	410,000,000
	Purchases	262,954,789	374,437,694
	Sale of raw materials	2,972,895	4,098,303
	Funds paid	249,626,627	295,728,563
	Non-trade settlement	14,611,648	7,294,453
	Expenses reimbursed	4,314,885	4,436,563
	Dividends received	61,650,000	56,025,000
	Interest expense	2,524,504	4,220,330
	Interest Income on Corporate Guarantee	4,100,001	4,420,833
	Balance payable	56,395,555	98,969,022

### 39.2.1 Recurrent Related Party Transactions

Name of the Related Party and relationship	Nature of Transaction	Value of the Related Party Transaction Entered into During the Financial Year Rs.	Aggregate value of Related Party Transactions as a % of Net consolidated Revenue	Aggregate value of Related Party Transactions as a % of Net Company Revenue	Term and Condition of the Related Party Transaction The Rationale for entering into the Transaction
					Arm's length Transaction on normal commercial terms
Regnis Appliances (Pvt) Ltd	Purchases	262,954,789	18%	10%	Arm's length Transaction on normal commercial terms
Singer (Sri Lanka) PLC	Sales	3,387,927,202	67%	99.8%	
Parent	Sales taxes	466,736,626	9%	14%	
	Funds received for sales	4,181,482,128	83%	123%	

**39.3 Transactions with Related Entities**

	Relationship
Singer Industries (Ceylon) PLC	Related Entity
Reality (Lanka) Ltd	Related Entity
Hayleys PLC	Ultimate Parent

		For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
Name of the Company and Relationship	Nature of Transaction	Rs.	Rs.
Singer Industries (Ceylon) PLC	Purchases	2,597,849	8,767,605
Related entity	Expenses reimbursed	99,257	646,439
	Interest expense	16,790	24,375
	Non-trade settlement	350,323	11,321
	Funds paid	2,458,513	9,230,294
	Balance payable	665,343	760,298
Hayleys PLC	Expenses reimbursed	3,683,159	3,333,146
Ultimate Parent	Funds paid	3,419,423	3,302,477
	Balance payable	294,405	30,669
Reality (Lanka) Ltd			
Related entity			
	Dividend received	-	-
	Change of fair value & loss on deem disposal of FVOCI investment	(1,672,611)	1,263,527

**39.4 Transactions with Key Management Personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly the key management personnel includes the board of directors of the Company, its parent Company and its ultimate parent entity.

**(i) Loans to Directors**

No loans have been given to the Directors of the Company.

**(ii) Key Management Personnel Compensation**

Key Management Personnel comprises the Directors of the Company.

	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
Key Management Personnel Compensation comprised:	Rs.	Rs.
Short-term employment benefits	15,875,514	17,645,336

# NOTES TO THE FINANCIAL STATEMENTS

## 39 RELATED PARTY DISCLOSURES (CONTD.)

In addition to their salaries, the Company provides non-cash benefits to the key management personnel and contributes to a post-employment defined benefit plan on their behalf. Directors' emoluments are disclosed in Note 10 to the financial statements.

No other transactions were carried out with key management personnel of the company and the group.

### Terms and Conditions of Transactions with Related Parties:

Transactions with related parties are carried out at terms equivalent to those that prevailing arm's length transactions. Outstanding current account balances at the yearend are unsecured, and the settlements will be made in cash subject to the following credit periods.

	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.
Singer (Sri Lanka) PLC	4 Weeks	4 Weeks
Regnis Appliances (Pvt) Ltd	8 Weeks	8 Weeks
Singer Industries (Ceylon) PLC	4 Weeks	4 Weeks

The related party borrowings are at pre-determined interest rates and terms. (March 2020-10.26%)

## 39.5 The fully-owned subsidiary, Regnis Appliances (Pvt) Ltd had the following transaction with the Affiliate Companies, Singer (Sri Lanka) PLC and Singer Industries (Ceylon) PLC.

		For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
Name of the Company and Relationship	Nature of Transaction	Rs.	Rs.
Singer (Sri Lanka) PLC			
Intermediate Parent	Revenue	1,641,710,601	2,027,152,514
	Sales taxes	234,477,288	351,648,905
	Non-trade settlement	20,543,934	21,000,000
	Funds received	2,002,567,252	2,313,435,400
	Expenses incurred	16,436,073	22,646,852
	Rent charged	81,861	297,288
	Fixed asset purchase	339,263	86,424
	Interest Income/(cost)	144,714	855,817
Singer Industries (Ceylon) PLC			
Related entity	Sales of raw materials	2,821,015	4,959,000
	Sales taxes	444,629	860,235
	Trade settlement	131,765,578	135,526,124
	Purchases including taxes	140,214,901	144,931,760
	Expenses incurred	439,648	2,000
	Interest Expenses	408,780	217,556

**Terms and Conditions of Transactions with Related Parties:**

Transactions with related parties are carried out at terms equivalent to those that prevail in arm's length transactions. Outstanding current account balances at the year end are unsecured, and the settlements will be made in cash subject to the following credit periods.

	<b>For twelve months ended 31st March 2020</b>	For fifteen months ended 31st March 2019
	Rs.	Rs.
Singer (Sri Lanka) PLC	<b>4 Weeks</b>	4 Weeks
Singer Industries (Ceylon) PLC	<b>4 Weeks</b>	4 Weeks

The related party borrowings are at pre-determined interest rates and terms. (March 2020 -10.26%)

## DECADE AT A GLANCE

Period Ended	31st March 2020	31st March 2019	31st December 2017	31st December 2016	31st December 2015	31st December 2014	31st December 2013	31st December 2012	31st December 2011	31st December 2010
	(12 Months)	(15 Months)	(12 Months)	(12 Months)	(12 Months)	(12 Months)	(12 Months)	(12 Months)	(12 Months)	(12 Months)
Rs. '000	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group
Revenue * *	5,041,418	6,844,458	4,867,250	4,791,256	4,148,657	3,194,513	2,492,702	2,494,531	2,340,675	2,037,320
Profit/(Loss) before taxation * *	155,996	115,862	215,119	471,750	456,431	200,357	122,485	99,395	117,086	148,289
Taxation	(48,097)	(24,690)	(60,003)	(121,426)	(112,292)	(46,159)	(22,686)	(18,364)	(33,493)	(76,475)
Profit/(Loss) after taxation * *	107,899	91,171	155,117	350,324	344,139	154,198	99,799	81,031.00	83,593	71,814
Profit from discontinued operations (net of tax)	-	-	-	-	-	-	8,047	6,224	-	-
Profit/(Loss) for the Year	107,899	91,171	155,117	350,324	344,139	154,198	107,845	87,255.00	83,593	71,814
Property plant and equipment	1,281,801	1,328,559	1,097,046	979,596	695,121	631,731	620,909	572,417.00	480,072	489,844
Intangible assets	2,688	3,196	3,832	2,183	983	1,140	638	732	827	921
Available for sale financial asset	22,441	24,113	22,850	20,181	20,562	20,696	19,960	19,749	15,582	8,822
Investment in subsidiary	-	-	-	-	-	-	-	-	100,000	50,000
Current assets	1,826,048	2,143,016	1,770,302	1,629,151	1,125,579	864,937	839,326	1,100,954	792,605	573,098
Current liabilities	1,301,980	1,712,946	1,184,847	838,968	431,812	361,908	452,124	781,124	645,619	474,265
Net current assets	524,068	430,070	585,454	790,183	693,767	503,030	387,202	319,830	146,986	98,833
Long term loans	-	-	-	-	-	41,250	110,500	75,250	47,250	80,250
Share Capital & Reserves										
Stated capital	211,192	211,192	211,192	211,192	211,192	211,192	211,192	211,192	100,123	100,123
Capital reserves	429,538	436,768	328,951	416,768	308,548	314,130	290,289	294,987	251,505	255,499
Revenue reserves	901,102	854,635	956,991	1,004,618	748,310	473,254	334,816	251,461	192,168	132,334
Share Holders Funds	1,541,832	1,502,595	1,497,134	1,632,579	1,268,050	988,577	836,298	757,641	543,796	487,956
Basic earnings per share from continuing operations	9.58	8.09	13.77	31.09	30.54	13.68	8.86	8.11	8.64	14.87
Basic earnings per share after discontinued operations	-	-	-	0	0	13.68	9.57	8.73	-	-
Net assets per share at year end (Rs.)	136.83	133.35	132.87	144.89	112.53	88.62	74.22	67.24	56.3	50.53
Return on Average Net Assets %		6.00	9.91	24.16	30.4	16.8	13.5	13.4	16.20	17.36
Dividends (Rs.) *	70,424	82,255	118,313	208,455	101,411	78,875	22,536	28170	28,975	28,975.00
Dividend cover *	1.53	1.1	1.31	1.68	3.4	1.95	4.8	3.1	1.44	2.48
Dividend per share (Rs.) *	6.25	7.30	10.50	18.50	9.00	7.00	2.00	2.50	6.00	6.00
Others										
Annual sales growth (%)	(26.34)	40.62	1.59	15.49	30	28	-	19.65	14.89	51.33
Inflation rate (%)	4.5	3.70	7.7	3.75	0.93	3.3	6.9	7.6	6.7	6.9
Current ratio	1.40	1.25	1.49	1.94	2.62	2.39	1.86	1.41	1.22	1.21
Investment in fixed assets (Rs.000)	42,553	171,699	176,859	216,420	108,966	28,416	80,117	72,206	21,410	59,733
Price earnings ratio (Times )	6.24	7.74	8.58	4.42	5.79	5.64	6.8	6.9	20.86	8.37
Market value of share	59.80	62.6	118.1	137.5	176.7	77.1	65	60	180.25	62.25

\* Includes authorised final dividends.

\*\* 2012 and 2013 constitute results from continuing operations

# INVESTOR INFORMATION

## 1. GENERAL

Value - Ordinary Shares	Rs.211,192,425/-
Number of Shares - Ordinary Shares	11,267,863
Voting Rights	One Vote per Ordinary Share

## 2. STOCK EXCHANGE LISTING

The Issued Ordinary Shares of Regnis (Lanka) PLC are listed with the Colombo Stock Exchange of Sri Lanka.

## 3. DISTRIBUTION OF SHAREHOLDINGS

Category	As at 31st March 2020			As at 31st March 2019		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
Less than 1001 shares	1,293	363,485	3.23	1,269	357,102	3.17
1001 to 10,000	360	1,152,992	10.23	325	994,873	8.83
10001 to 100,000	79	1,840,961	16.34	72	1,819,397	16.15
100001 to 1,000,000	5	1,341,848	11.91	6	1,527,914	13.56
Over 1,000,000 shares	1	6,568,577	58.29	1	6,568,577	58.29
	1,738	11,267,863	100.00	1,673	11,267,863	100.00

Category	As at 31st March 2020					
	Number of Shareholders		Number of Shares		No of Holdings %	
	Non - resident	Resident	Non - resident	Resident	Non - resident	Resident
Less than 1,001 shares	7	1,286	1,667	361,818	0.01	3.21
1001 to 10,000	6	354	17,998	1,134,994	0.16	10.07
10001 to 100,000	1	78	13,750	1,827,211	0.12	16.22
100001 to 1,000,000	1	4	154,996	1,186,852	1.38	10.53
Over 1,000,000 shares	-	1	-	6,568,577	-	58.29
	15	1,723	188,411	11,079,452	1.67	98.32

## 4. SHARE INFORMATION

	For twelve months ended 31st March 2020	For fifteen months ended 31st March 2019
	Rs.	Rs.
Closing Price	59.80	62.60
Highest value per Share during the period	98.00	123.00
Lowest Value per Share during the period	54.00	60.00

### Share trading for the period

	As at 31st March 2020 (12 Months)	As at 31st March 2019 (12 Months)
No of transactions	3,235	2,444
No of shares Traded	1,494,903	750,265
Value of shares Traded (Rs.)	112,737,943	67,716,114

# INVESTOR INFORMATION

## 5. DIVIDEND

The Board of Directors of Regnis Appliances (Pvt) Ltd has approved the final dividend of Rs.3.25 per share for the twelve months ended 31st March 2020 payable on 22nd May 2020.

## 6. DIRECTORS' AND CEO'S SHAREHOLDINGS AS AT 31ST MARCH 2020

	As at 31st March 2020	As at 31st March 2019
Name of the Director	No. of Shares	No. of Shares
MR. A M PANDITHAGE	NIL	NIL
MR. M H WIJewardene	NIL	NIL
MR. S C GANEGODA	NIL	NIL
MR. V G K VIDYARATNE	60,155	60,155
MR. M H JAMALDEEN	NIL	NIL
MR. N L S JOSEPH	NIL	NIL
MR. K D G GUNARATNE	NIL	NIL
MR. K D KOSPELAWATTA	NIL	NIL
MR. D K DE SILVA WIJEYERATNE	NIL	NIL
MR. A C M IRZAN (ALTERNATE TO K D KOSPELAWATTA)	NIL	NIL
MR. K K L P YATIWELLA (ALTERNATE TO M H WIJewardene) - APPOINTED W.E.F. 01.06.2019	NIL	NIL

## 7. ANALYSIS OF SHARES

Class of Member	As at 31st March 2020			As at 31st March 2019		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
Individual	1,624	2,903,215	25.77	1,569	2,798,293	24.83
Company	114	8,364,648	74.23	104	8,469,570	75.17
Total	1,738	11,267,863	100.00	1,673	11,267,863	100.00
Shares held by public	1,736	4,639,131	41.17%	1,671	4,639,131	41.17

Float adjusted market capitalisation – Rs.277,410,955.99

The Company complies with option 5 of the Listing Rules 7.13.1 (a) - which requires a minimum public Holding of 20% for a company having a float adjusted market capitalisation of less than Rs.2.5Bn.

**8. TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH 2020**

	Name	No of Shares	%
1	SINGER (SRI LANKA) PLC	6,568,577	58.29
2	SEYLAN BANK PLC/CHANNA NALIN RAJAHMONEY	800,519	7.10
3	BNYM RE-MILLVILLE OPPORTUNITIES MASTER FUND, LP	154,996	1.38
4	MR. DUELEEP FAIRLIE GEORGE DALPETHADO/MRS. H A K D DALPETHADO	146,742	1.30
5	UNION INVESTMENTS PRIVATE LTD	124,600	1.11
6	MR MILINDA RANJAN PERERA	114,991	1.02
7	MR. AZEEZ JALALUDDIN RUMY	77,110	0.68
8	MR. VIDYARATNE GANITAGURUGE KULATUNGE VIDYARATNE	60,155	0.53
9	MR. PRIYANKA MANJULA PATHIRAJA/MRS. D A O KANDAMUDALI	59,085	0.52
10	MRS. SONALI ROSHINI PERERA	58,282	0.52
11	MR. ELMO FAVIAN WEERACKOON	56,351	0.50
12	J B COCOSHELL (PVT) LTD	48,965	0.43
13	TRADING PARTNERS (PVT) LTD	48,584	0.43
14	MRS. LILANI IRANDATHIE PERERA	47,989	0.43
15	MR. ABEYSIRI HEMAPALA MUNASINGHE	46,922	0.42
16	MR. SHYAMSUNDER RAMANATHAN	39,177	0.35
17	RICHARD PIERIS FINANCIAL SERVICES (PVT) LTD/W P A S PERERA	37,676	0.33
18	MR. KISHORE SHASHI NIKHIL HIRDARAMANI	35,200	0.31
19	HATTON NATIONAL BANK PLC/ROMANI KUMAR EARDLEY PATRICK DE SILVA	35,000	0.31
20	MR. ILANGAGE DESHAPRIYA RANASINGHE PERERA	34,054	0.30
	TOTAL	8,594,975	76.28

**TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH 2019**

	Name	No of Shares	%
1	SINGER (SRI LANKA) PLC	6,568,577	58.29
2	SEYLAN BANK PLC/CHANNA NALIN RAJAHMONEY	800,519	7.10
3	MR. DUELEEP FAIRLIE GEORGE DALPETHADO & MRS. H A K D DALPETHADO	178,527	1.58
4	BNYM RE-MILLVILLE OPPORTUNITIES MASTER FUND, LP	154,996	1.38
5	CITIZENS DEVELOPMENT BUSINESS FINANCE PLC	150,005	1.33
6	UNION INVESTMENTS PRIVATE LTD	124,600	1.11
7	MR. MILINDA RANJAN PERERA	119,267	1.06
8	MRS. CONCEICAO APARECIDA DOS SANTOS WOODWARD	87,835	0.78
9	MR. AZEEZ JALALUDDIN RUMY	77,110	0.68
10	MR. PRIYANKA MANJULA PATHIRAJA & MRS. D A O KANDAMUDALI	60,600	0.54
11	MR. VIDYARATNE GANITAGURUGE KULATUNGE VIDYARATNE	60,155	0.53
12	MRS. SONALI ROSHINI PERERA	58,282	0.52
13	MR. SUVIN WETTIMUNY	50,188	0.45
14	TRADING PARTNERS (PVT) LTD	48,584	0.43
15	MRS. LILANI IRANDATHIE PERERA	47,989	0.43
16	SANDWAVE LIMITED	47,515	0.42
17	MR. ABEYSIRI HEMAPALA MUNASINGHE	46,922	0.42
18	MR. ELMO FAVIAN WEERACKOON	45,087	0.40
19	RICHARD PIERIS FINANCIAL SERVICES (PVT) LTD/K T R P SAMARATHUNGE	40,274	0.36
20	RICHARD PIERIS FINANCIAL SERVICES (PVT) LTD/W P A S PERERA	37,676	0.33
	TOTAL	8,804,708	78.14



# NOTICE OF ANNUAL GENERAL MEETING

**REGNIS (LANKA) PLC****Company Number PQ 191**

NOTICE IS HEREBY GIVEN THAT THE THIRTY THIRD ANNUAL GENERAL MEETING OF REGNIS (LANKA) PLC, WILL BE HELD AT HAYLEYS PLC, NO. 400 DEANS ROAD, COLOMBO 10, SRI LANKA ON THURSDAY, 23RD JULY 2020 AT 12 NOON.

1. To receive, consider and adopt the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2020 with the Report of the Auditors thereon.
2. To re-elect, Mr. M H Jamaldeen, who retires by rotation at the Annual General Meeting, a Director in terms of Article 24(4) of the Article of Association of the Company.
3. To re-elect, Mr. S C Ganegoda, who retires by rotation at the Annual General Meeting, a Director in terms of Article 24(4) of the Article of Association of the Company.
4. To ratify the sum of Rs.138,764/- made as donations for the year 2019/20 in excess of the sum approved by the shareholders.
5. To authorise Directors to determine contributions to Charities for the financial year 2020/21.
6. To reappoint Messrs. KPMG, Chartered Accountants as the Auditors of the Company for the year 2020/2021 and to authorise the Directors to determine their remuneration.

By Order of the Board

**REGNIS (LANKA) PLC**

(Sgd.)

**HAYLEYS GROUP SERVICES (PRIVATE) LTD**

Secretaries

Colombo  
29th June, 2020

**NOTE:**

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company.  
A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to [regnisagm@secretarial.hayleys.com](mailto:regnisagm@secretarial.hayleys.com) not less than forty eight (48) hours before the time fixed for the Meeting.
2. Please refer the "Circular to Shareholders" dated 25th June 2020 and follow the instructions to join the meeting physically or virtually.

# FORM OF PROXY

## REGNIS (LANKA) PLC

### Company Number PQ 191

I/We\* ..... (full name of shareholder\*\*) NIC No./Reg. No. of Shareholder (\*\*) ..... of ..... Shareholder/Shareholders\* of REGNIS (LANKA) PLC hereby appoint:

(1) ..... (full name of proxyholder\*\*) NIC No. of Proxyholder (\*\*) ..... of ..... or, failing him/them

(2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our \* proxy to attend and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Thirty Third Annual General Meeting of the Company to be held on Thursday, 23rd July 2020 at 12 Noon and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	FOR	AGAINST
1. To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2020 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect, Mr. M H Jamaldeen, who retires by rotation at the Annual General Meeting, a Director in terms of Article 24(4) of the Article of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. S C Ganegoda, who retires by rotation at the Annual General Meeting, a Director in terms of Article 24(4) of the Article of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To ratify the sum of Rs.138,764/- made as donations for the year 2019/20 in excess of the sum approved by the shareholders.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise Directors to determine contributions to Charities for the financial year 2020/21	<input type="checkbox"/>	<input type="checkbox"/>
6. To reappoint Messrs. KPMG, Chartered Accountants as the Auditors of the Company for the Year 2020/2021 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

\*\*\* The proxy may vote as he thinks fit on any other resolution brought before the meeting of which due notice has been given.

As witness my/our\* hands this ..... day of .....2020.

Witnesses: Signature : .....

Name : .....

Address : .....

NIC No. : .....

Signature : .....

.....

Signature of Shareholder.

#### Notes:

(a) \* Please delete the inappropriate words.

(b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.

\*\* Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.

(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

(d) Instructions are noted below.

(e) This Form of Proxy is in terms of the Articles of Association of the Company.

(f) Please refer the 'Circular to Shareholders' dated 25th June 2020 and follow the instructions to join the meeting physically or virtually.

**INSTRUCTIONS AS TO COMPLETION :**

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to *regnisagm@secretarial.hayleys.com* not less than forty eight (48) hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (\*\*\*) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the meeting.
5. In the Case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association. In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

# CORPORATE INFORMATION

## GENERAL

Name of the Company  
Regnis (Lanka) PLC

### Legal Form

A Public Limited Liability Company quoted in the Colombo Stock Exchange. Incorporated on 3rd June 1987 under the Company Act no. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007

Company Registration  
Number PQ 191

Accounting Year End  
March 31

Registered Office  
No 52, Ferry Road, Off Borupana Road,  
Ratmalana, Sri Lanka.  
Tel: 0112622641, 0112635408  
Fax: 0114216003, 0112622032

Tax Payer Identification Number (TIN)  
134001488

Company Secretary/ Registrars  
Hayleys Group Services (Private) Limited  
Tel: 0112627650

### Auditors

KPMG Chartered Accountants  
No 32A, Sir Mohamed Macan Markar  
Mawatha, Colombo 3.

### Banks

Commercial Bank  
NDB Bank PLC  
Hatton National Bank PLC  
Sampath Bank PLC  
Seylan Bank PLC  
People's Bank  
DFCC Vardhana Bank  
Cargills Bank

### Legal Advisors

Neelakandan & Neelakandan  
Attorneys -at-law  
M&N Building (5th Floor)  
No. 02 Deal Place, Colombo 03.

### Management Team

Mr. K D Kospelawatta  
Mr. K G G Perera  
Mr. W K A P Wettewa  
Ms. S Edirisinghe  
Mr. M Ranasinghe  
Mr. E N P Soysa  
Mr. K K Atukorala  
Mr. M. D D Prabhath  
Mr. A Amarasinghe  
Mr. A S Kendasinghe  
Mr. A A K Maduranga  
Mr. M De S Seneviratne  
Ms. S Fernando  
Mr. D W P Kandage  
Mr. Y C Withanachchi  
Ms. S A W M R S C Aranwela  
Mr. I K C A P Iluppitiya  
Mr. D H S R Madhusankha  
Mr. O S Kapilasiri

### BOARD OF DIRECTORS AND SUB-COMMITTEES

Board of Directors  
Mr. A M Pandithage - Chairman  
Mr. M H Wijewardene - Managing Director/ CEO  
Mr. V G K Vidyaratne  
Mr. S C Ganegoda  
Mr. M H Jamaldeen  
Mr. N L S Joseph  
Mr. K D G Gunaratne  
Mr. D K De S Wijeyeratne  
Mr. K D Kospelawatta  
Mr. L Yatiwella (*Alternate Director to Mr. M H Wijewardene*)  
Mr. M Irzan (*Alternate Director to Mr. Kelum Kospelawatta*)

### Board Sub-Committees

Board Nomination Committee  
Board Nomination Committee of the Parent Company, Singer (Sri Lanka) PLC functions as the Board Nomination Committee of Regnis (Lanka) PLC  
Mr. A M Pandithage - Chairman  
Mr. K D D Perera  
Mr. M H Jamaldeen

### Board Audit Committee

Board Audit Committee of Parent Company, Singer (Sri Lanka) PLC functions as the Board Audit Committee of Regnis (Lanka) PLC  
Mr. D K De S Wijeyeratne - Chairman  
Mr. D Sooriyaarachchi  
Mr. M H Jamaldeen

### Related Party Transactions Review Committee

RPT Review Committee of Parent Company, Singer (Sri Lanka) PLC functions as the RPT Review Committee of Regnis (Lanka) PLC  
Mr. D Sooriyaarachchi - Chairman  
Mr. D K De S Wijeyeratne  
Mr. M H Wijewardene

### Board Remuneration Committee

Remuneration Committee of Parent Company, Singer (Sri Lanka) PLC functions as the Remuneration Committee of Regnis (Lanka) PLC  
Mr. M H Jamaldeen - Chairman  
Mr. D D Sooriyaarachchi  
Mr. D K De S Wijeyeratne  
Mr. A M Pandithage (Observer)

### PARENT, SUBSIDIARY AND RELATED COMPANIES

Parent Company  
Singer (Sri Lanka) PLC

Subsidiary Company  
Regnis Appliances (Pvt) Ltd

Related Companies  
Singer Industries (Ceylon) PLC  
Reality (Lanka) Ltd

For any clarification on this report,  
Please write to:

### The Chief Financial Officer Regnis (Lanka) PLC

No. 52, Ferry Road,  
Off Borupana Road,  
Ratmalana, Sri Lanka  
Tel: 0112622641, 0112635408  
Fax: 0114216003, 0112622032

This Annual Report is  
conceptualised, designed  
and produced by  
Redworks.



**REDWORKS**

Member of the Ogilvy Group

