

Annual Report 2016

# Regnis

(Lanka) PLC



**ONE OF ASIA'S  
BEST 200  
UNDER  
A BILLION  
DOLLARS**

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### Chairman's Review

During the year 2016, the GROUP achieved a Profit after Tax of Rs. 350 Mn compared to Rs. 344 Mn in the previous year. The GROUP was able to maintain its growth momentum despite not passing certain cost escalations to the end consumer in the form of increased prices.

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## *Crowning Our Success...*

Our journey since inception has been focused on continuous growth and innovation. We have risen to enrich the evolving needs and aspirations of the lives of Sri Lankans by presenting world class products. We have marked our success by achieving a sustainable growth trajectory.

The year 2016 marks yet another milestone where Regnis Lanka was recognised by the prestigious "Forbes Asia's 200 Best under a Billion 2016" list. This accolade bears testimony of the consistent growth and recognition of our journey towards the benchmark of excellence.

We are encouraged by this accolade to strive and move towards excellence.

# 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

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# 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 norm

# VALUES

## 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

.....

## SUPPLIERS

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

## EMPLOYEES

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

.....

## COMPETITORS

We respect our competitors and recognise their contribution to market value

.....

## SHAREHOLDERS

We provide a reasonable return while safeguarding their investment

.....

## COMMUNITY

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

# HISTORICAL MILESTONES

**1987** Incorporated as a limited liability company with an issued Share Capital of Rs.10 Mn. Public share issue attracts 1,200 investors, with the majority owning less than 500 shares.

**1988** Commercial production begins with two models of Single-Door Refrigerators.

**1989** Two models of Gas Cookers come off the production line.

**1990** Double-Door Refrigerators were introduced.

**1994** 225 ltr. Chest Freezer introduced.

- Production of Bottle Coolers commenced for Elephant House and Ole Springs Bottlers (Pvt) Ltd., Bottlers of Pepsi.

**1995** A Double-Door 8 cu. ft. Refrigerator and a 325 ltr. Chest Freezer added to the product range.

A pioneering venture begins - the assembly of Washing Machines begins with a 2.5 kg semi-automatic model.

**1996** Chest Freezer range expanded with a 425 ltr. model. Successfully completed first phase of production of Refrigerators using environmental- friendly gas.

A Rights Issue (one new share for every two held) increased the Share Capital to Rs. 27.1 Mn.

Launch of 'Pipena Mala' - A unique concept design to improve productivity.

**1997** Refrigerators with CFC-free refrigerants introduced to the market, ten years ahead of schedule to phase out CFCs.

**1999** Sri Lanka Standards Institution Awards ISO 9002 Certification. CFC Project completed.

All refrigerators now free of ozone depleting substances in both refrigerant and insulation material. Assembly of Whirlpool 5 kg Semi-Automatic Washing Machine began.

Bottle Coolers produced for Nestlé Lanka Ltd.

**2000** Washing Machine assembly shifted to new building. Refrigerators and Freezer production lines re-laid to obtain more productivity and increased efficiency.

**2001** • Successful completion of 3-Zero programme aimed at cost reduction and waste elimination.

- Manufacture of Sisil range of Refrigerators began.
- Introduction of RGS 35 model to the Singer range of Refrigerators.
- The Company participated in 'Cool Tech 2001' Exhibition in Mumbai.

**2003** Commenced commercial production of No-Frost Refrigerator. Exported Deep Freezers to India. Purchased land to set-up an Injection Moulding facility.

**2004** New building constructed and in-house manufacture of plastic components commenced. Bonus issue of shares on the basis of one new share for every three held.

**2006** Two new Refrigerator models introduced incorporating Nano Silver Technology. 650-ton Injection Moulding Machine installed to produce plastic components.

**2007** A new product - the Chest Type Cooler - developed and released to the market for use by milk distribution centres.

**2008** 220 ltr. Freezer cum Bottle Cooler developed.

**2009** New assembly line set up for Whirlpool Washing Machines and SKD Refrigerators. New Pseudo door Double door Refrigerator and a 240 ltr. No-Frost Refrigerator developed for Sisil.

**2010** • Regnis Appliances (Pvt) Ltd was incorporated, as a fully-owned subsidiary of the Company under Board of Investment of Sri Lanka to manufacture and assemble Home Appliances.

- Regnis Appliances (Pvt) Ltd commenced manufacturing their 6 kg (Model 6 SA) Washing Machine.
- Installed a 1850 ton Injection Moulding Machine to facilitate the production of large plastic components, previously sourced by external parties.
- Upgraded several Refrigerator models which abetted the achievement of a milestone production capacity of 500,000 units.

**2011** Our fully-owned subsidiary, Regnis Appliances (Pvt) Ltd, commenced Assembly of Side-by-Side Refrigerators, a Fully-Auto washer and 4 models of split Air Conditioners. Regnis Appliances (Pvt) Ltd, commenced the Production of Plastic Chairs.

**2012** • Introduction of GEO series, 100% Environment-friendly Green refrigerator models to the market. The Company took the bold step of introducing the hydrocarbon refrigerant long before any legislature was enacted to phase out HFCs which have a Global Warming potential.

- Carried out a Subdivision of Ordinary Shares in the proportion of 2 shares for every 1 share held. Regnis Lanka raised Rs. 111.07 Mn, by rights issue of 1:6 (one new share for every six held), leading to the issue of 1,609,695 new ordinary shares at Rs. 69/- each. Share Capital was increased to Rs. 211.19 Mn.

- Regnis Appliances (Pvt) Ltd, commenced manufacture of Sisil fully-auto and a semi auto washing machines increasing the total range manufactured to 4 Models.

**2013** • Was the first company in South Asia to introduce a range of refrigerators with R 600a Refrigerant technology (Natural hydro-carbon technology)

- The manufacturing plant was upgraded to produce refrigerators using R 600a - a hydro-carbon refrigerant achieving a significant improvement in energy efficiency, while safeguarding the environment.

- Profit for the year crossed Rs. 100 Mn mark.

- Introduced ECO series for Sisil brand.

- Regnis Appliances (Pvt) Ltd, introduced a 6kg semi automatic washing machine.

**2014** • Regnis Lanka launched a new Series of Sisil "ECO" refrigerators with an upgraded look.

- Regnis Appliances (Subsidiary) Introduced a Fully auto washer with plastic tub.

**2015** • Achieved a production capacity of over 100,000 refrigerators during the year.

- Reached a milestone in production by producing the 1,000,000th refrigerator.

- The Company complied with ISO 14000 Certification.

**2016**

- **Ranked among Forbes Asia's Best 200 Under A Billion Dollars - 2016 list.**

- **Launch of environmentally friendly inverter refrigerator models under 'Singer' and 'Sisil' brands.**

# HIGHLIGHTS AT A GLANCE

REVENUE (Rs. Bn)

4.8

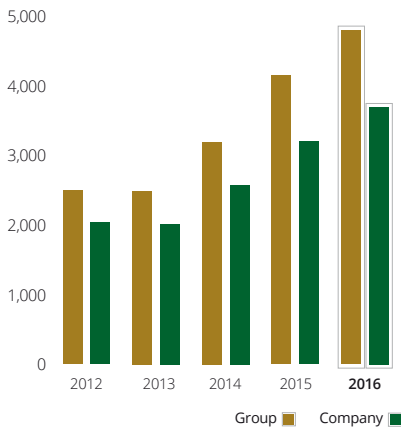
NET PROFIT (Rs. Mn)

350.3

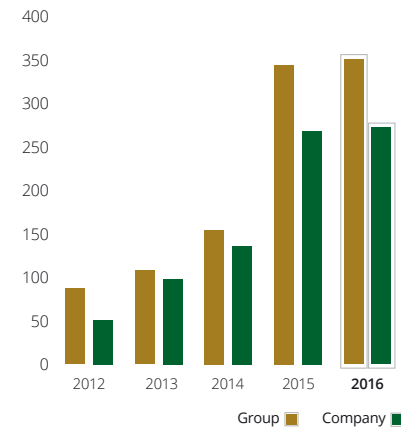
DIVIDEND PER SHARE (Rs.)

18.50

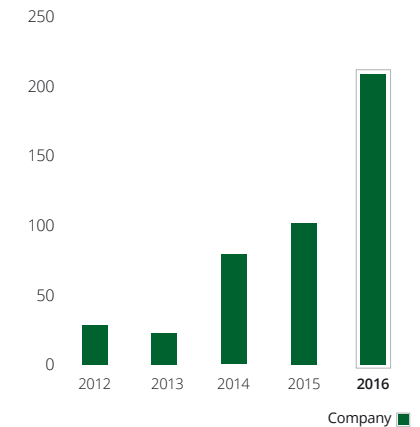
GROUP & COMPANY REVENUE (Rs.Mn)



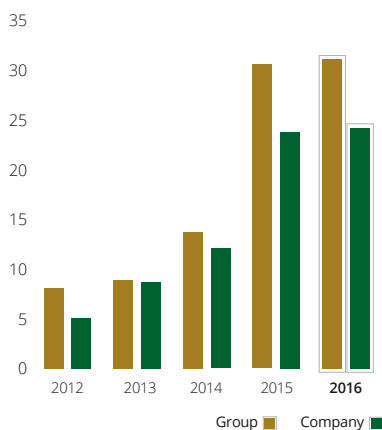
PROFIT FOR THE YEAR (Rs.Mn)



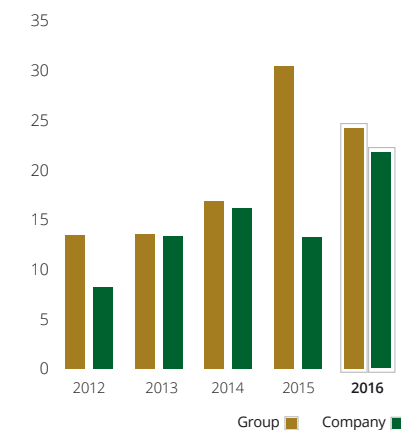
DIVIDEND PAID (Rs.Mn)



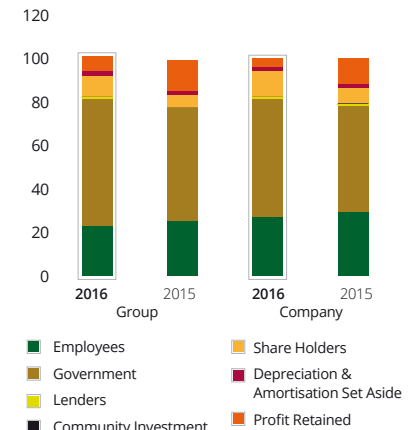
EARNINGS PER SHARE (Rs.)



RETURN ON AVG. EQUITY (%)



DISTRIBUTION OF VALUE ADDED (%)





# PERFORMANCE HIGHLIGHTS OF 2016

## YEAR AT A GLANCE

For the year ended 31 December	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>PROFITABILITY</b>				
Revenue	<b>4,791,256</b>	4,148,657	<b>3,693,478</b>	3,200,093
Profit before Tax	<b>471,750</b>	456,431	<b>350,691</b>	347,477
Profit for the Year	<b>350,324</b>	344,139	<b>272,299</b>	268,074
<b>FINANCIAL POSITION</b>				
Investment in Property Plant Equipment & Intangible Assets	<b>216,420</b>	101,095	<b>189,385</b>	98,761
Non-Current Assets	<b>1,006,496</b>	722,660	<b>1,071,653</b>	806,168
Current Assets	<b>1,629,151</b>	1,125,580	<b>1,226,664</b>	770,191
Available for Sale Financial Asset	<b>20,181</b>	20,562	<b>20,181</b>	20,562
<b>RATIOS</b>				
Interest Cover (Times)	<b>39.7</b>	55.9	<b>28.6</b>	48.6
Return on Average Equity %	<b>24.2</b>	30.4	<b>21.7</b>	26.4
Dividend Cover (Times)	<b>1.7</b>	3.4	<b>1.3</b>	2.7
Dividend Pay-out %	<b>59.5</b>	29.5	<b>76.6</b>	37.8
Net Debt to Equity	<b>22.7</b>	3.4	<b>25.5</b>	2.6
Current Ratio	<b>1.9</b>	2.6	<b>1.6</b>	2.4
Quick Asset Ratio	<b>0.6</b>	0.9	<b>0.5</b>	0.8
<b>SHARE PERFORMANCE</b>				
Basic Earnings Per Share (Rs.)	<b>31.10</b>	30.50	<b>24.20</b>	23.80
Dividend Per Share (Rs.)	<b>18.50</b>	9.00	<b>18.50</b>	9.00
Net Asset Per Share (Rs.)	<b>144.90</b>	112.50	<b>124.00</b>	98.80
Market Value Per Share 31st December (Rs.)	-	-	<b>137.50</b>	176.70
Market Capitalisation as at 31 December (Rs.)	-	-	<b>1,549,331</b>	1,991,031

**THE REGNIS GROUP HAS RECORDED A PROFIT AFTER TAX OF RS. 350.3 MN FOR THE YEAR ENDED 31ST DECEMBER 2016. THE GROUP HAS DELIVERED REVENUE GROWTH OF 15% AND A PROFIT BEFORE TAX OF RS. 471.8 MN.**

# PERFORMANCE HIGHLIGHTS OF 2016

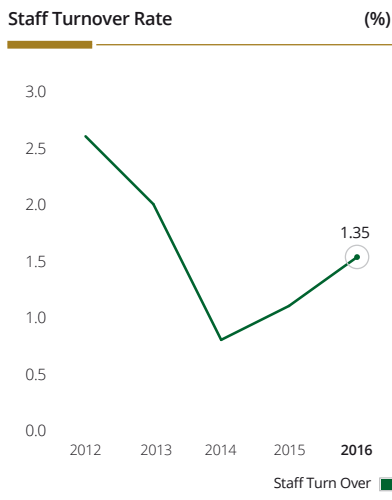
## SOCIAL PERFORMANCE

**95%**

Customer Satisfaction Rate

**1,250**

Total Training Hours



## ENVIRONMENTAL PERFORMANCE



Electricity Consumption Per Unit

**24%** ↓



Fuel Consumption Per Unit

**70%** ↓



Water Consumption Per Unit

**42%** ↓



Carbon Footprint (CO<sub>2</sub> Emission)

**428** ↓  
Metric tons

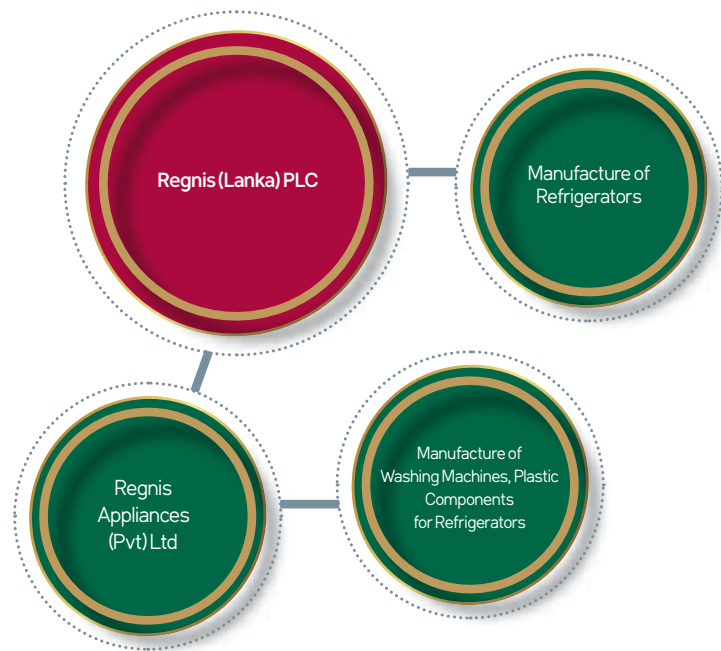
**About Us**

We are Sri Lanka's leading manufacturer of white goods, producing a range of refrigerators and washing machines under the Singer and Sisil brands, at our factory in Ratmalana. Our products are sold through our parent company Singer (Sri Lanka ) PLC , the nation's leading consumer goods retailer whose extensive distribution network of over 1,200 touch points is one of the largest in the country. Armed with deep insights and understanding of local customers, we combine innovation and Research & Development capabilities to produce goods which meet these needs. We also lead the industry in Green Innovation, and have leveraged on our design capabilities to manufacture energy-efficient products whilst placing equal importance on minimising the adverse environmental impacts of our production process.

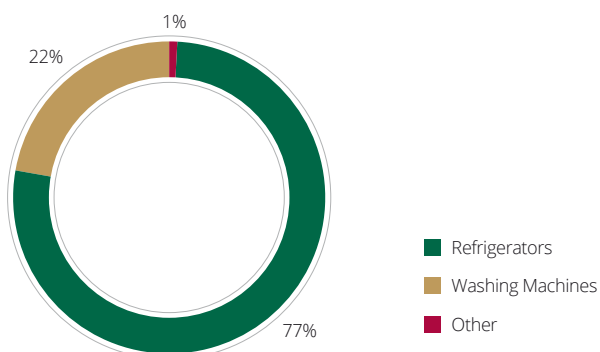
**Group Structure**

The Regnis Group comprises the Company, Regnis (Lanka) PLC and its fully owned subsidiary Regnis Appliances (Pvt) Ltd. Regnis Lanka is primarily engaged in the manufacture of refrigerators whilst its subsidiary focuses on the manufacture of washing machines, plastic chairs and

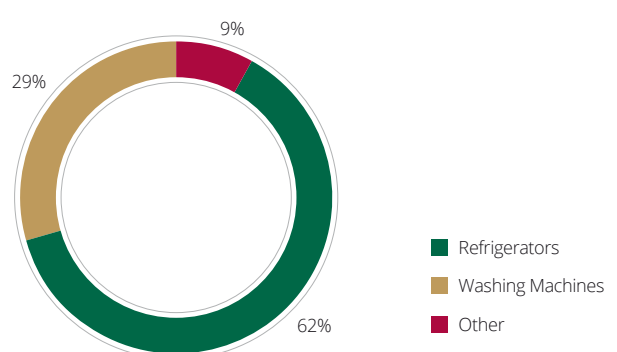
plastic components for refrigerators. Regnis (Lanka) PLC is the most significant entity in the Group, accounting for 87% and 78% of Group assets and profits respectively in 2016. The Group is listed on the Main Board of the Colombo Stock Exchange, with a market capitalisation of Rs. 1,549.3 Mn as at December 31, 2016.



**SALES BY BUSINESS LINE 2016**



**PBT BY BUSINESS LINE 2016**







# OUR LEADERSHIP

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*The year 2016 marks many achievements by the Company as we were recognised as one of "Asia's Best under a Billion - 2016" by Forbes Asia. These achievements have been possible through the foresight and guidance given by the Chairman & the Board of Directors along with the management team. The team at Regnis Lanka continue to forge ahead with a strong commitment and a drive to achieve growth.*

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# CHAIRMAN'S REVIEW

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**DURING THE YEAR 2016, THE GROUP ACHIEVED A PROFIT AFTER TAX OF RS. 350 MN COMPARED TO RS. 344 MN IN THE PREVIOUS YEAR. THE GROUP WAS ABLE TO MAINTAIN ITS GROWTH MOMENTUM DESPITE NOT PASSING CERTAIN COST ESCALATIONS TO THE END CONSUMER IN THE FORM OF INCREASED PRICES.**

Dear Shareholders,

It is with much pride, that I announce that Regnis (Lanka) PLC has been recognised as one of “Asia’s Best 200 Companies under a Billion Dollars” by Forbes Asia. The ‘Best under a Billion’ list honours 200 leading public companies in the Asia Pacific region with annual revenue between US\$ 5 Mn and US\$ 1 Bn. This accolade is a significant achievement by the Company in its 28 year old history. This recognises the Company’s progressive growth and performance levels achieved over the years.

During the year 2016, the Group achieved a profit after Tax of Rs. 350 Mn compared to Rs. 344 Mn in the previous year. The Group was able to maintain its growth momentum despite not passing certain cost escalations to the end consumer in the form of increased prices. The year 2016, witnessed upward revision in the Port and Airport levy by 2.5% and the depreciation of the rupee which had a direct impact on the pricing structure of our products. However, despite these significant increases, the Company managed to maintain the growth trajectory in profitability levels.

#### **Operating Environment**

Since the inception of our Company, we have pioneered and introduced innovative manufacturing processes. In 2013, we were the first to introduce R600a gas based refrigerators. Today, the entire refrigerator market has followed us by using this technology. However, we are still able to command the early mover advantage that we gained when we first introduced this gas to our refrigerator products, which is reflected in our sales volume.

## CHAIRMAN'S REVIEW

At the end of 2015, the Company invested in the U-Shell machine, which commenced operations in the first quarter of 2016. The use of this technology enables painted sheets to be used in the manufacture of our refrigerator cabinets instead of using the traditional powder coating paint process. This has translated into cost improvements, while minimising adverse effects on the environment. The Company invested Rs. 142 Mn in a vacuum forming machine in 2016, which is expected to commence operations in 2017. We expect this new technology to infuse cost efficiencies and increase productivity levels. The financial and environmental impact of this initiative will be realised fully in the year 2017.

In cognisance of our commitment to introduce environmentally friendly products to the market, two new inverter models of refrigerators to the 'Sisil' and 'Singer' ranges have been launched. These models - Geo 262i and Eco 252i, which were launched in 2nd half of 2016 have been well received by consumers.

Overall, there has been a 16% increase in our sales volumes in 2016, with the sales of our 'No-Frost' refrigerators increasing by 23%, while the 'Direct Cool' category sales increasing by 15%, compared to the year 2015. We attribute this enhanced sales volume to the increase in disposable incomes of customers and the low penetration levels for refrigerators. Further, the aggressive promotional and advertising campaigns conducted by Singer (Sri Lanka) PLC - our parent

company - is a contributory factor for the sales growth of the Company. The strategic direction given to us by our parent company is greatly valued.

### Performance of Regnis Appliances (Pvt) Ltd

Regnis Appliances is a fully owned subsidiary of Regnis (Lanka) PLC, which manufactures washing machines, plastic components for refrigerators, and plastic chairs. The overall performance of this Company has been encouraging with profit after tax increasing by 34% in 2016 compared to 2015.

In the washing machine product category, sales increased by 15%, with the fully-automatic washing machine increasing sales by 17% and semi-automatic washing machine increasing sales by 13% in 2016 compared to 2015. The semi-automatic washing machine model introduced to the market in the latter part of 2015 performed exceptionally well as it was very well accepted by consumers.

### Recognitions Received by the Company

During the year 2016, the Company was recognised in several platforms representing corporate excellence. As stated earlier, the Company was recognised as one of 'Asia's Best 200 Companies under a Billion Dollars in 2016' by Forbes Asia.

Further, the Company was recognised at the 52nd Annual Reports Awards competition held by The Institute of Chartered Accountants of Sri Lanka.



**DURING THE YEAR 2016 THE COMPANY WAS RECOGNISED IN SEVERAL PLATFORMS REPRESENTING CORPORATE EXCELLENCE. AS STATED EARLIER, THE COMPANY WAS RECOGNISED AS ONE OF 'ASIA'S BEST 200 COMPANIES UNDER A BILLION DOLLARS IN 2016' BY FORBES ASIA.**



We take this as an endorsement for being on the right path and endeavour to excel in all arenas of business in the future.

Our overall business efforts were also recognised by our parent company - Singer (Sri Lanka) PLC, where Regnis (Lanka) PLC received the award for being the 'Best Associate Company' of the Singer Group in Sri Lanka.

### Way Forward

The Sri Lankan economy is going through a phase of stabilisation assisted by the IMF package introduced in 2016, and the predicted economic growth rate for the country is between 4.5% to 5% in 2017. However, I believe that the demand for consumer durables, especially refrigerators and washing machines will maintain its growth levels. This is mainly because the Sri Lankan market penetration for such goods is relatively low and the market remain far from saturated. For example, at present the refrigerator market penetration is approximately 60% while the washing machine market penetration has only reached about 20%. Secondly, with peoples' purchasing power being strengthened with the increasing per capita income together with the increasing access to credit cards, the propensity for consumers' to purchase consumer durable products remain high. Thirdly, the increase in electrification of households, which is now above 90% and still growing, and the initiative to increase the household coverage of water supply by the government augurs well to create a demand for the Company's products

as consumers who did not have an opportunity to own such consumer durables as refrigerators and washing machines will now be able to own these products. These factors would lead to an increased demand for our products, thereby reflecting on the future growth prospects of the Company, which in turn would positively enrich the lifestyles of all Sri Lankan consumers.

### Acknowledgments

As we recognise the achievements of the Company, I take this opportunity to congratulate and appreciate Mr. Kelum Kospelawatte, the Factory Director and his team for their commitment and dedication. I also recognise the management team for their relentless focus in maintaining the growth momentum of the Company, whilst addressing social and environmental aspects generating a positive impact on all stakeholders.

I also would like to express my sincere gratitude to the Board of Directors and our parent Company for the support extended to the Company in its journey of success. Finally, I would like to thank all our shareholders for their continued support and confidence placed in the future of the Company.

Yours Sincerely,

*(Sgd.)*

*Dr. Saman Kelegama*  
Chairman

*Colombo*  
*23rd February 2017*

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# CHIEF EXECUTIVE OFFICER'S REVIEW

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Dear Shareholders,

## The Environment and Business Conditions

The level of consumer spending in 2016 though reduced from that of 2015 was better than in the preceding years of 2012-2014. The increase in consumer spending in 2015 was due to public sector salary increases and reduction of consumer costs on gas, electricity and fuel.

Exchange rates devalued by around 4% in 2016 (year end to year end) on top of a devaluation of over 9% in prior year.

Interest rates which had a marginal increase in 2015, increased very sharply by around 500 basis points and in percentage terms by 60% - 70% on the prior year rates.

The government increased the value added tax (VAT) rate from 11% to 15% from 2nd May, but had to postpone it in mid-July due to legal actions. VAT increase was effected again from 1st November. In addition from 1st November, VAT was imposed on some products which previously were exempt.

On the social side, consumers are keen to upgrade their living standards and continue to move to better and latest products. (example : from semi auto washing machines to fully auto washing machines) There is also a shift from living in homes in suburbs to apartments in cities.

On the technological front, there are constant improvements and new technologies presented to customers (example : Refrigerators with R600a gas).



**THE REFRIGERATOR  
PRODUCTION IN 2016  
IS 75% ABOVE THAT  
OF 2013. THIS IS DUE  
TO THE TREMENDOUS  
DEMAND FOR REGNIS  
REFRIGERATORS  
FOLLOWING CHANGE  
OVER TO R600a GAS.**

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# CHIEF EXECUTIVE OFFICER'S REVIEW

## Regnis named as one of Forbes Asia's '200 Best Under a Billion'

Regnis (Lanka) PLC group achieved the distinction of making it to the Forbes Asia's 200 Best Under a Billion 2016 list.

Forbes Asia's 'Best Under A Billion' list highlights 200 of the best small and mid-sized listed companies in Asia Pacific with annual revenue under US Dollar 1 Billion.

According to Forbes Asia, 17,000 publicly traded companies in the Asia-Pacific region qualified to enter with annual revenues between USD 5 million and USD 1 billion. The resulting 200 in the 2016 list are un-ranked but comparatively produced the highest sales and earnings per share growth for both the most recent fiscal one and three-year periods, and the strongest five-year average return on equity. These entities represent the top 1% of the SME sector in Asia Pacific.

A total of three Sri Lankan companies made it to the 2016 list including Regnis (Lanka) PLC. The vast majority of the companies on the list were from China / Hong Kong, Taiwan, South Korea and Japan.

## Refrigerators using R600a Gas

As mentioned in prior year reviews, in the final quarter of 2012 the company introduced a new generation of refrigerators using the R600a gas. This gas does not result in global warming and has no impact on ozone depletion and is the gas used in developed nations. It is also the best for consumers since it has a very large saving on electricity.

While the manufacture of refrigerators using R600a gas was common in the developed world, Regnis was the first in South Asia to adopt this technology. As a result, this is not only a giant leap for our company, but for the country.

Due to the technology provided by Regnis (Lanka) PLC and the marketing campaign done by Singer (Sri Lanka) PLC, the entire refrigerator market in Sri Lanka was forced to change to sell refrigerators with R600a gas. This not only saves millions of rupees in terms of energy and electricity cost to the country, but also helps to save the environment.

## Regnis becomes subsidiary of Singer (Sri Lanka)

In February 2016, Singer (Sri Lanka) PLC acquired majority stakes in Regnis (Lanka) PLC from its common parent, Retail Holdings (Sri Lanka) B.V - formally Singer (Sri Lanka) B.V. making Regnis (Lanka) PLC and Regnis Appliances (Pvt) Ltd. subsidiaries of Singer (Sri Lanka) PLC.

It was a conclusion of a long process commenced mid-year of 2015 and included an independent valuation of these companies and the approval from various regulatory institutions.

## Capacity Improvement and Factory Modernisation

Over the years Regnis (Lanka) PLC production has increased steeply.

The refrigerator production in 2016 is 75% above that of 2013. This is due to the tremendous demand for Regnis refrigerators following change over to R600a gas.



**THE GROUP REVENUE INCREASED TO RS. 4,791 MILLION FROM RS. 4,149 MILLION – AN INCREASE OF 15%. THE COMPANY REVENUE INCREASED TO RS. 3,693 MILLION FROM RS. 3,200 MILLION, AN INCREASE OF 15%.**

To facilitate this production increase, Regnis changed its process from powder painting to use of painted sheets and also installed new machinery in 2015. At the end of 2016, higher capacity machines were installed further raising capacity by around 20%.

The new machines also result in improvements to quality, lesser scrap and re-work.

#### **Production Volumes**

Due to reasons mentioned above the total refrigerators sold by Regnis (Lanka) PLC had a great demand in the market and in 2016 volume increased by a further 21%.

The washing machine units manufactured by the Regnis Group also increased by 17%.

#### **Regnis Appliances (Pvt) Limited**

The fully owned subsidiary Regnis Appliances (Pvt) Ltd commenced commercial operations on 1st October 2010. This Company manufactures plastic components for washing machines and refrigerators and manufactures washing machines and plastic chairs.

#### **The Financial Results for the Year**

While I would not go into details, as this is given in the Financial Review, it is important to list significant results in this review.

Regnis Group continued outstanding performance. Group net profit improved by 2% to Rs. 350.3 Million. It should be noted that in the prior year group profit more than doubled.

During 2016 the company held prices despite devaluation of the rupee and absorbed the increase in VAT and Port and Airport Levy. The company also undertook some advertising of its refrigerators.

The Group Revenue increased to Rs. 4,791 Million from Rs. 4,149 Million – an increase of 15%. The company revenue increased to Rs. 3,693 Million from Rs. 3,200 Million, an increase of 15%.

Total comprehensive income for the year was Rs. 465.9 Million compared to Rs. 348.3 Million in the prior year – an increase of 34%. This was mainly due to revaluation of property, plant and equipment in the current year.

#### **Changes in the Board and the Management**

Mr. Neminda Karunaratne was appointed as an Alternate Director on the Board. Mr. Neminda Karunaratne is the Director, Human Resources of Singer (Sri Lanka) PLC and has been with the Singer Group since 1991. He was also Head of Human Resources at Regnis from 2012 to 2015. We wish Mr. Neminda Karunaratne continued success with the Group in the coming years.

#### **Acknowledgements**

I wish to place on record my appreciation to Mr. Kelum Kospelawatte, Factory Director – Associate Companies and all our staff for their contribution and commitment without which it would have not been possible to achieve these excellent results.

I also thank Dr. Saman Kelegama, Group Chairman and the Board of Directors of the company and the Group for their continued guidance, support and the encouragement in achieving these results.

I also thank Mr. Stephen Goodman, Chairman and Mr. Gavin Walker, Chief Executive Officer of Singer Asia and Board of Directors of Singer Asia for their valuable support and guidance.

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

Sincerely,

*(Sgd.)*

**Asoka Pieris**  
Chief Executive Officer

*February 23, 2017*

## BOARD OF DIRECTORS



### **Dr. Saman Kelegama**

*Chairman*

(Independent Non-Executive)

Appointed to the Board on 21st August 2008. Appointed as the Non-Executive Chairman on 1st April 2015.

#### **Skills and Experience**

Fellow, National Academy of Sciences in Sri Lanka, former President and Honorary Fellow of the Sri Lanka Economic Association and author of several publications on the economy of Sri Lanka & South Asia region.

D.Phil (Economics), Oxford University, UK

#### **Other Appointments**

Chairman - Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Singer Finance (Lanka) PLC, Regnis Appliances (Pvt) Ltd and other subsidiaries of Singer (Sri Lanka) PLC.

Director - S C Securities (Pvt) Ltd, the Postgraduate Institute of Management (PIM), Standing Committee on Humanities and Social Sciences and the Gamani Corea Foundation.

Executive Director - Institute of Policy Studies of Sri Lanka.



### **Asoka Pieris**

*Managing Director/ CEO*

(Executive Director)

Appointed to the Board on 10th April 2003. Appointed as Managing Director and Group Chief Executive Officer of Singer Group of Companies on 1st July 2010.

#### **Skills and Experience**

Mr. Pieris is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK and a Certified Global Management Accountant.

Prior to the present appointment, Mr. Asoka Pieris served in Hong Kong as Chief Financial Officer of Singer Asia Ltd., and Controller of Retail Holdings N.V.

#### **Other Appointments**

Director of Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Reality (Lanka) Ltd., Regnis Appliances (Pvt) Ltd, Singer Digital Media (Pvt) Limited, Singer Business School (Pvt) Ltd. and Equity Investments Lanka Ltd. Vice President of Singer Asia Ltd and Retail Holdings N.V.




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**Ranil De Silva**

*Director*

(Independent Non-Executive Director)

Appointed to the Board on 9th May 2014.

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**Skills and Experience**

Fellow Member of the Chartered Institute of Management Accountants UK, Associate member of the Institute of Chartered Accountants of Sri Lanka and a Member of the Chartered Institute of Marketing UK.

Mr. De Silva has wide experience locally and overseas in diverse industries having previously held the position of Managing Director of the Hemas Hotel Sector. Currently the Jt. Managing Director of Aitken Spence Hotel Management (Pvt) Ltd.

**Other Appointments**

Director of Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC.




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**Gavin J Walker**

*Director*

(Non-Executive Director)

Appointed to the Board on 1st November 2005.

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**Skills and Experience**

Prior to joining the Company, Mr. Walker held offices as Managing Director and Chief Executive Officer of public quoted and private companies in the United Kingdom and South Africa. Mr. Walker, served as Chief Executive Officer of a multi-brand

retailer of electrical appliances and furniture with operations in 16 African countries and Australia (including SINGER® brand electrical appliances under license).

**Other Appointments**

President/ Chief Executive Officer of Singer Asia Ltd. and was appointed to this position in August 2005.

Mr. Walker serves on the Board of a number of Singer Asia Subsidiaries.

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## BOARD OF DIRECTORS

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### V G K Vidyaratne

*Director*

(Non-Executive Director)

Served the Board since the inception.

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#### 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

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



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### Kelum Kospelawatte

*Director*

(Executive Director)

Appointed to the Board on 15th October 2014.

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#### Skills and Experience

Appointed as Factory Director – Associate Companies on 1st October 2014.

Holds BSc. (Hons) Degree in Mechanical Engineering, University of Moratuwa and an MBA from the University of Sri Jayewardenepura.

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.






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**Neminda Karunaratne**

*Alternate Director to Mr. G Walker*

(Executive Director)

Appointed to the Board on 05th  
May 2016

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**Skills and Experience**

Appointed as Director Human Resources of Singer (Sri Lanka) PLC on 1st January 2016.

Holds a Masters in Business Administration from the University of

Southern Queensland, Australia and National Diploma in Human Resources Management from the Institute of Personal Management Sri Lanka.

Mr. Karunaratne has previously held various managerial positions in Regnis (Lanka) PLC and Singer (Sri Lanka) PLC.

He is a past Council Member of IPM, Institute of Personal Management Sri Lanka and present council member of the Outward Bound Trust of Sri Lanka.




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**Ernj Fernando**

*Secretary to the Board*

(Since 20th May 2016)

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Group Factory Controller and Chief Financial Officer of Regnis (Lanka) PLC and Regnis Appliances (Pvt) Ltd.

Company Secretary of Singer Industries (Ceylon) PLC and Regnis (Lanka) PLC which are public quoted companies, and Regnis Appliances (Pvt) Ltd.

A member of the Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka.

# MANAGEMENT TEAM



**K D Kospelawatte** ■  
Factory Director



**E Fernando** ■  
Group Factory Controller



**P Madurasinghe** ■  
Senior Manager – Engineering



**K G G Perera** ■  
Commercial Manager



**M Ranasinghe** ■  
Senior Materials Manager



**J Jayasundara** ■  
Factory Manager  
*Regnis Appliances (Pvt) Ltd.*



**E N P Soysa** ■  
Senior Production Manager



**Ms.S Edirisinghe** ■  
Manager- Human Resources



**K K Atukorala** ■  
Accountant- Management



**A Amarasinghe** ■  
Stores Manager



**M De S Seneviratne** ■  
Assistant Quality Assurance Manager



**A S Kendasinghe** ■  
Manager-Information Technology



**Ms. S Fernando** ■  
Confidential Secretary



**T J Nishanthan** ■  
Accountant-Finance



**Y C Withanachchi** ■  
Assistant Accountant  
*Regnis Appliances (Pvt) Ltd.*





# MANAGEMENT DISCUSSION AND ANALYSIS

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*During the year 2016 we focused on implementing cost efficiencies and process improvements to the manufacturing process. Our strategic investments to upgrade our manufacturing technology will be the platform that will drive the growth of the Company.*

# ECONOMIC ENVIRONMENT

## Sri Lankan Economic Outlook

The Sri Lankan economy continued to grow at a moderate rate of 3.9% in real terms during the first half of 2016 in comparison to 5.7% growth recorded in the corresponding six months of 2015, and below the 2015 annual growth of 4.8%. This growth was mainly propelled by the continuous expansion of the services sector supported by financial service activities, and wholesale and retail trade activities in addition to other personal services and public services. The contribution from the Industrial sector was mainly a result of the higher value addition from construction and manufacturing activities. The agriculture sector contracted in the same period mainly due to adverse weather conditions, which also affected prices of domestic fresh food items in the first half of 2016.

The Sri Lankan economy saw some improvements in the fiscal sector in the first half of 2016, although fiscal challenges and some structural weaknesses in the economy are yet to be addressed. The financial sector however, continued with its growth momentum well into the third quarter of 2016.

In order to contain the possible emergence of demand driven inflationary pressures in the economy; stemming from high credit growth and excessive monetary expansion, the Central Bank tightened its monetary policy stance in several stages during the first nine months of 2016. The higher than expected domestic credit growth rate and risks relating to financial system stability pushed the

Central Bank to tighten its monetary policy stance by imposing cash margins and maximum loan-to-value ratios in the last quarter of 2015 to contain credit flows to certain sectors, while allowing the exchange rate to be determined by market forces in 2016. However, during the first nine months of 2016, the Central Bank also raised the Statutory Reserve Ratio (SRR) and its main policy interest rates.

These measures were expected to support the reduction of the pressure on the external sector by dampening import intensive credit flows to the economy and discouraging portfolio capital outflows. However, the external sector vulnerabilities persisted mainly due to the weak recovery seen in the global economy and further uncertainties due to Brexit, as well as the inability of the Sri Lankan economy to attract sufficient non-debt creating long term capital flows.

## Inflation

Consumer price inflation increased during the first half of 2016 but stabilised in single digits thereafter, as did core inflation. Headline inflation however, registered an increase in the second quarter of 2016; a result of the combined impact of domestic supply side disturbances such as adverse weather conditions, and the increase in the rate of Value Added Tax (VAT) as well as the removal of certain exemptions applicable on VAT and Nation Building Tax (NBT). In the third quarter of 2016, inflation declined mainly reflecting the impact of the normalisation in domestic supply conditions as well as the suspension of the implementation of changes in the

government tax structure. Accordingly, the year-on-year basis National Consumer Price Index (NCPI) based headline inflation, which increased to its highest level of 6.4% in June 2016, moderated to 4.7% by September 2016.

## Rupee Depreciation

The rupee remained relatively stable until September 2016 despite the considerable depreciation pressure on the rupee during the first four months of 2016; a result of the import expenditure, debt service payments and unwinding of investments in the government securities market. This necessitated intervention by the Central Bank to supply foreign currency liquidity in the domestic foreign exchange market. However, from May 2016 onwards, the rupee saw a reduced depreciation pressure due to the gradual reversal in the outflows from the government securities market together with inflows from the Extended Fund Facility (EFF) that the government and the Central Bank entered into with the International Monetary Fund (IMF) to streamline medium term fiscal performance, the proceeds from the International Sovereign Bond (ISB) and the syndicated loans. As such, the net supply of foreign exchange liquidity by the Central Bank was limited to US\$ 693 Mn during the first nine months of 2016. In total the Sri Lankan rupee recorded a depreciation of 1.8% against the US\$ by the end of September 2016.



### Future Outlook

In the coming year, Sri Lanka's positive medium term macroeconomic outlook will depend on structural adjustments in the external and fiscal sectors and the implementation of sound macroeconomic management policies. Accordingly, Sri Lanka's economic growth is expected to be approximately 5.0% to 5.5% in 2016, and is projected to increase to 6.3% in 2017. This growth momentum is expected to be supported by major contributions from growth in the trade of merchandise goods and services such as tourism, transport, telecommunication, ports and financial services. These sectors are expected to improve productivity by utilising new technology and digitalisation of production and service processes.

In the medium term, growth outlook is also expected to be supported by the consolidation of investment activities with the participation of both the public and private sectors. The country is also going to rely on foreign investments to enhance areas where Sri Lanka has a relative advantage; such as information technology related services and logistics. Future opportunities that will arise with the establishment of the Colombo International Financial City, and the proposed establishment of Special Economic Zones is expected to consolidate the medium term growth of the economy. Together with the appropriate monetary and fiscal policy measures expected from the government, the Sri Lankan economy is expected to create an environment conducive for investment.

In 2017, inflation is expected to be maintained at single digit levels, while fiscal policy will continue to focus on strengthening the fiscal consolidation process. The rise in income levels from the expected developments in all sectors of the economy will also help Sri Lanka to graduate to upper middle income status, and the per capita GDP is expected to rise to over US\$ 5,500 by 2020.

### Global Economic Outlook

The global economic outlook which was predicted to remain modest in 2016, is expected to see a gradual recovery in 2017, according to the IMF World Economic Outlook (WEO) – October 2016. Since July 2016, the forecast has remained unchanged at 3.1% for 2016 while gradually improving to 3.4% in 2017. However, in July 2016, the growth projection for the advanced economies were revised downward, mainly a result of the lower than expected growth in the US as well as the increased uncertainty with the outcome of the June vote in the UK to leave the European Union, famously known as Brexit. Meanwhile, the overall growth outlook for emerging market and developing economies improved marginally in 2016 when compared to the previous July estimates as a result of reduced concerns about China's short term growth prospects, firming of commodity prices and robust growth from economies like India. During the medium term, global growth outlook is forecast to gradually increase to 3.8% by 2021, due to expected developments in emerging market and developing economies.

## INDUSTRY ENVIRONMENT

The consumer durables industry in Sri Lanka is made up of imported products from international brands as well as products manufactured and assembled in Sri Lanka. As a very competitive industry, which is dominated by a few key players, Regnis, which manufactures refrigerators and washing machines sold to the local market is in a fortunate position of having its products marketed and sold by Singer (Sri Lanka) PLC - one of the leading players in this market space. Singer with its extensive distribution network, renowned brands and loyal customer base is in an ideal position to capitalise its established brand equity to reach consumers to market Regnis products.

The consumer durables industry which has been positively affected due to the increase in disposable income of consumers in the last couple of years continued its momentum in 2016. The increase in demand following the expansionary fiscal measures had a positive impact on sales in the consumer durables sector. The seasonal demand of March-April also had a positive impact on the retail sector. Further, in the last quarter of 2016, Fitch Ratings Inc., predicted that the rising interest rates, higher taxes and depreciating rupee could negatively affect the demand for consumer durable goods during the next 6 to 12 months. These

impacts will however have a lesser effect on Regnis as our products are manufactured locally and thus the impact of these factors on the prices of our products will be much lower than that of imported consumer durable products. In addition, the well-managed and competitive hire-purchase options given by Singer for our products will continue to push our sales volumes to expected levels, thus leading the Company to have a positive outlook for the year ahead. Overall, the outlook for the industry was positive with an average growth of 6%-10% predicted in sales volumes, which was bettered by Regnis Group with a Sales growth of 15% in 2016.

Another factor that affects the consumer durables sector is the level of electrification and the cost of electricity in a country. The Sri Lankan government has now nearly completed the electrification of households, will positively impact the demand for products manufactured by Regnis. However, there is still some concern over electricity consumption by the Company's products due to the high levels of prevalent electricity costs in Sri Lanka. Regnis has taken the first steps by introducing new energy efficient products such as the two new models of refrigerators using inverter technology to counter this concern.



### Outlook for 2017 and Beyond

The overall outlook for the consumer durables segment in Sri Lanka is positive, mainly expected to be driven by the increased disposable household incomes, a result of the increase in per capita income of the country. However, the newly increased Value Added Tax (VAT) on consumer durable goods, may lead to a decrease in demand for such goods in Sri Lanka in the shorter term due to expected increases in selling prices of such products. Further, increasing inflation rates and currency depreciation effects expected in 2017, may negatively affect the purchasing power of consumers. In addition, the drought which occurred in the latter part of 2016 is also expected to impact sales during the March-April season of 2017. However, the increasing electrification of households together with the increased access to household water supply will partly allow the consumer durables segment to counter these effects as consumers who were previously unable to purchase such products as refrigerators and washing machines will now opt to do so.



# OPERATIONAL REVIEW

Regnis (Lanka) PLC is a manufacturer of two main consumer durable products - refrigerators and washing machines under the brands of Singer and Sisil.



## Refrigerators

**SINGER** | RGS 150, GEO 182S, GEO 200D, GEO 242D, GEO 260NF, GEO 282NF, GEO 262i

**SISIL** | ECO 55, ECO 72, ECO 245, ECO 192, ECO 192WR, ECO 251 NF, ECO 252i



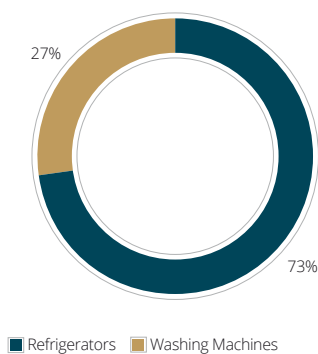
## Washing Machines

**SINGER** | SAWR 6000, SWM FA 70R, FAW R60, SAR 6

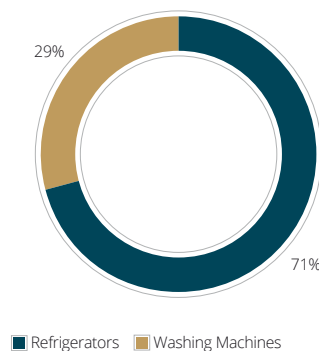
**SISIL** | SL-WM 67, SL- SWMFR 72R

Our products aim to be eco-friendly, are locally manufactured and have over the years gained a reputation as a durable and affordable product by consumers. Regnis has always believed in meeting expectations of consumers for efficient and environmentally friendly products and thus continues with its strategy of driving growth of production volumes to meet increased demand by improving product quality and introducing more environmentally friendly and energy efficient products by the continuous investments in new technologies and manufacturing processes.

## PRODUCTION VOLUMES OF 2015



## PRODUCTION VOLUMES OF 2016



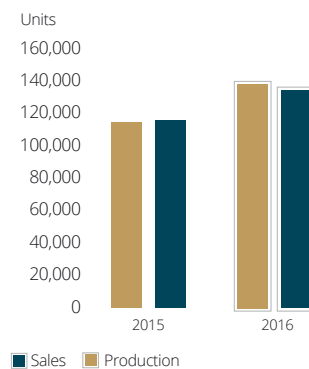
The year under review was challenging but successful with increasing demand for the Company's products which we successfully met by increasing production volumes. This increase in demand was supported by the increase in disposable incomes as a result of increase in salaries of government employees, the seasonal demand of March-April 2016, and the steady prices offered by Regnis.

### Refrigerator Business

The Company's main business is the manufacture of refrigerators. The year under review saw an increase in both the production and sales of our two brands of refrigerators - Singer and Sisil, mainly due to its affordability and accepted durability by Sri Lankan consumers. In addition, the recognised after sales service and hire purchase

facilities provided by Singer (Sri Lanka) PLC, our parent company and the sole distributor and marketer of our products also continues to play a significant role in the consistent demand for our manufactured brands. In the year under review, the total refrigerators manufactured increased by 21% supported by increased production capacity, while sales volume increased by 16% mainly due to our competitively priced and high quality products enabling Regnis to successfully compete with products of other brands in the market.

## REFRIGERATOR PRODUCTION & SALES VOLUME



## Manufacturing Process

Regnis has an extensive manufacturing facility just a short distance from the city of Colombo. With our focus being on continuous improvement, we constantly strive to upgrade

# OPERATIONAL REVIEW

and transform our production facilities to incorporate state-of-the-art technologies and latest ‘green processes’ ensuring that the products we manufacture are aligned to international production and environmentally friendly standards.

During the year under review, we continued with the upgrade of our manufacturing processes which focussed on operational efficiency and increasing eco-friendliness of our refrigerator products. With investments made to not only automate production processes but also to eliminate waste and reduce resources utilised, we installed new machines to enable the Company to further reduce carbon emissions and produce energy efficient refrigerators. These improvements will also enable Regnis to reduce costs and increase efficiency, which in turn allow the Company to reduce costs of production despite increasing taxation and currency depreciation. These resultant cost reductions through the Company’s investments will be passed onto our consumers in terms of sustained sales prices for our refrigerator products.

Regnis invested Rs. 189 Mn to automate the cabinet making process and to modernise the production processes as well as the refrigerator assembly lines. Having completed these upgrades, the Company is in a position to increase production volumes to meet demand in the coming year.

An indirect impact of the Company’s strategy of utilising state-of-the-art production processes and machinery

is the inflow of the latest technology to the country which enables our employees to work in an environment where they are able to enhance their knowledge on the latest technological developments and environmentally friendly manufacturing processes.

### Market Share

Regnis is one of the leading manufacturers of refrigerators in Sri Lanka. With a significant market share for our refrigerators in the country, we continue with our strategy to maximise installed capacity utilisation to cater to increasing consumer demand for our products as well as to optimise production costs. The key markets for our refrigerator products continue to be the Direct Cool segment. We have also in recent years increased our sales of No-Frost refrigerators in urban areas of the country. Another important initiative that enabled the Company to increase market share was the manufacture of new refrigerator models using the R600a technology which eliminates the greenhouse gas emissions when using these refrigerators. As the pioneer of the use of this gas in the manufacture of refrigerators in South Asia in 2013, Regnis was not only able to lead the market for energy efficient refrigerators but also continue to retain the market leadership position.

### Products

Today, Regnis has 14 models equally divided between the Singer and Sisil brands which offer eco-friendly and energy efficient No-Frost/Direct Cool, refrigerators to discerning consumers. The latest inverter model of refrigerators produced under both the Singer and Sisil brands and introduced

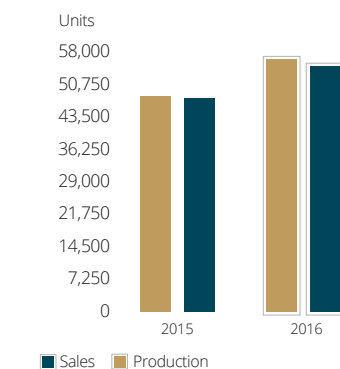
to the market in the year under review have been well-received by consumers.

The superior electricity saving offered by the R600a technology, modern designs for the GEO and ECO refrigerator models coupled with an excellent marketing campaign, resulted the products being manufactured by the Company are well received by the local consumers.

### Washing Machine Business

Regnis manufactures its washing machines under its fully-owned subsidiary, Regnis Appliances (Pvt) Ltd under the brands of Singer and Sisil. This business continued its growth momentum and produced 17% more of washing machines compared to the previous year. Regnis Appliances also continued to focus on utilising its installed capacity to reduce production costs and improve manufacturing processes with the ultimate aim of improving quality and meeting the demand for environmentally friendly and energy efficient washing machines by consumers.

### WASHING MACHINE PRODUCTION & SALES VOLUME



In the year under review, the total washing machine production volumes increased by 17% compared to 2015. This increase in production was equally distributed among the two types of washing machines manufactured by Regnis Appliances – the fully-automatic and the semi-automatic where production increased by 17% each. The production increases were also supported by increased sales of 17% for the fully automatic washing machines and 13% for the semi-automatic washing machines in the year under review. These increases were reinforced by the increase in electrification and increase in availability of water supply to the households due to the initiatives of the relevant authorities.

### Products

Regnis manufactures six models of washing machines which adhere to internationally acclaimed standards and are environmentally friendly products. Regnis Appliances introduced a new 6kg semi-automatic washing machine model under the Singer brand in 2016 which performed exceptionally well as it was well received by the consumers throughout the country.

### Market Share

The Company which has a smaller market share for its washing machines compared to its refrigerators, has identified growth potential in the washing machine market in the coming years. This outlook is supported by the increased electrification of households in the country which is now above 90%, and the expansion in the water supply of households by the Water Board.

The overall low penetration level of washing machines in the market together with the increase in total sales by 15% in the year under review; encourages Regnis Appliances to continue to pursue this market segment to drive growth in the future and further increase the market share.

### Marketing and Sales Promotions

Regnis as a manufacturer of refrigerators and washing machines, continues to be supported by our parent company – Singer (Sri Lanka) PLC in marketing, promoting and selling our products. As the sole retailer of our products, Singer (Sri Lanka) PLC is in a unique position to sell our products island wide using the extensive distribution network of Singer outlets.

Regnis also participates in technical exhibitions where the Company can directly interact with other manufacturers to share and learn from each other on latest technological use. The Company also takes this opportunity to display and promote the Company's products and share technological features with the general public. Further, the Company's new above-the-line advertising initiatives, participation in community events, advertisements in souvenirs and other below-the-line advertisements undertaken allows Regnis to create a greater awareness of the products to prospective consumers.



### Future Outlook

Despite the expected increases in inflation and the currency depreciation, Regnis is positive about its business outcome in the coming year. This is mainly a result of the enhanced manufacturing processes and utilisation of cutting-edge technology in the manufacture of our products enabling the Company to take advantage of the 'first mover' position as well as lead the way in meeting the environmentally conscious consumers' demand. The Company also expects gains to be achieved in terms of reduced costs of production, and savings are also expected from reduction in wastage and rejects because of the modernisations underway for our manufacturing processes.

Together with the optimistic economic and industry conditions as well as the increased installed capacities and the price competitiveness to be achieved by the modernised, automated and eco-friendly manufacturing processes installed in 2016, Regnis is considering some new investments and strategies to enlarge the market for our products in the coming years.

# FINANCIAL REVIEW

Regnis (Lanka) PLC (referred to as 'the Company') achieved growth and profitability amidst a challenging economic and industry environment. The overall financial performance of the Company and the Group (refers to Regnis (Lanka) PLC and its subsidiary – Regnis Appliances (Pvt) Ltd) was noteworthy. The Group recorded a consolidated revenue of Rs. 4,791 Mn and a total comprehensive income of Rs. 466 Mn. This was achieved in a challenging economic environment where fluctuating exchange rates and interest rates along with increases in certain levies negatively impacted the cost of production and hence the profitability levels.

The financial performance achieved by the Group in 2016 is attributed to the focus by the management on continuous improvements in the manufacturing processes that resulted in operational and cost efficiencies. Further, sales revenue increased with the demand for the Group's energy efficient and eco-friendly product ranges improving significantly.

### Revenue

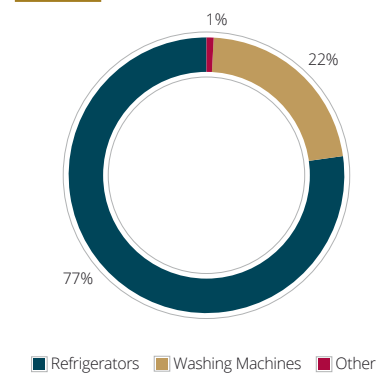
The Group's revenue in 2016 increased by 15% to Rs. 4.8 Bn from Rs. 4.1 Bn achieved in 2015. This increase in revenue was achieved despite adverse climatic changes experienced especially in the 4th quarter of 2016, adverse impact on customers' disposable income as a result of the continuous devaluation of the Rupee, increase in certain levies by the Government and a sharp increase in interest rates.

In the year under review, refrigerator and washing machines business segments grew by 15% and 15% respectively. Revenue from refrigerators increased to Rs. 3.7 Bn compared to Rs. 3.2 Bn in 2015. Revenue from washing machines increased to Rs. 1.1 Bn from Rs. 0.91 Bn in 2015.

The refrigerator segment dominated with 77% of the total revenue to the Company being contributed by this segment. Thus this segment maintained its market leadership position. The contribution by the washing machine business segment was maintained at the same levels as the previous year with a contribution of 22% to the total revenue of the Group, similar to the previous year.

The other business segment – sale of plastic chairs, contributed to the balance 1% of the revenue by doubling its sales volume in 2016. However, the revenue in monetary terms increased only by 27% to Rs. 44.3 Mn compared to Rs. 34.9 Mn generated in 2015.

### REVENUE BY SEGMENT 2016



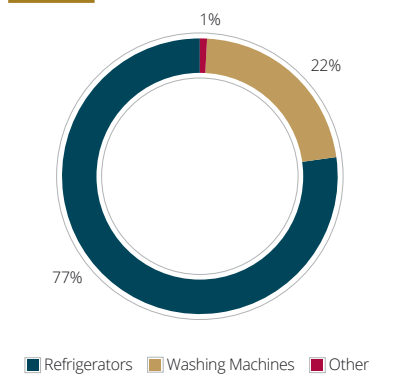
### Cost of Sales

The cost of sales of the Group increased by 16% in the year under review. During the year under review Ports & Airport Levy increased from 5% to 7.5%. Further, the cost of components also increased owing to the depreciation of the Sri Lankan Rupee. The management of Regnis Lanka decided to absorb the effects of these increases without passing the increased costs to the end customer, which had a direct impact of the cost of sales.

### Gross Profit

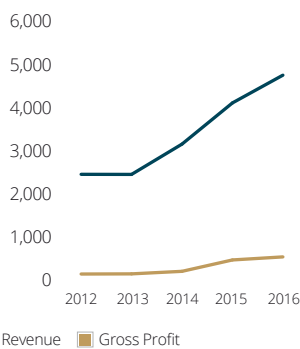
The Group was able to increase the gross profit by 14% in 2016 despite the strategic decision by the Group to absorb the increased costs of production without passing the increase in the form of a price revision to consumers. However, notwithstanding these adverse and uncontrollable factors, the Group recorded a gross profit of Rs. 582 Mn in the year 2016 compared to Rs. 511 Mn in 2015. This improvement in the profitability levels is directly attributable to the increased production volumes together with the gradual change in the product

### REVENUE BY SEGMENT 2015



mix. The product mix demonstrated a gradual change in the washing machine segment with the movement from semi-automatic to fully-automatic washing machines, and the refrigerator segment from Direct-Cool to No-Frost for refrigerators. These factors positively contributed towards the revenue growth of the Company, which had a direct impact on the improvement of the increase in the gross profit of the Group.

#### REVENUE & GROSS PROFIT (Rs. Mn)



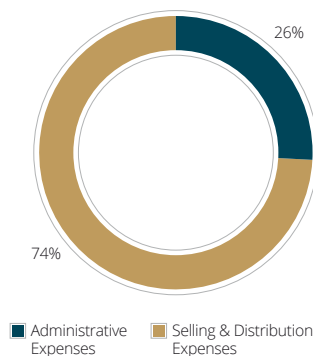
#### Operating Expenses

The operating expenses of the Group mainly consist of administrative expenses and selling and distribution expenses. In the year under review, the Group's administrative expenses increased by 33%. This was due to the Company's increased focus on Corporate Social Responsibility (CSR) with certain projects undertaken by the Company. A sum of Rs. 2.5 Mn, was expended towards various CSR projects initiated.

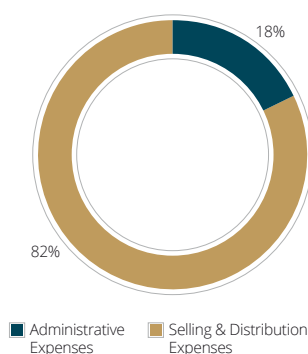
The Group's selling and distribution expenses increased substantially by 104% in 2016. This was directly attributable to the decision to implement a cost sharing model for advertising expenses with the

parent company, Singer (Sri Lanka) PLC. The Group spent Rs. 35.2 Mn on advertising expenses in 2016, while the selling and distribution expenses amounted to Rs. 87.2 Mn. The 'Under Guarantee Fee' of the Group increased by Rs. 9.2 Mn to Rs. 41 Mn during 2016. The 'Under Guarantee Fee' of the Company increased by Rs. 11.6 Mn to Rs. 26.8 Mn during the year. The increases in sales volumes during 2015 and 2016 resulted in the increase in warranties realised.

#### OPERATING EXPENSES 2015 (Rs. Mn)



#### OPERATING EXPENSES 2016 (Rs. Mn)



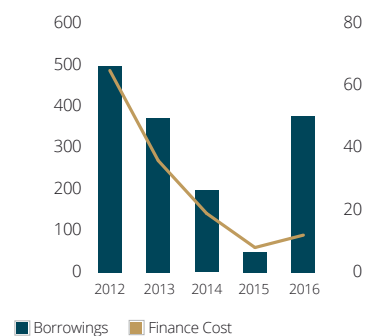
#### Borrowings and Finance Costs

The finance costs of the Group increased to Rs. 11.9Mn in the year under review compared to Rs. 8.1Mn in 2015. The main contributory factors

for this increase was the increasing interest rates in the market. The Group had to rely on increased borrowings to finance its increased working capital requirements due to the increase in the credit period offered to Singer (Sri Lanka) PLC from 14 days to 28 days. Further, the Group increased its borrowings to finance the increase in inventory to meet the high sales volumes forecasted by Singer (Sri Lanka) PLC for the first quarter of 2017 and to finance the acquisition of new machinery for Regnis Lanka.

The finance costs of the Company increased to Rs. 12.5Mn in 2016 compared to Rs. 7.1Mn in 2015 by 76% a result of the factors described above. The increased finance costs due to the reasons aforesaid, adversely affected the Group's interest cover, which reduced to 39.7 times from 55.9 times in 2015.

#### BORROWINGS & FINANCE COST (Rs. Mn)



#### Finance Income

The finance income of the Group declined by 20% due to, Singer (Sri Lanka) PLC increasing its credit period from 14 days to 28 days, thereby leading to a decrease in the related party interest income. This significantly increased the trade receivable balance of the Group. Further the interest

# FINANCIAL REVIEW

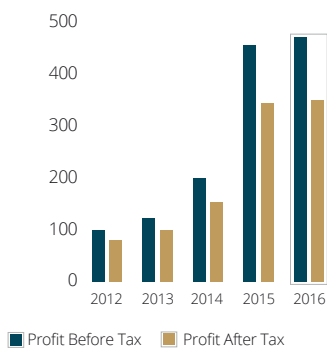
income on loans granted to employees reduced by 58% to Rs. 0.8 Mn due to the early settlement of staff loans.

The overall net finance position of the Group reduced in 2016 compared to Rs. 1.2 Mn net finance income realised by the Group in 2015.

### Net Profit

In the year 2016, the Group recorded a net profit of Rs. 350.3Mn compared to Rs. 344.1Mn in 2015. This growth was achieved despite adverse macro-economic factors experienced in the economy which affected the operating environment of the business.

**PROFIT BEFORE TAX & PROFIT AFTER TAX (Rs. Mn)**



### Other Comprehensive Income for the Year Net of Taxes

Other comprehensive income significantly increased during the year, mainly due to the revaluation surplus of Rs. 113.8mn (net of taxes) realised from the revaluation of freehold land and buildings belonging to the company in June 2016.

### Property, Plant and Equipment

The value of the property, plant and equipment held by the Group increased by 41% in 2016 to Rs. 979.6 Mn compared to Rs. 695.1Mn in 2015. The main reason for this increase was the aforesaid revaluation of the land and buildings and investments made in machinery and equipment.

The Group invested Rs. 216.4 Mn in state-of-the-art machinery and equipment to increase efficiencies in the production process. It is envisaged that these investments will translate into cost savings as energy efficiencies along with its positive effect on the environment.

**PROPERTY, PLANT AND EQUIPMENT (Rs. Mn)**

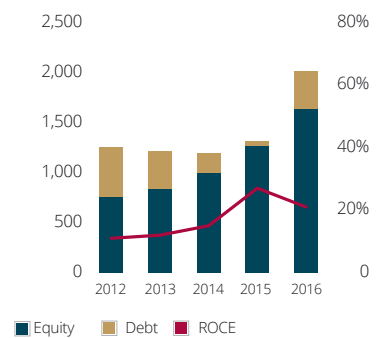


### Capital Structure

The Group's equity attributable to shareholders showed an increasing trend. In the year under review reserves increased by 35% to Rs. 416.8 Mn compared to Rs. 308.5Mn in the previous year.

The year also saw an increase in the retained earnings by 34% from Rs. 748.3 Mn in 2015 to Rs. 1,004.6 Mn in 2016. The Gearing Ratio and Return on Capital Employed (ROCE) was 23% and 21% respectively in 2016 compared to 3% and 27% respectively in 2015 due to the reasons explained earlier in this review.

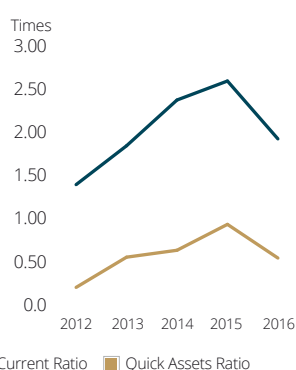
**CAPITAL STRUCTURE & ROCE (Rs. Mn)**



### Cash Flow and Working Capital Management

In the year under review, the cash flow position of the Company and the Group were affected due to the increased investments in new machinery. These investments will ensure that Regnis Lanka is geared to meet the evolving needs of the customers with environmentally friendly products keeping abreast with new technology. The cash generated from operations of the Group decreased by 61% in the year under review mainly due to increase in Inventory to meet the forecasted demand.

## CAPITAL MANAGEMENT RATIOS



<i>Returns to Shareholders</i>	2016	2015
Return on Capital Employed (ROCE)	21%	27%
Market price per share (Rs.)	137.50	176.70
Market capitalisation (Rs. Mn)	1,549.3	1,991.0
No. of shares In issue	11,267,863	11,267,863
Earnings per share (Rs.)	31.09	30.50
Dividend per share (Rs.)	18.50	9.00

### Way Forward

The Group's financial strategy in 2016 was focused on investing today for future profits. Thereby, strategic investments were made with the objective of increasing cost efficiencies, productivity and enhancing the quality of products

The Group strives to increase its market share with its expanded energy efficient product range, supported by the strong marketing and promotional campaigns spearheaded by Singer (Sri Lanka) PLC. Furthermore, the focus on environmentally friendly inverter models of refrigerators manufactured under the Singer and Sisil brands introduced in latter part of 2016

would contribute towards increasing sustainable growth levels in sales.

The Group will continue its strong focus on cost efficiencies and improvements in the production processes. Further, the manufacture of environmentally friendly products will ensure that products are in line with market and customer expectations to enhance the anticipated future sales growth. The investment in machinery during the year will be the platform for the Group to sustain its market and financial growth in the future.







# SUSTAINABILITY SUPPLEMENT

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*Since the inception of our journey we had a strong commitment to present world class products. Over the years, we have introduced products, which have set the trend with environmentally friendly products using latest technology. Our products are the preferred choice and is regarded as household name for every Sri Lankan*

# SUSTAINABILITY SUPPLEMENT

## About this Report

This Report has been prepared in accordance with the framework and guidelines set by the Global Reporting Initiative (GRI). The report complies with the GRI-G4 guidelines and is prepared in line with the core criteria.

## Reporting Period and Cycle

The Report covers the period from the 1st of January 2016 to 31st of December 2016 and is the Group's third report under the GRI guidelines. We adopt an annual reporting cycle.

## Reporting Boundary

The Report covers the operations of Regnis (Lanka) PLC and unless otherwise mentioned excludes the operations of its subsidiary, Regnis Appliances (Pvt) Ltd.

## Compliance

The Report conforms to the requirements of the Companies Act No.7 of 2007 and the financial statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards, comprising the International Financial Reporting Standards bound volume 2012. External Assurance on the

Financial Statements has been provided by Messrs KPMG Chartered Accountants. The Group applies a precautionary principle when determining the balance between operational expansion and social and environmental sustainability. All new ventures and initiatives undergo comprehensive feasibility and impact assessment studies.



### Contact Person

Please address comments, suggestions and other feedback to;

Chief Financial Officer,  
**Regnis (Lanka) PLC,**  
 No 52, Ferry Road,  
 Off Borupana Road,  
 Ratmalana,  
 Sri Lanka

## Stakeholder Engagement

To enable Regnis to implement truly sustainable business practices integrated to business strategies, it is important that we understand the needs and concerns of our stakeholders. Accordingly, Regnis has identified stakeholders who have the most impact on our business operations and engage with them using both formal and informal mechanisms to enable us to better understand key stakeholder requirements and add value to our products through such interactions.

While Regnis has direct contact with our shareholders, employees, suppliers and the community, our engagement with consumers is driven by Singer Sri Lanka as the sole distributor of our products.

A summary of the Company's engagement mechanisms and objectives aligned to stakeholder needs identified during the stakeholder engagement process is shown in the table below.

Stakeholder	Needs Identified	Engagement Mechanisms	Engagement Objectives
<i>Shareholders</i>	<ul style="list-style-type: none"> <li>• Sustainable growth and value creation</li> <li>• Returns commensurate with risks assumed</li> <li>• Strong corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• Feedback received after quarterly financial results and from the Annual Report</li> <li>• Press Releases</li> </ul>	<ul style="list-style-type: none"> <li>• Improve shareholder returns</li> <li>• Satisfy shareholder expectations</li> </ul>
<i>Consumers</i>	<ul style="list-style-type: none"> <li>• Innovative product range which satisfies consumer requirements in terms of functionality, quality and aesthetics</li> <li>• Energy efficient products and technologies</li> <li>• Superior after sales service</li> <li>• Cost effectiveness</li> <li>• Product health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer feedback form</li> <li>• Communication through field staff and Singer (Sri Lanka) PLC retail network</li> <li>• Marketing communications</li> <li>• Inputs received at the refrigerator clinics</li> </ul>	<ul style="list-style-type: none"> <li>• Provide consumers the products they want</li> <li>• Improve/increase consumer loyalty towards the Singer and Sisil brands</li> <li>• Increase in sales volumes</li> </ul>
<i>Employees</i>	<ul style="list-style-type: none"> <li>• Rewards and remuneration</li> <li>• Recognition and career development</li> <li>• Work-life balance</li> <li>• Opportunities for skills development and training</li> <li>• Learning about new technologies</li> <li>• Developing soft skills</li> </ul>	<ul style="list-style-type: none"> <li>• Staff meetings</li> <li>• Annual performance reviews</li> <li>• Memos &amp; circulars</li> <li>• Informal discussions</li> <li>• HR policy framework</li> <li>• Social and cultural events</li> </ul>	<ul style="list-style-type: none"> <li>• Motivate and engage employees</li> <li>• Develop a culture that is about sharing and working as one team</li> <li>• Reduce employee turnover</li> <li>• Health and safety</li> </ul>
<i>Suppliers</i>	<ul style="list-style-type: none"> <li>• Long term procurement relationships</li> <li>• Technical support for the production process</li> <li>• Timely settlement of payments</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier evaluation criteria</li> <li>• Monthly/quarterly/ annual site visits</li> <li>• Approved procurement policy</li> <li>• Meetings</li> <li>• Feedback from suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Improve long term relationships with suppliers</li> <li>• Gain advantages from economies of scale</li> <li>• Procure quality material at reasonable prices</li> </ul>
<i>Community</i>	<ul style="list-style-type: none"> <li>• Being a responsible company</li> <li>• Mitigation of harmful or adverse economic impacts</li> <li>• Assisting with community events and activities</li> </ul>	<ul style="list-style-type: none"> <li>• Press Releases</li> <li>• Face-to-face interaction if required</li> </ul>	<ul style="list-style-type: none"> <li>• Assist with education opportunities and improving education facilities</li> <li>• Help with religious and cultural events/activities</li> <li>• Being a good corporate citizen</li> </ul>
<i>Trade Unions</i>	<ul style="list-style-type: none"> <li>• Fair treatment of employees</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss labour issues, welfare and benefits</li> </ul>

# SUSTAINABILITY SUPPLEMENT

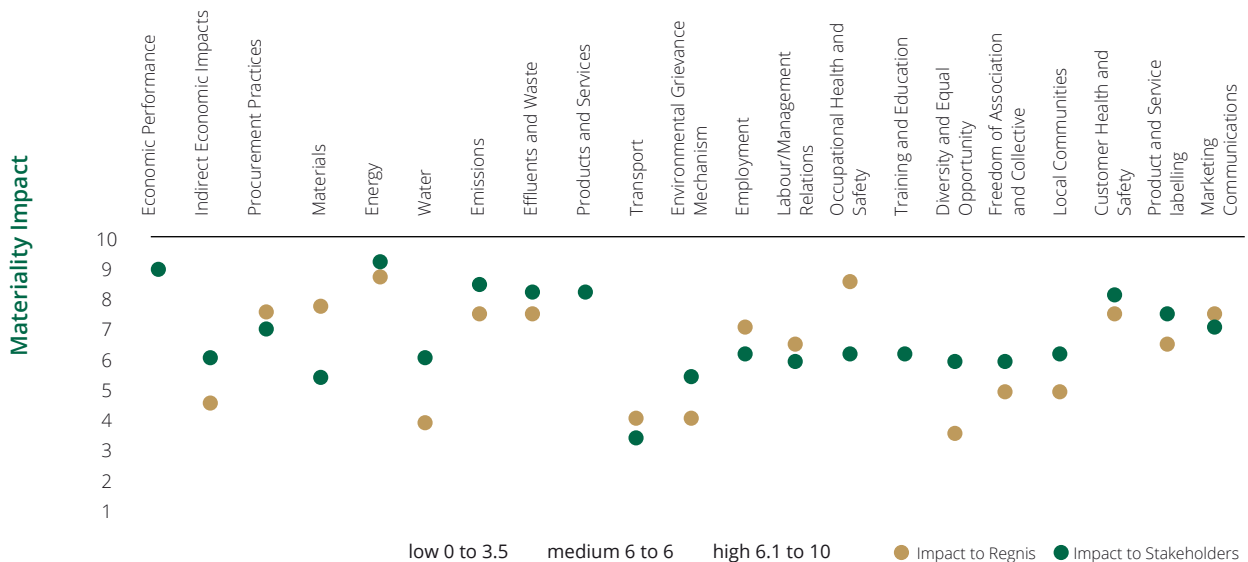
## Materiality Analysis

In the year under review, Regnis undertook an exercise to determine the material aspects for the Company and its subsidiary in relation to the economic, environmental and social categories as defined by and listed in the GRI-G4 guidelines. This was done based on feedback received from stakeholder engagement sessions, positives and negatives from carrying out business operations and prevailing situation of the local consumer durable industry. We successfully identified several key aspects and related indicators that will impact on the Company's economic, environmental and social performance. These material aspects are based on two views – Regnis and our key stakeholders. The 'Impact to Regnis' is based on the sustainability aspects that will impact the Company's current and long term sustainable business operations, while the 'Impact to key stakeholders' is based on concerns raised by our stakeholders during the stakeholder engagement process undertaken throughout the year.

These impacts have been given levels - High, Medium or Low.

*The material aspects identified and reported on, by Regnis (Lanka) PLC in this review is tabulated below.*

Material Aspects	Impact to Regnis (Lanka) PLC	Impact to Stakeholders
<b>ECONOMIC</b>		
Economic Performance	High	High
Indirect Economic Impacts	Medium	High
Procurement Practices	High	High
<b>ENVIRONMENTAL</b>		
Materials	High	Medium
Energy	High	Medium
Water	Medium	Medium
Emissions	High	High
Effluents and Waste	High	Medium
Products and Services	High	High
Transport	High	Medium
Environmental Grievance Mechanism	Medium	High
<b>SOCIAL</b>		
Employment	High	High
Labour/Management Relations	High	High
Occupational Health and Safety	High	High
Training and Education	High	High
Diversity and Equal Opportunity	Medium	High
Freedom of Association and Collective Bargaining	High	High
Local Communities	High	High
Customer Health and Safety	High	High
Product and Service labelling	High	High
Marketing Communications	High	High



## ECONOMIC SUSTAINABILITY

Regnis (Lanka) PLC achieves its business profits by managing its economic, environmental and social environs. In the year under review, the Company focused on achieving sustainable business profitability while we also gave-back to the society and environment within which we operate.

### Economic Performance

The Company's direct economic value generated and distributed to our stakeholders is shown in the Statement of Value Added below.

	Group				Company			
	2016		2015		2016		2015	
	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000
Gross turnover		5,542,682		4,717,275		4,280,420		3,639,988
Other income including finance income		8,414		10,749		62,313		37,915
Less: Cost of materials & other costs		(3,883,313)		(2,981,515)		(2,641,414)		(2,282,064)
		2,167,782		1,746,509		1,701,319		1,395,839
<b>Distribution of Value Added</b>								
Employees	23	501,269	25	442,031	27	457,103	29	404,702
Government	58	1,255,617	52	910,138	54	919,180	49	683,217
Lenders	1	11,989	0	8,146	1	12,518	1	7,099
Community investment	0	2,626	0	212	0	2,436	0	200
Shareholders	10	208,455	6	101,411	12	208,455	7	101,411
Depreciation and amortisation set aside	2	45,957	2	41,842	2	37,782	2	32,547
Profit retained	7	141,869	14	242,728	4	63,844	12	166,663
	100	2,167,782	100	1,746,509	100	1,701,319	100	1,395,839
No.of employees		316		322		261		265
Value Added per employee (Rs.)		6,860,071		5,423,942		6,518,463		5,267,317

The Company's economic profitability is also impacted by the continued investments in new machinery and investments made in using eco-friendly technology when manufacturing our products. However, the longer term and sustainable benefits derived from these investments far outweighs its initial costs. In the year under review,

Regnis Group invested Rs 216.4 Mn in new technology and machinery to ensure that our products were manufactured at the highest quality and in the most environmentally friendly manner.

# SUSTAINABILITY SUPPLEMENT

## Indirect Economic Impacts

Regnis Group is a local manufacturer of refrigerators and washing machines. Through some of our investments we have benefited the economy by bringing new technology into the country such as the R600a gas technology to be used in our refrigerators. This in turn also enhances the technological knowledge and skills of our employees as well as our technical interns.

Although some of the components used in the Company's products are imported, Regnis advocates import substitution where we can purchase similar quality products from local suppliers. Accordingly, the local value addition of our products is very high with refrigerators accounting for over 50% and washing machines accounting

for nearly 40% in value addition, thus ensuring that the Company contributes to enhancing the country's economy. In addition to above, by manufacturing refrigerators and washing machines, Regnis Group saves a considerable amount of foreign exchange to the country as an import substitution for imported refrigerators and washing machines.

## Our Suppliers and Procurement Practices

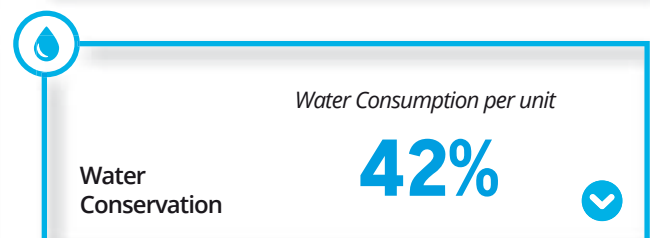
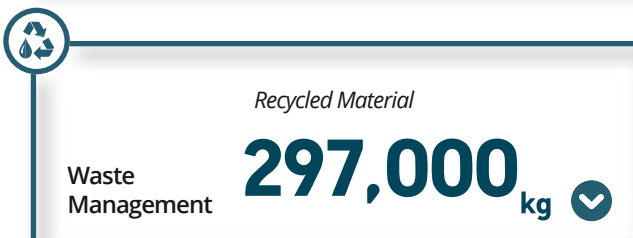
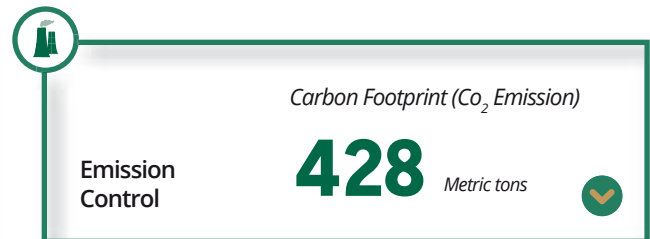
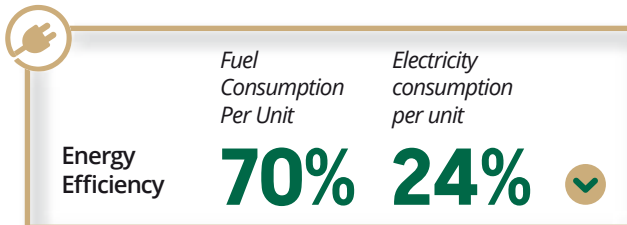
The Company's operations are based in Ratmalana in close proximity to Colombo. Nearly 80% of the input materials used in the manufacture of our products are imported from more than 30 suppliers based mainly in China, India, Korea, Thailand, Singapore and Taiwan. However, the Company does purchase the balance 20%

of input materials from small to medium scale business organisations in Sri Lanka. Further, Regnis also subcontracts the moulding, welding and fabrication of a few components used in the manufacture of our products to local craftsmen based in close proximity to our premises. The longstanding relationships with our suppliers and subcontractors allows us to ensure that the quality we aspire towards is maintained as is the timeliness of delivery.

Regnis has a policy in place for the assessment, grading and performance monitoring of suppliers. We also conduct annual audits for suppliers we work with and all suppliers' products go through a quality approval test before being utilised in the manufacture of the Company's products.

## ENVIRONMENTAL SUSTAINABILITY

### Green Operations



The aspects identified by the Company's materiality analysis are important in terms of meeting the requirements of the current trends in consumer demand for environmentally friendly and eco-efficient products. As a manufacturer of refrigerators and washing machines, the energy and water saving technology used in these products respectively, plays an important role in the consumer's purchase decision. As our products are kept in homes and around children, the safety aspects as well as the non-toxicity of materials used to make these products also plays an important role in the purchase decision by consumers.

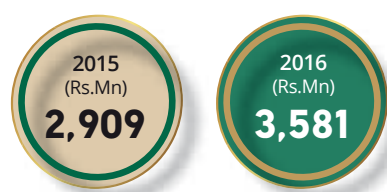
Regnis has over the years been committed to conducting its business in an environmentally responsible manner. Accordingly, we have always identified technologies and manufacturing processes that will help the Company to produce more environmentally friendly products. We also place a significant emphasis on reducing our carbon footprint and environmental impact when undertaking manufacturing and other business activities. It is this belief that has driven us to continually upgrade our manufacturing facilities and employ the most innovative techniques in the production of our refrigerators and washing machines.

### Materials

The materials used in our products is safe from any toxic material and we have over the years always been at the forefront of adopting the latest eco-friendly components required for the manufacture of refrigerators. The key materials used in the manufacture of refrigerators and washing machines are steel, plastic, chemicals, refrigerant and compressors. Total consumption

of these materials has increased by 23% in 2016 compared to 20% consumed in 2015, mainly due to the increase in production volume by 24%

### Raw Material Consumption



The use of the R600a technology, which is a hydrocarbon based refrigerant gas has allowed the Company to be the first manufacturer

to adopt a technology that not only will benefit the consumers by consuming less energy but also have minimal impact on the environment. The use of this gas in all our refrigerators has made us a pioneer user of this technology in Sri Lanka and the South Asian region.

Today, all our refrigerators use this environmentally friendly material, thus ensuring that our products do not have negative impacts on global warming and ozone depletion effects.

Overall the use of new machinery and technology for the Company's manufacturing process allows for more efficient use of raw materials.

### Total Weight of Material used for Manufacturing Refrigerators -2016

MODEL	Direct Materials (Kg)	Packing Materials (Kg)	Total Weight (Kg)
RGS 150	47,031	3,855	50,886
ECO 55	337,518	24,818	362,336
GEO 182S	372,479	35,235	407,714
ECO 72	946,881	84,977	1,031,858
GEO 200D	1,060,141	93,937	1,154,077
ECO 192/WR 192	1,328,662	117,730	1,446,391
GEO 242D	195,465	18,840	214,305
ECO 245	283,653	27,340	310,993
GEO 260NF	343,574	29,876	373,450
ECO 251NF	450,570	39,180	489,750
GEO 282NF	168,096	13,184	181,280
<b>TOTAL</b>	<b>5,534,069</b>	<b>488,970</b>	<b>6,023,038</b>

# SUSTAINABILITY SUPPLEMENT

## Energy

Refrigerators and washing machines run on energy. As a responsible and environmentally conscientious manufacturer, it is Regnis's duty to reduce the energy used to manufacture these products and also ensure that our products use less energy to operate. Towards this aim, we introduced the R600a hydrocarbon based refrigerant gas in our products which allowed the reduction of energy consumption by approximately 30%.

From a Company perspective, we continue with our efforts to reduce the use of energy in our manufacturing processes and in our offices. A new initiative introduced by the Company in the year under review was the installation of the new U-Shell machine which automated the cabinet making process for refrigerators, which will allow for greater savings in electricity and diesel usage. Further, the new Vacuum Foaming machine which when operational in the coming year will also substantially reduce the electricity used in the manufacturing process.

The main sources of energy remain electricity from the country's main grid and diesel to operate machines. The table below shows the electricity and diesel consumption by Regnis in the last three years.

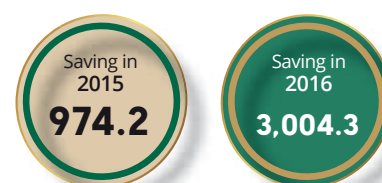
## Energy Consumption

	2014	2015	2016
Diesel (liters)	123,400	125,400	44,800
Electricity (Kwh)	1,147,975	1,240,321	1,118,190
Diesel Energy Consumption in kj (Mn)	4,599.6	4,674.1	1,669.9
Electricity Consumption in kj (Mn)	4,132.7	4,465.2	4,025.5
Total Energy Consumption in kj (Mn)	8,732.2	9,139.3	5,695.3
Diesel energy intensity ratio kj/unit	49,566.38	41,133.74	12,360.16
% Reduction in Diesel consumption p/unit	7%	17%	70%
Electricity energy intensity ratio kj/unit	44,535.43	39,294.88	29,796.33
% Reduction in Electricity consumption p/unit	7%	17%	24%
Total energy intensity ratio	94,101.81	80,428.62	42,156.49

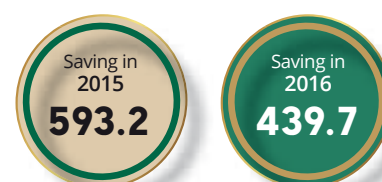
Regnis was able to reduce the energy used in our manufacturing processes by 47.59% in 2016 compared to 14.5% in 2015 due to our continued use of energy efficient technologies and increasing awareness for saving energy by our employees. In addition, the elimination of the cabinet painting process by replacing the process with the U-Shell machine contributed towards improved diesel consumption and energy efficiency being observed by our factories. In the year under review total electricity consumption per unit of production declined by 24% compared to 12% in 2015, while the diesel consumption per unit declined by 70% when compared to 17% in 2015.

## Reductions in energy consumption due to conservation

### Diesel (kj) (Mn)



### Electricity (kj) (Mn)





Some of our continuous energy saving initiatives include:

- Use of LED lights.
- Equipment scheduling and planning within the factory to reduce energy wastage.
- Continuously upgrading and updating the machinery used in our manufacturing processes to machinery using the latest energy efficient and/or energy saving technologies.
- Switching off lights in offices when not in use or not required.
- Making employees aware that switching off computer monitors when not in use saves energy as does switching off computers at the end of the work day as opposed to leaving them in stand-by mode.
- Awareness building and training programmes for employees.

## Water

While being aware that water is a scarce resource, our main area of focus is the minimisation of water wastage and consumption. The use of the U-Shell machine in the year under review has allowed the Company to completely eliminate water usage in our manufacturing process which we consider a notable achievement for the Company.

Regnis's main usage of water is by our employees for their daily needs, and we have displayed signboards at all user points as a reminder to save water where possible. Further, we also frequently conduct employee awareness programmes to encourage them on the optimal use of water.

The main source of the water used by Regnis is ground water which is pumped and used for factory production purposes. We believe that this allows us to reduce the pressure on the national water supply system.

The total water consumption per unit of Refrigerator reduced from 0.05m<sup>3</sup> in 2015 to 0.03m<sup>3</sup> in 2016 despite the increase in production volumes, giving proof of the success of the Company's water conservation methods.

## Water Consumption

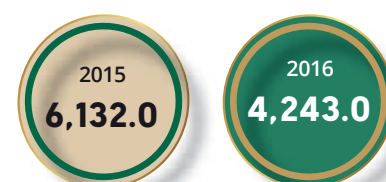
### Total Units



### Co2 Emission (Kg)

	2015	2016
<b>Direct Greenhouse Gas Emissions (Scope 1)</b>		
Combustion in stationary sources	353,628	278,792
Mobile Combustion	-	-
Fugitive Emissions	-	-
<b>Total for Scope 1</b>	<b>353,628</b>	<b>278,792</b>
<b>Energy Indirect Greenhouse Gas Emissions (Scope 2)</b>		
Purchased Electricity	518,534	149,108
Air travel and Others	-	-
<b>Total</b>	<b>872,162</b>	<b>149,108</b>

### Total water usage (m3)



### Consumption per refrigerator unit



## Emissions

Regnis is focused on reducing emissions through saving electricity and reducing the consumption of diesel by using new technologies and state-of-the-art machines. The Group has no emissions that are harmful to the environment, and ensures that any chemical emissions from the production process, although not harmful, is not released into the atmosphere. These initiatives allow the Company to reduce our Greenhouse Gas emissions; as is quantified in the table below.

# SUSTAINABILITY SUPPLEMENT

Source	Method of Measurement
Electricity Saving	Co2 emission calculated using the National Grid thermal efficiency ratio of 58% and National grid emission factor for thermal energy of 0.7208
Reduction in diesel consumption	Co2 emission for Diesel is calculated using calorific value of diesel which is 48400 kJ/Kg

## Effluents and Waste

Effluents and waste are generated by the Company when undertaking the normal course of business as well as in our manufacturing process. The U-Shell machine which became operational in the year under review has greatly reduced the effluents and waste generated by the previous process of powder painting. However, with the operationalisation of the new PU Foaming and Vacuum Foaming machines in the coming year, the Company hopes to further reduce effluents and wastage during the manufacturing process.

No wastage or effluents released by the manufacturing process are toxic or harmful to any waterways.

The Waste Management System to monitor and improve the disposal of solid waste, liquid waste and air pollutants which the Company implemented in 2015 continues to operate successfully.

Solid waste collected in our factory and office premises is sorted by its different types - metal offcuts, cardboard, Styrofoam, plastic, polythene, paper, etc., and sent for recycling to third party recyclers certified by the Central Environment Authority. Metal offcuts and cardboard are sold, while all other waste collected is 100% recycled. In 2016, the total recyclable materials collected by Regnis group is tabulated below.

## Waste Collected & Recycled - 2016

Collected and Recycled	Hips Off Cuts (Kg)	Metal Off Cuts (Kg)	Plastic & Polythene (Kg)	Cardboard (Kg)	Total (Kg)
2016	152,551	67,333	13,779	63,901	297,564
2015	126,550	7,459	6,242	20,791	161,042

The new sewerage and waste water disposal system that was completed in 2015, is connected to the main sewerage line of the National Water Supply and Drainage Board, in compliance with the regulatory requirements for safe disposal of sewerage and domestic waste water.

## Products and Services

The products manufactured by Regnis – refrigerators and washing machines, have an environmental impact when in use. Towards mitigating such impacts, the Company started using R600a gas in 2013 in the manufacture of its refrigerators which completely eliminates the harmful impact to greenhouse gases. Today, all the refrigerators manufactured by the Company uses this technology. The Company produces semi-automatic and fully-automatic washing machines which have short and smaller pre-set cycles which allow for washing cycles that will use less energy and water.

## Transport

The Company transports raw materials from suppliers by sea, air and land, while finished goods are transported only by land. The Company has not calculated the environmental impact of its transportation activities.

### Environmental Grievance Mechanism

Regnis has in place an environmental grievance mechanism where members of the community can forward their concerns, complaints and grievances with regards the factory operations to the Management of the Company. The Company did not receive any such concerns, complaints and grievances during 2016.

Names of the contact persons of the Company are publicly and easily available, and any environmental grievances can be directed to them.

## SOCIAL SUSTAINABILITY

Regnis measures its social performance from three main perspectives – employees, consumers and the community. As reflected in our stakeholder engagement table, the Company strives to meet expectations of our stakeholders to the best of our abilities. Accordingly, the Company conducts business in an ethical and honest manner, promotes equal opportunity and fair employment practices, adheres to employees' rights, and does not tolerate child labour or discrimination based on culture, race or creed.

The Company's success is based on these beliefs and the management measures success based on both financial returns as well as the Company's social performance.

### Human Resources, Decent Work and Human Rights Practices

Our employees are one of our most important stakeholders. Regnis as a part of the Singer (Sri Lanka) Group, uses the same Board approved

Human Resources (HR) Policies used by our parent company. These HR policies provides comprehensive details of the way the Company treats, remunerates and engages with employees. The HR policies also cover areas related to people management from recruitment, succession planning, performance appraisal, training and development, compensation and benefits, labour relations and grievance handling to employees conduct in the workplace.

### Employment

Regnis was responsible for the livelihoods of 261 employees in the year under review, the majority being males due to the nature of our business operations. Of these employees, eight are female and six of them work in our administrative departments.

#### Employees of the Company by Category and Gender

Category	Male	Female	Total
Coporate Management	11	2	13
Supervisors	9	0	9
Quality Controllers	8	0	8
Master Technician	24	0	24
Technician	88	0	88
Assistant Technician	28	2	30
Production Employee	61	0	61
Stores Employee	12	0	12
Office Assistant	8	4	12
Maintenance Employee	4	0	4
	253	8	261

Regnis adheres to the labour laws and regulations of Sri Lanka and ensures employees receive adequate holiday time and are given leave due to sickness or other personal reasons in a reasonable manner.

#### Leave Allotment to Employees:

Leave Category	Number of Days per Employee
Annual	14
Casual	7
Sick	21
Maternity	84

It is the general policy of the Company to employ people over the age of 18 years and on a full-time permanent basis. Regnis is happy to report that majority of our employees have been with the Company for over 10 years, all employees are under the retirement age and employee turnover is negligible at below 2%.

#### Number of Years of Service of Employees

Over26	41
25 - 21	58
20 - 16	58
15 - 11	17
10 - 6 y	61
Below 5	26
Total	261

#### Employees of the Company by Employee Contract and Gender

	Male	Female	Total
Full-time Permanent Employees	253	8	261
Trainees	176	0	176
Fixed Term Employees	3	4	7

# SUSTAINABILITY SUPPLEMENT

## Employee Age Distribution

No. of Yrs.	Male	Female	Total
21 to 30	29	2	31
31 to 40	73	2	75
41 to 50	126	3	129
51 to 55	25	1	26
	253	8	261

## New recruits by Age, Gender and regions

Gender		Age Category	
Male	Female	21 - 30	Other
0	1	0	1

## Rewards and Remunerations

Regnis gives fair compensation to our employees aligned to their work responsibilities and level within the organisation structure. The wages paid are well above the economic wage rate in the country as well as above the industry average. All employees are given attractive financial remuneration in addition to non- financial benefits such as distress loans, death donations, employee sales scheme for Singer products, staff loans at concessionary rates as well as health insurance benefits for management grade employees, and reimbursement of 50% of total hospitalisation medical expenses.

Employees are also eligible for Employee Provident Fund/Mercantile Services Provident Society and Employee Trust Fund benefits; where the Company contributes 12%, 12% and 3% to each fund respectively.

## Labour/Management and Relations

The management maintains good relationships with our employees and their labour unions. The Company gives adequate notice regarding any operational changes that will affect employees and their work responsibilities.

## Occupational Health and Safety

The health and safety of our employees plays a critical role in the Company's organisational strategy and when carrying out work. Accordingly, Regnis has in place a comprehensive Health and Safety policy. The Company also has signage and safety notices in prominent location in and around our premises warning employees and other visitors to proceed with care.

The Company also provides first aid boxes at key points on our premises, and a medical officer is available for free consultations by employees on selected days. Regnis as an advocator of safety, promotes the use of safety equipment such as protective eye gear, shoes, masks, etc., to ensure employees working in manufacturing departments are protected from harm. Further, in case of emergency, Regnis has tied-up with the Katubedde Medical Centre in close proximity to our manufacturing facilities to obtain emergency medical assistance if ever required.

Relevant training and awareness programmes are also regularly carried

out for employees to ensure that they understand all safety measures in place and use the required safety equipment. The Company also uses safe machines for our manufacturing processes, and if required and where possible machines are modified to improve and ensure safety of our employees.

The Company has a dedicated fire squad whose members are volunteers from the employee ranks across all departments. Quarterly fire squad meetings are held to review the fire safety equipment and procedures in place in our premises.

We had no fatal injuries in the last 5 years, and only minor injuries have been sustained by the Company's employees.

## No. of injuries

	2014	2015	2016
Minor Injuries	8	12	13

## Accidents 2016

Cut injuries	5
Eye injuries	5
Others	3
Total	13

## Training and Education

The Company has in place training and development programmes aimed at improving competencies and skills of employees identified during annual performance reviews. These programmes range from technical skills development, knowledge enhancement, continuous professional development to soft skills and leadership development skills. An annual training calendar is developed that allows all levels of employees from factory staff to management to participate in these programmes without causing disruption to the Company's operations. Regnis also encourages on-the-job training, where junior staff members can learn from the experience of seniors. Training programmes are provided to employees at local institutions such as the German Technical College and the University of Moratuwa. Some programmes are also conducted by our parent company – Singer Sri Lanka.

Higher level managers are also sponsored by the Company to attend seminars and conferences held in Sri Lanka and abroad.

### Training Hours

	2014	2015	2016
Total number of training hours	434	1,324	1,250

The total cost of training incurred by the Company in the year under review was Rs. 293,000/=

## Diversity and Equal Opportunity

Regnis is an equal opportunity employer. Due to being a manufacturing business, the majority of the Company's workforce is male. However, whenever possible we employ women for suitable roles in our administrative departments. We also do not discriminate employing people from different backgrounds, religious beliefs or cultures. Our workforce is made up of a mix of people from different cultures and religious beliefs practiced in Sri Lanka.

The Company also carries the concept of equal opportunity when undertaking new recruitments. We have in place structured recruitment and selection mechanisms and policies which base the final decision of recruitment on the capabilities, skills and experience of employees. As a manufacturing operation, the Company's factory level production and technical employees are mainly those certified by the National Apprentice Board.

## Employee Grievance Mechanisms

Employees are given priority when they bring to the notice of management any wrong-doing or unethical practice carried out by peers and colleagues. These grievances are treated confidentially and the management investigates to find out more details. The Company has an 'Employee Grievance Handling' Committee to look into any such matters and take any necessary counter actions. An open-door policy is maintained by the management team for any employee grievances.

## Freedom of Association and Collective Bargaining

Regnis has three labour unions, which collectively cover over 90% of our employees. While supporting the freedom of association of our employees, Regnis also maintains open channels with the unions as well as our employees to bring to the management's notice any concerns that they may have. To ensure a continuous dialogue with the Unions and their leaders, monthly meetings are held whereby any concerns and/or issues can be raised. Salary revisions are negotiated every two years and are approved through separate Memorandums of Settlement between the Company and the Unions.

The Company is happy to report that we have not experienced any industries disputes, labour strikes or protects in the last 3 years.

### Labour Unions and their Members

Name of Union	Number of Union Members
CIWU	84
CMU	112
CFTU	33
<b>Total</b>	<b>229</b>

## Employee Engagement and Work-Life Balance

It is the Company's belief that a happy employee is a motivated employee. In order to create a motivated and engaged workforce, the Company undertakes many events, sporting activities, and encourages employees to participate in Company sponsored CSR and community events. We also believe in affording employees a good balance between work and life. Therefore, the normal working hours of each employee is 45.5 hours per

# SUSTAINABILITY SUPPLEMENT

week unless increased by a few hours due to meeting of manufacturing deadlines.

To encourage employees to interact with each other in non-work related activities and foster and inspire team spirit and the value of being 'one family', Regnis organises excursions, events and trips for employees annually. Employees of Regnis also get a chance to participate in events organised by Singer Sri Lanka where our employees have fared quite well in such events as 'Singer's Got Talent'. In addition, to allow employees' families a chance to meet with their spouses' and parents' work colleagues, the Company organises an annual event for all employees and their families.

Another initiative by Regnis to create dynamic teams is to encourage employees to engage in sporting activities. The Company has established the Regnis Sports Club which provides facilities and opportunities for employees to engage in different sports such as badminton, cricket etc. Through the Sports Club, the Company also participates in inter-departmental, inter-group and mercantile level sports competitions throughout the year. One of our employees has represented Sri Lanka in the over 40 age category in international athletic events and brought home many medals.

Regnis also offers employees a well-stocked library containing fictional books, magazines and other literature for their reading pleasure. This library is an initiative developed and maintained by our employees themselves.

## SERVICES TO THE COMMUNITY

The Company is aware that the community plays an important role in the success of our operations. As a means to return the confidence and trust placed in us by the community, Regnis undertakes some CSR projects annually.

This year, the Company undertook a special CSR project that was close to employees' hearts. Our employees got personally involved in this project which was aimed at improving the facilities of schools in and around the country. Employees identified 17 schools that required repairs, furniture, equipment, construction work, or clean water facilities to be provided to benefit the schools' students. Accordingly, Regnis spent a total of Rs. 925,705/- which helped these schools upgrade their educational facilities and other requirements.



## COMMUNITY CULTURAL EVENTS PARTICIPATION

### Sponsorship of Community Activities

#### Internship Opportunities

Regnis gives back to the community by offering students from the National Apprentice and Industrial Training Authority (NAITA) an opportunity to work in our Company. As an approved training provider for NAITA, students

are able to gain experience which is credited to their studies. In the coming year the Company will also extend its facilities to trainees of NAITA to enable them to work with and experience the cutting-edge technology of refrigerator making.

### Product Responsibility

Regnis has in place comprehensive mechanisms to ensure that our products not only meet the applicable regulatory and statutory requirements but also meet other customer requirements. Thus, the health and safety of consumers, use of quality material, continuous improvement



**IDENTIFIED 17 SCHOOLS THAT REQUIRED REPAIRS, FURNITURE, EQUIPMENT, CONSTRUCTION WORK OR CLEAN WATER FACILITIES TO BE PROVIDED TO BENEFIT THE SCHOOLS' STUDENTS.**

of manufacturing processes and materials used are some of the aspects that are monitored and improved regularly.

#### Customer Health and Safety

As a consumer durables product manufacturer, the health and safety aspects of our products are an integral part of the manufacturing process. The Company has in place a stringent quality assurance procedure that ensures all products released to the market are of the expected quality to be safely used by consumers in their homes. Comprehensive tests are also carried out before dispatching

products to the market to further ensure that the products are safe for use.

In addition, the Company's focus on producing environmentally friendly and eco-efficient products also contribute towards ensuring the health and safety of our consumers as we use gases and materials that are free of toxicity and other harmful elements.

All the Company's refrigerator models are equipped with a fail-safe switch that will shut down the product when in use in case of any electrical surge or power outage. The refrigerators will

re-start once electricity is stabilised or power facilities resume.

In the year under review the Company received no complaints with regards to our products having an impact on a customer's health and safety. Further, Regnis also did not receive any complaints of incidents of non-compliance with regulations and laws concerning the health and safety impacts of our products.

# SUSTAINABILITY SUPPLEMENT

## Product Labelling

All the Company's products are accompanied by a 'user manual' that details the power supply required for the product as well as how to use the product.

Sales staff, after sales staff, field technicians, repairers and even the call centre employees of the parent company, Singer (Sri Lanka) PLC, are trained and educated by Regnis personnel on the safety aspects of our products as well how to use our products, so that they can in turn assist consumers at the point of purchase or after purchase of our products.

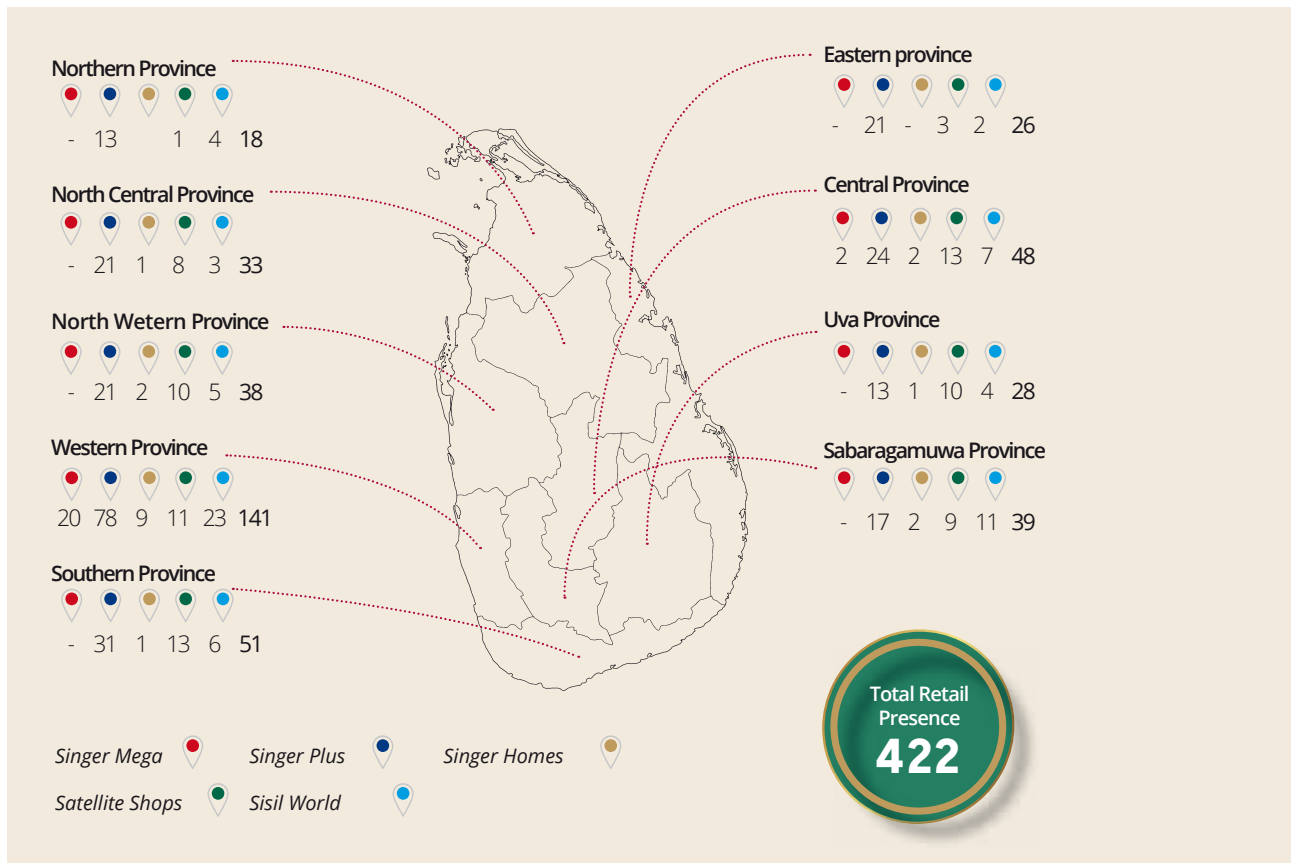
Regnis has a well-established customer complaints management system that records all complaints received by the consumers through the retailers and works towards rectifying these complaints within a specified time period. The customer satisfaction survey of the Company is based on the 'Customer Feedback Form' provided to all purchasers of our products. In the year under review, 95% of consumers who rated the Company's products under 'excellent, good and satisfactory' categories.

Month	Running Condition				Total	Excellent, Good, Satisfactory %
	Excellent	Good	Satisfactory	Poor		
January	24	22	2	2	50	96%
February	24	20	10	2	56	96%
March	28	17	6	2	53	96%
April	6	7	1	1	15	93%
May	46	36	10	3	95	97%
June	28	29	1	4	62	94%
July	28	34	4	5	71	93%
August	14	11	3	3	31	90%
September	15	31	3	3	52	94%
October	18	7	0	1	26	96%
November	14	16	1	2	33	94%
December	21	16	0	1	38	97%
	266	246	41	29	582	95%

In 2016 we received 41 complaints regarding our products, all these were only minor complaints which were resolved without any issue to the satisfaction of both the customer and the Company. We did not receive any complaints with regards non-compliance with regulations or voluntary codes of conduct. All customer complaints are treated as important and are responded to by the branch manager of the sales outlet whenever possible.



## OUR RETAIL PRESENCE



### Marketing Communications

The main aspects of advertising and marketing communications are carried out by Singer (Sri Lanka) PLC, Regnis's parent company and sole distributor and marketer of our products. As over 50% of the Company's sales are from the rural areas, Singer (Sri Lanka) PLC which has over 1,200 island wide sales points including over 400 island wide Singer showrooms is the ideal partner. However, to further understand consumer's needs and requirements, every customer is provided with a 'Customer Feedback Form' together with a pre-stamped envelope addressed to Regnis at the point of

sale, for sending feedback regarding the products once used. Further, the Company's technical staff hold meetings with the service centres to identify areas of improvement based on customer feedback received.

There is also a dedicated call centre operated by Singer (Sri Lanka) PLC, where customers can communicate with regards any complaints or call-in to ask for assistance required with the use of or operation of our products. The Company's technical staff get a chance to directly communicate with consumers during the monthly 'Refrigerator Clinics' conducted with

the service centres and provided free of charge service to our customers. During these Clinics, our technical staff visit households in order to rectify refrigerator breakdowns and conduct any minor repairs.

In the year under review, Regnis incurred advertising and marketing communications costs to the value of Rs. 35.2Mn.

## GRI CONTENT INDEX TOOL

### GENERAL STANDARD DISCLOSURES-G4

<i>Number</i>	<i>Description</i>	<i>Reference/Comments</i>	<i>Page</i>
<i>Strategy and Analysis</i>			
G4-1	Statement from the most senior decision maker of the Organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	Chairman's Message	12
<i>Organisational Profile</i>			
G4-3	Name of the organisation	Regnis (Lanka) PLC	
G4-4	Primary brands, products, and services	About Us Operational Review	09 31
G4-5	The location of the organisation's headquarters	About Us	09
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Regnis (Lanka) PLC operates only within Sri Lanka	
G4-7	The nature of ownership and legal form	Corporate Information Investor Information	<i>Inner back cover 141</i>
G4-8	The markets served (geographic breakdown, sectors served, and types of customers/beneficiaries)	Our Customers	53-55
G4-9	The scale of the organisation, including: Total number of employees Total number of operations Net sales (for private sector organisations) or net revenues (for public sector organisations) Total capitalization broken down in terms of debt and equity (for private sector organisations) Quantity of products or services provided	About Us Social Sustainability Operational Review Financial Review	09 49 31 34
G4-10	The total number of employees by employment contract and gender. The total number of permanent employees by employment type and gender. The total work force by employees and supervised workers and by gender. The total work force by region and gender. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Social Sustainability	49
G4-11	The percentage of total employees covered by collective bargaining agreements.	Social Sustainability	51

## GENERAL STANDARD DISCLOSURES-G4

<i>Number</i>	<i>Description</i>	<i>Reference/Comments</i>	<i>Page</i>
G4-12	Describe the organisation's supply chain.	Regnis (Lanka) PLC is engaged in the manufacturing of refrigerators and washing machines. Raw materials are sourced locally and through overseas suppliers.	
		About Us	09
		Suppliers	44
		Our Customers	53-55
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including:  Changes in the location of, or changes in, operations, including facility openings, closings, and expansions  Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations)  Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	Annual Report of the Board of Directors on the affairs of the Company	81
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation.	About this Report	40
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	<ul style="list-style-type: none"> <li>• Global Reporting Initiative (G4) Guidelines</li> <li>• Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs)</li> </ul>	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation is a member.	<ul style="list-style-type: none"> <li>• Ceylon Chamber of Commerce</li> <li>• Employer's Federation of Ceylon</li> </ul>	
	<i>Identified Material Aspects and Boundaries</i>		
G4-17	a. List all entities included in the organisation's consolidated financial statements or equivalent documents.  b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	<ul style="list-style-type: none"> <li>• Regnis (Lanka) PLC</li> <li>• Regnis Appliances (Pvt) Ltd</li> <li>• Notes to Financial Statements</li> </ul>	90-139
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries.  b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content.	Materiality Analysis	42
		About this Report	40
G4-19	List all the material Aspects identified in the process for defining report content.	Materiality Analysis	42

## GRI CONTENT INDEX TOOL

### GENERAL STANDARD DISCLOSURES-G4

<i>Number</i>	<i>Description</i>	<i>Reference/Comments</i>	<i>Page</i>
G4-20	For each material Aspect, the Aspect Boundary within the organisation	Materiality Analysis	42
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation	Materiality Analysis	42
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Notes to the Financial Statements	90-139
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	First year of GRI Compliant Reporting	40
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organisation.	Stakeholder Engagement	40-42
G4-25	The basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement	40-42
G4-26	The organisation's approach to stakeholder engagement	Stakeholder Engagement	40-42
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder Engagement	40-42
<b>Report Profile</b>			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Financial year ended 31st December 2016	
G4-29	Date of most recent previous report (if any).	Financial year ended 31st December 2015	
G4-30	Reporting cycle (such as annual, biennial)	Annual	
G4-31	The contact point for questions regarding the report or its contents.	About this Report	40
G4-32	a. Report the 'in accordance' option the organisation has chosen. b. Report the GRI Content Index for the chosen option c. Report the reference to the External Assurance Report, if the report has been externally assured.	Core	
G4-33	a. Report the organisation's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organisation and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	The Group has not obtained external assurance for this GRI compliant sustainability report.	

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**GENERAL STANDARD DISCLOSURES-G4**

<i>Number</i>	<i>Description</i>	<i>Reference/Comments</i>	<i>Page</i>
<b><i>Governance</i></b>			
<b>G4-34</b>	The governance structure of the organisation, including committees of the highest governing body.	Corporate Governance	<b>68-71</b>
<b><i>Ethics and Integrity</i></b>			
<b>G4-56</b>	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Corporate Governance	<b>68-71</b>
<b>ECONOMIC ASPECTS</b>			
<b><i>Economic Performance</i></b>			
<b>G4-EC1</b>	Direct economic value generated	Economic Sustainability	<b>43</b>
<b>G4-EC2</b>	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	Environmental Performance	<b>44-49</b>
<b>G4-EC3</b>	Coverage of defined benefit plan obligations	Social Sustainability	<b>49-53</b>
<b>G4-EC4</b>	Financial Assistance received from government	Not Applicable	
<b><i>Market Presence</i></b>			
<b>G4-EC5</b>	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Social Sustainability	<b>49-53</b>
<b>G4-EC6</b>	Proportion of senior management hired from the local community at significant locations of operation	Not Applicable	
<b><i>Indirect Economic Impacts</i></b>			
<b>G4-EC7</b>	Development and impact of infrastructure investments and services supported	Economic Environment and Industry Environment	<b>28-30</b>
<b>G4-EC8</b>	Significant indirect economic impacts, including the extent of impacts	Economic Environment and Industry Environment	<b>28-30</b>
<b><i>Materials</i></b>			
<b>G4-EN1</b>	Materials used by weight or volume	Environmental Performance	<b>44-49</b>
<b>G4-EN2</b>	Percentage of materials used that are recycled input materials	Waste Management	<b>48</b>
<b><i>Energy</i></b>			
<b>G4-EN3</b>	Energy consumption within the organisation	Environmental Performance	<b>44-49</b>
<b>G4-EN4</b>	Energy consumption outside of the organisation	Not Reported	
<b>G4-EN5</b>	Energy intensity	Environmental Performance	<b>44-49</b>
<b>G4-EN6</b>	Reduction of energy consumption	Environmental Performance	<b>44-49</b>
<b>G4-EN7</b>	Reductions in energy requirements of products and services	Environmental Performance	<b>44-49</b>

## GRI CONTENT INDEX TOOL

### GENERAL STANDARD DISCLOSURES-G4

Number	Description	Reference/Comments	Page
<i>Water</i>			
G4-EN8	Total water withdrawal by source	Measured	47
G4-EN9	Water sources significantly affected by withdrawal of water	None	
G4-EN10	Percentage and total volume of water recycled and reused	Not Measured	
<i>Bio-diversity</i>			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	We have no operational sites adjacent to or in protected areas or areas of high bio diversity.	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	We have no operational sites adjacent to or in protected areas or areas of high bio diversity.	
<i>Emissions</i>			
G4-EN15	Direct greenhouse gas (GHG) emissions	Environmental Performance	44-49
G4-EN16	Energy indirect greenhouse gas (GHG) emissions	Environmental Performance	44-49
G4-EN18	Greenhouse gas (GHG) emissions intensity	Environmental Performance	44-49
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G4-EN20	Emissions of ozone-depleting substances (ODS)	Environmental Performance	44-49
<i>Effluents and Waste</i>			
G4-EN22	Total water discharge by quality and destination	Environmental Performance	44-49
G4-EN23	Total weight of waste by type and disposal method	Environmental Performance	44-49
G4-EN24	Total number and volume of significant spills	None	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention <sup>2</sup> Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	The Company does not use any hazardous material	
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	Environmental Performance	44-49
<i>Compliance</i>			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	There were no violations of environmental laws and regulations during the year due to our strict compliance programme. Consequently there were no fines incurred.	
<i>Overall</i>			
G4-EN31	Total environmental protection expenditures and investments by type	Environmental Performance	44-49

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**GENERAL STANDARD DISCLOSURES-G4**

<i>Number</i>	<i>Description</i>	<i>Reference/Comments</i>	<i>Page</i>
<b>SOCIAL ASPECTS</b>			
<i>Environmental grievance mechanism</i>			
<b>G4-EN34</b>	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	None	
<i>Employment: Labour practices and Decent work</i>			
<b>G4-LA1</b>	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Social Sustainability	49-50
<i>Employment: Labour management relations</i>			
<b>G4-LA4</b>	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Social Sustainability	51
<i>Employment: Occupational health and safety</i>			
<b>G4-LA5</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Social Sustainability	49-50
<b>G4-LA6</b>	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Social Sustainability	50
<b>G4-LA7</b>	Workers with high incidence or high risk of diseases related to their occupation	None	
<b>G4-LA8</b>	Health and safety topics covered in formal agreements with trade unions	Social Sustainability	49-53
<i>Employment: Training and Education</i>			
<b>G4-LA9</b>	Average hours of training per year per employee by gender, and by employee category	Social Sustainability	49-53
<b>G4-LA10</b>	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Social Sustainability	49-53
<b>G4-LA11</b>	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Social Sustainability	49-53
<i>Employment: Diversity and equal opportunity</i>			
<b>G4-LA12</b>	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Social Sustainability	49-53
<i>Employment: Supplier assessment for labour practices</i>			
<b>G4-LA14</b>	Percentage of new suppliers that were screened using labour practices criteria	Social Sustainability	49-53

## GRI CONTENT INDEX TOOL

### GENERAL STANDARD DISCLOSURES-G4

Number	Description	Reference/Comments	Page
	<i>Employment: Labour practices grievance mechanism</i>		
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	There were no grievances reported through established procedures or otherwise	
	<i>Human Rights: Non-discrimination</i>		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Social Sustainability	49-53
	<i>Human Rights: Indigenous Rights</i>		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	None	
	<i>Human Rights: Assessment</i>		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	None	
	Human Rights: Supplier Human Rights Assessment		
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	None	
	<i>Human Rights: Human Rights Grievance Mechanism</i>		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	There were no grievances reported through established procedures or otherwise.	
	<i>Society: Local Communities</i>		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Community Engagement	52-53
G4-SO2	Operations with significant actual or potential negative impacts on local communities	Our operations do not have any significant negative impacts on local communities	
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	Our Customers	54-55
G4-FS14	Initiatives to improve access to financial services for disadvantaged people.	Conduct Minor Repairs Free off Charge	55
	<i>Society: Public Policy</i>		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	There have been no political contributions	
	<i>Society: Anti-competitive behaviour</i>		
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	None	



## GENERAL STANDARD DISCLOSURES-G4

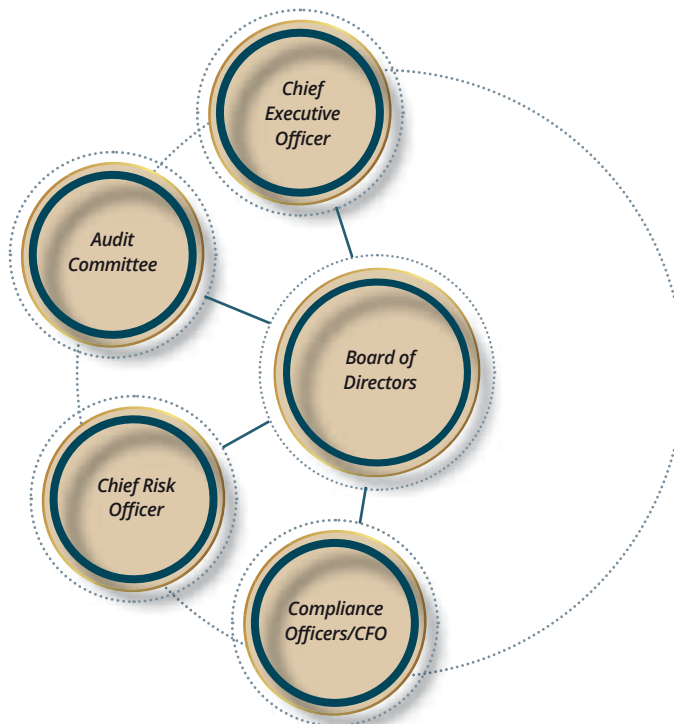
<i>Number</i>	<i>Description</i>	<i>Reference/Comments</i>	<i>Page</i>
	<i>Society: Compliance</i>		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None	
	<i>Society: Supplier assessment for impacts on society</i>		
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	None	
	<i>Society: Grievance mechanism for impacts on society</i>		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	None	
	<i>Product Responsibility: Customer Health and Safety</i>		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	100% of our products are assessed for safety of usage	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	None	
	<i>Product Responsibility: Product and Service Labelling</i>		
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Our Customers	54-55
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	There were no instances of non compliance with regulations or voluntary codes.	
G4-PR5	Results of surveys measuring customer satisfaction	Our Customers	54
	<i>Product Responsibility: Marketing communications</i>		
G4-PR6	Sale of banned or disputed products	Regnis does not sell banned or disputed products.	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	None	
	<i>Product Responsibility: Customer privacy</i>		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None	
	<i>Product Responsibility: Compliance</i>		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None	

# RISK MANAGEMENT

Regnis (Lanka) PLC continually assesses the external business environment in order to identify, measure, monitor and manage risks that may have a direct impact on the performance of the Company. In order to respond swiftly to the changing variables in the business environment, formal processes and resources have been allocated to manage risks.

The risk management process provides vital, timely information to support strategic planning and decision making on matters presented to the Board of Directors. The responsibility of identifying risks and managing the risks with appropriate strategies whilst complying with regulatory and statutory requirements rests with the Board of Directors and is supported by the Audit Committee.

The Governance Structure for Risk Management is depicted below:



### Risk Management Framework

The risk management policy of the Singer Group is being practiced at the Regnis Group. It is periodically updated and reviewed to reflect changes in economic and market conditions and details the processes, procedures and guidelines in place to identify, monitor and mitigate the Group's risk exposures.

Regular training and awareness programmes nurture a risk culture within the organisation. This facilitates a clear understanding amongst employees of their roles and responsibilities in relation to risk management which varies from understanding of complex business risks at senior management level to an understanding of health and safety aspects at factory level.

### Risk Exposures

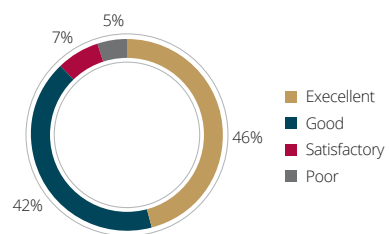
The risks that the Group is exposed to and the mitigating actions that are in place are detailed in the table below:

Type of Risk	Risk Mitigation Actions	Risk Impact In 2016
<i>Strategic Risks</i>		
<p><b>Business Risk</b></p> <p>Dependency on a single retailer</p>	<ul style="list-style-type: none"> <li>Strengthen ties with the retailer</li> </ul>	<p>Relationship was strengthened during the year with Singer Sri Lanka, the sole retailer of Regnis products became the majority shareholder of the Company.</p>
<p><b>Economic Risk</b></p> <p>The potential loss of earnings arising from changes in macro-economic conditions including inflationary pressures, personal disposable income and exchange rate movements.</p>	<ul style="list-style-type: none"> <li>Regular monitoring of economic indicators and changes in consumer spending patterns which form an important input in determining the product range and sales plan for the year</li> <li>Continuous focus on process efficiencies and productivity improvements to mitigate increases in input costs</li> </ul>	<p>The relatively benign inflationary environment and increase in real wages facilitated volume growth of 16% in 2016.</p>
<p><b>Fiscal Policy Risk</b></p> <p>Arises from changes in tax and duty structures applicable to the manufacture/sales of products.</p>	<ul style="list-style-type: none"> <li>We continuously engage with the Chamber of Commerce, Industry Associations and other organisations to lobby for the protection of domestic industries</li> </ul>	<p>Increase in port and airport levy by 2.5% had a direct impact on the cost structure of the Company.</p>
<p><b>Industry/Market Changes</b></p> <p>Arises from Company introducing products which are keeping pace with changing customer requirements/preferences, latest technology market changes and in line with competitive product offerings. If not products of the Company will not be competitive and market share and sales growth will be affected.</p>	<ul style="list-style-type: none"> <li>The product range is broadened to effectively respond to changing consumer needs</li> <li>Continuous innovations in production methods and technology used is updated in keeping with the latest trends.</li> </ul>	<p>The Company monitors and keeps abreast with new technological innovations and customer preferences. Hence, the products of the Company are always in line with new technology and current customer preferences.</p>
<p><b>External Risk</b></p> <p>Free Trade Agreements that are being negotiated by the GoSL</p>	<ul style="list-style-type: none"> <li>Regular engagement with the Chambers of Commerce to lobby against any threats that would be posed by the FTA's</li> <li>Brand Loyalty of consumers</li> <li>Investment in new technology to increase efficiency, productivity and to reduce the cost of production</li> </ul>	<p>There was no impact in 2016. However, could be a potential risk</p>

# RISK MANAGEMENT

Type of Risk	Risk Mitigation Actions	Risk Impact In 2016
<i>Operational Risks</i>		
<p><b>People Risk</b></p> <p>This includes the potential losses arising from human resource related aspects such as employee activity, lack of suitable human resources and non-compliance with employee related requirements.</p>	<ul style="list-style-type: none"> <li>Frequent engagement with unions and employees</li> <li>Prompt responses to employee grievances and complaints</li> <li>Attractive financial and non-financial remuneration</li> <li>Board approved Group level HR policy framework</li> </ul>	<p>The staff turnover of 2% during 2016. There were zero industrial disputes, trade union action during the year.</p>
<p><b>Reputation Risk</b></p> <p>Arises from potential damage to the Group's image due to adverse environmental impacts of production, product quality related issues etc.</p>	<ul style="list-style-type: none"> <li>Strict quality control measures</li> <li>Comprehensive evaluation of customer feedback for further improvements</li> <li>Consistent monitoring of environmental impacts of our production process and end-products</li> </ul>	<p>Achieved a customer satisfaction rate for the products of 95% as measured through the customer satisfaction feedback forms.</p>
<p><b>Supplier Risk</b></p> <p>Potential losses arising from procurement related issues including disruptions to supply and procurement of inferior quality raw material for production.</p>	<ul style="list-style-type: none"> <li>We have developed relationships with a diverse pool of international and local suppliers, thereby limiting our concentration risk</li> <li>Stringent supplier evaluation criteria and regular supplier audits</li> <li>Provision of technical assistance to suppliers in order to ensure the procurement of high quality materials</li> </ul>	<p>All the suppliers are given feedback and changes required are agreed.</p>

Customer Satisfaction 2016



Type of Risk	Risk Mitigation Actions	Risk Impact In 2016								
<i>Operational Risks</i>										
<p><b>Asset Risk</b></p> <p>Consists of potential damages to the physical assets of the Group, through destruction, loss, theft and/or possible technical defects.</p>	<ul style="list-style-type: none"> <li>• Defined procedures and highest safety standards are in place to control technical and other defects</li> <li>• Procurement of assets from reputed suppliers</li> <li>• Frequent fire drills and fire training to staff</li> <li>• Full insurance coverage</li> </ul>	<p>No significant incidents were reported during the year</p>								
<i>Financial Risk</i>										
<p>Financial Risk comprises the potential loss to earnings and/or capital position arising from liquidity risk, currency risk and interest rate risk</p>	<ul style="list-style-type: none"> <li>• Daily monitoring of liquidity position and assessment of future cash requirements through rolling forecasts</li> <li>• Long-standing relationships with correspondent banks</li> <li>• Stand-by lines of credit from the parent entity</li> <li>• Maintain diversified funding sources</li> </ul>	<p>The Group repaid borrowings of Rs.25 Mn and had unutilised borrowing lines of over LKR 488.7 Mn as at 31st December 2016.</p> <p>Currency risk increased during the year as capital outflows from the country and increasing imports resulted in a devaluation of the Sri Lankan Rupee.</p> <p>Stress testing is done as morfully described under Financial Instrument note in the financial statements section of this Annual Report.</p> <p><b>Stress testing - Currency risk</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">USD 3%</th> <th colspan="2">Impact on Profit</th> </tr> <tr> <th>Appreciation</th> <th>Depreciation</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>(Rs.6.1 Mn)</td> <td>Rs.6.1 Mn</td> </tr> </tbody> </table>	USD 3%	Impact on Profit		Appreciation	Depreciation	2016	(Rs.6.1 Mn)	Rs.6.1 Mn
USD 3%	Impact on Profit									
	Appreciation	Depreciation								
2016	(Rs.6.1 Mn)	Rs.6.1 Mn								

# CORPORATE GOVERNANCE

The Board of Directors has set in place a strong governance framework comprising an appropriate organisation structure, policies and processes, which forms a solid foundation for the sustainable growth and profitability of the company. Setting the tone at the top, six corporate luminaries from diverse professional and educational backgrounds determine the company's strategic direction, manage risk, formulate policies, monitor performance and exercise oversight over the affairs of the company. Key elements of the governance framework are briefly described in this section of the report.

## An Effective Board

The Board comprises six (6) Directors including the Chairman and Chief Executive Officer whose profiles are given on page 20 to 23. Roles of the Chairman and the Chief Executive Officer are segregated with the Chairman being an Independent Non-Executive Director while the CEO is an Executive Director. The Board comprises of two (02) Independent Non-Executive Directors including the Chairman, two (2) Non-Executive Directors and two (2) Executive Members (namely, the CEO and Factory Director). As three (3) members of the Board are Fellow members of professional accounting bodies, the Board is deemed to have a sufficiency of financial acumen. Directors appointed by the Board to fill casual vacancies during the year retire in terms of the Articles and may offer themselves for re-election at the next Annual General Meeting. Further, at the first and each subsequent Annual General Meeting, one-third of the

Directors or number nearest to one-third (but not greater than) shall retire from office.

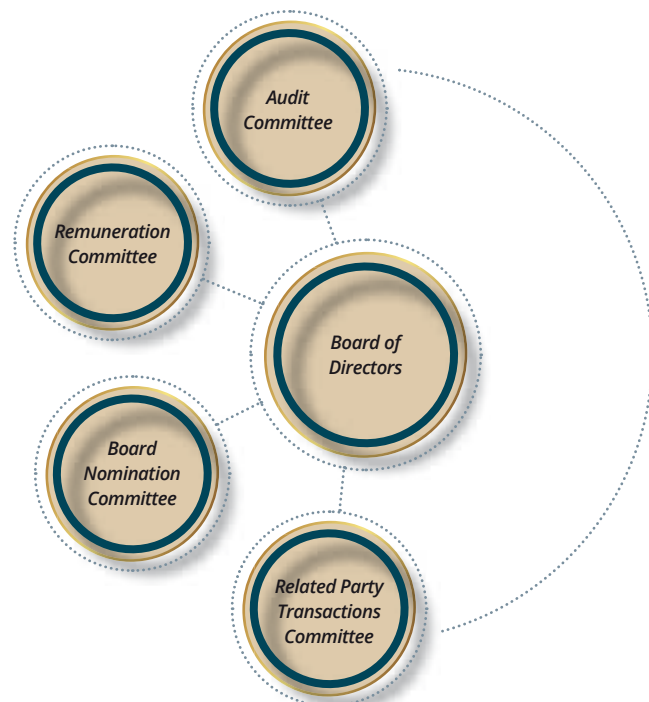
The Board determines/approves the goals for the Company and the Chief Executive Officer and his performance is appraised by the Board annually.

The Board convenes on a quarterly basis to discharge its responsibilities. A comprehensive set of Board papers are provided giving sufficient time for review of matters placed before the Board. Further clarification of the same prior to or during the Board meetings as may be deemed necessary by the Directors. The Board Members are permitted to obtain independent professional advice from a third party including the Company's External Auditors and other professional consultants whenever deemed necessary. The Board has appointed 4 sub-committees to assist in discharging its responsibilities as depicted below.

Independent Directors have not held executive responsibilities in the Company and have submitted a declaration confirming his independence in accordance with Section 7 of the CSE Listing Regulations on Corporate Governance. The Non-Executive Directors do not have any business interest that could materially interfere with the exercise of their independent judgements.

## Relations with Shareholders

As a public listed company, Regnis has over 1600 shareholders, of which the majority shareholder is Singer (Sri Lanka) PLC as described on page 135, who is also the sole retailer of goods manufactured by the company. Additionally, 4 directors on the Board of Regnis are also members of the Board of Singer (Sri Lanka) PLC. Related party transactions between the two companies are detailed on page 136 of the financial statements.



Regnis communicates its performance to other shareholders on a quarterly basis whilst price sensitive information is disclosed in a timely manner to the shareholders through the Colombo Stock Exchange as announcements which are published on their website. An Annual Report circulated to all shareholders includes financial information which has been audited by external auditors appointed by the shareholders together with a narrative report of its performance on financial and sustainability indicators and governance and risk management processes of the company. The company makes constructive use of the Annual General Meeting to communicate with shareholders who are encouraged to participate and vote on matters reserved for the shareholders, which includes the appointment of Directors and Auditors.

### Accountability & Audit

The Board has set in place a system of internal controls to facilitate financial reporting and risk management to facilitate discharge of its collective responsibilities and has appointed an Audit Committee to assist and exercise oversight over the same. The Audit Committee comprises of two independent non-executive members of the Board and includes one member who is a member of a recognised professional accounting body and its report is set out on page 72.

The Audit Committee's authority, responsibilities and specific duties have been formalised through an Audit Committee Charter which empowers the committee 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, findings and recommendations; determining appropriate accounting policies, compliance with regulatory requirements and review of significant business risks and control issues together with relevant measures initiated to manage the same. It also reviews the Corporate Audit Report of the Corporate Internal Auditors of Singer Asia Ltd. The Head of Risk Management serves as the Secretary of the Committee. The Finance Director of the parent company, Compliance Officer, audit staff, representatives of external auditors regularly attend the meetings of the Audit Committee by invitation. In accordance with best practice, the Head of Risk Management reports directly to the Audit Committee who also reviews his performance.

All employees are bound by the Group's documented Code of Ethics that 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 advance.
- 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.
- The Company has implemented a formal whistle-blowing procedure and encourages any employee who suspects wrong doing at work, whether by management, peers or any other employee, to raise their concerns.

In addition, the following policy frameworks are in place to ensure the smooth functioning of all operational aspects;

- Recruitment and selection
- Financial integrity
- Use of Company property including computers
- Non-harassment in the workplace
- Environment, safety and health
- Security of IT systems

### Strategic Planning and Implementation

The Board is responsible for setting the overall strategy for the Organisation. This includes the responsibility for the formulation of the strategic vision and mission of the Company, setting the overall corporate policy and strategy, monitoring performance and

# CORPORATE GOVERNANCE

reviewing risks and major investments. The Board also takes on the added responsibility of directing Company performance towards achieving the best results possible and increasing shareholder value. The Board sets the broad parameters of the Company's business. The Company's business units are then tasked with their application, in achieving specific targets and objectives.

The Company's Annual Plan addresses the requirements of the business units and divisions. This ensures that the entire Company follows the set plans and objectives as articulated in the Annual Plan. These in turn become the primary objectives of the Management. The Management has the autonomy and freedom to translate these objectives to specific goals that are achievable. Key programmes are identified by the CEO for each year in line with the Annual Plan after discussion.

## Remuneration

Directors' remuneration is determined by the Remuneration Committee comprising three Non-Executive Directors including the Chairman of

the Company. The Finance Director of Singer (Sri Lanka) PLC acts as the Secretary to the Committee which is chaired by a Non-Executive Director. The Group Chief Executive Officer and the Finance Director of the holding company assist the Committee by providing the relevant information and participate in its analysis and deliberations.

The scope of the Committee is given on the Report of the Remuneration Committee on page 73 and includes determination of the 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 key management personnel. No individual director has the capacity to determine his own remuneration.

Compensation packages are designed to attract and retain people with appropriate skills, talent and ability. They are structured taking in to account the remuneration policies of the parent company, business units within the Group, market and industry practice and are designed to be commensurate with each employee's




level of experience and contribution, balancing the interests of the shareholders and the employees.

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 on pages 107 and 137 of this annual report and the detailed Remuneration Committee Report is given on page 73.















## Sustainability Reporting

Regnis has voluntarily adopted the G4 Guidelines promulgated by Global Reporting Initiative (GRI) for Sustainability Reporting since 2014 and this is the third Annual Report including information on sustainability criteria. The GRI Index on page 56 provides a reference for interested stakeholders on GRI Indicators included in this report.

## Compliance with the CSE Listing Rules on Corporate Governance

Rule No.	Corporate Governance Rule	Status of Compliance	Details of Compliance
<b>Board of Directors</b>			
7.10.1	Number of Non-Executive Directors - One-third of the total number of Directors, subject to a minimum of two.		At the year end, the Board comprised of six Directors, of whom four are Non-Executive Directors including the Chairman
7.10.2	Number of Independent Directors - One-third of Non-Executive Directors, subject to a minimum of two.		As at year end, the Board comprised of two Independent Director namely Dr. Saman Kelegama and Mr. Ranil De Silva.
7.10.3	Disclosure Relating to Directors' independence.		The Independent Non-Executive Directors have submitted a declaration confirming their independence.



Rule No.	Corporate Governance Rule	Status of Compliance	Details of Compliance
	<b>Board of Directors</b>		
<b>7.10.5</b>	<b>Remuneration Committee</b>		
7.10.5 (a)	Number of Independent Non-Executive Directors in the Committee to be: <ul style="list-style-type: none"> <li>a minimum of two (where a Company has only two Directors on the Board), or</li> <li>in all other instances majority of whom are to be independent.</li> </ul>		The Committee comprise of four Non-Executive Directors of whom three are Independent Non-Executive Directors.
	Separate committee to be formed for the Company or the listed Parent's Remuneration Committee to be used.		Remuneration Committee of the listed parent function as the Remuneration Committee of Regnis (Lanka) PLC.
	Chairman of the Committee to be a Non-Executive Director.		The Chairman of the Committee is a Non-Executive Director.
7.10.5 (b)	Functions of the Committee.		The Remuneration Committee Report sets out the functions of the Committee.
<b>7.10.6</b>	<b>Audit Committee</b>		
7.10.6 (a)	Number of Independent Non-Executive Directors in the Committee to be: <ul style="list-style-type: none"> <li>a minimum of two (where a Company has only two Directors on the Board), or</li> <li>in all other instances majority of whom are to be independent</li> </ul>		As at year end, the Audit Committee comprised of two Independent Non-Executive Directors of the Board namely Mr. Ranil De Silva and Dr. Saman Kelegama;
	Separate committee to be formed for the Company or the listed Parent's Committee to be used.		A separate Audit Committee was formed for the Company.
	Chairman of the Committee to be a Non-Executive Director.		The Chairman of the Committee is a Non-Executive Director.
	Chairman or one member of the Committee to be a member of a recognised professional accounting body.		The Independent Director, namely Mr Ranil De Silva is a Fellow Member of the Chartered Institute of Management Accountants, UK and Associate Member of Institute of Chartered Accountants of Sri Lanka.
	CEO and CFO to attend committee meetings, unless otherwise determined by the Audit Committee.		CEO and CFO attend by invitation.
7.10.6 (b)	Functions of the Committee.		The Audit Committee Report sets out the functions of the Committee.
9.2.2	Combination of non-executive directors and independent non-executive directors		The Committee comprises of three Independent Non-Executive Directors, one Non-Executive Director and one Executive Director
9.2.3	Separate Committee to be formed for the Company or the Listed Parent's Committee to be used.		A Related Party Transactions Review Committee was formed for the Singer Group
	Function of the Committee.		The Related Party Transactions Review Committee Report sets out the functions of the Committee.
9.3.2 (C)	The Annual report shall contain a Report of the Audit Committee in the prescribed manner.		Board Related Party Transactions Review Committee Report on page 75.

## AUDIT COMMITTEE REPORT

### Preamble

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

As at year-end, the Audit Committee comprised of two Independent Non-Executive Directors of the Board namely Mr. Ranil De Silva and Dr. Saman Kelegama. The Audit committee was chaired by Mr. Ranil De Silva. The Head of Risk Management functions as the Secretary to the Committee. The Finance Director of the Parent Company, Compliance Officer, Audit Staff, Representatives of External Auditors and when necessary, the Group Chief Executive Officer and relevant Managers attend the meetings by invitation.

### 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.

The Committee also provides 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.

The Audit Committee reviews significant business risks and internal control issues and suggests where necessary appropriate remedial measures.

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.

The Audit Committee also reviews the Corporate Audit Report of the Corporate Internal Auditors of Singer Asia Ltd.

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.

### Meetings of The Committee

During the year, five Audit Committee meetings were held to discuss the reports of the Internal and External Auditors and quarterly accounts. The final accounts were also discussed at the meeting held on 21st February 2017. The minutes of the meetings were tabled at the meeting of the Board of Directors for information and necessary action.

### External Auditors

The Audit Committee recommended to the Board of Directors that Messrs. KPMG, Chartered Accountants, be reappointed as the External Auditors for the year ending 31st December 2017, subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

**Ranil De Silva**  
Chairman - Audit Committee

Colombo  
23rd February 2017

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## REMUNERATION COMMITTEE REPORT

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The Remuneration Committee of Singer Group consists of three Independent Non-Executive Directors and a Non-Executive Director. The Committee is chaired by the Non-Executive Director and President/Chief Executive Officer of Singer Asia Ltd. The Finance Director of Singer (Sri Lanka) PLC acts as the Secretary to the Committee. The Group Chief Executive Officer and the Finance Director of the parent Company assist the Committee by providing the relevant information and participate in its analysis and deliberations.

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 Group Chief Executive Officer and the Corporate Office of Singer Asia Ltd". Singer Asia Ltd., is the Intermediate Parent of the Company.

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

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.

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. The Committee met twice during the period.

I wish to thank the members of the Committee for their valuable contributions to the deliberations of the Committee.

I also wish to thank Mr. Asoka Pieris for helping the Committee in its deliberations by providing the necessary information.

(Sgd.)

**Gavin J. Walker**

Chairman - Remuneration Committee

Colombo

23rd February 2017

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## BOARD NOMINATION COMMITTEE REPORT

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### Role of the Committee

The main role and responsibilities of the Committee are to propose a suitable Charter for the appointment and re-appointment of directors to the Board and to act in accordance with such Charter in proposing appointments and re-appointments. Such Charter shall cover areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict vis-a-vis the business of the company etc.

Further, the committee reviews the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and makes recommendations to the Board with regard to any changes if necessary.

### Composition

Committee comprises of two Independent Non-Executive Directors together with the Chief Executive Officer of the Group. The Chairman of the Committee is a Independent Non-Executive Director appointed by the Board.

Secretary to the Board functions as the Secretary to the Committee.

### Meetings and Activities

The Committee met twice during the year under review.

### Appointment and Re-election of Directors

In terms of article 24 (4) of the Article of Association of the Company, Mr. Ranil De Silva retires by rotation. The Committee recommended to the Board that Mr. Ranil De Silva be proposed for re-election to the Board at the Annual General Meeting to be held on 31st March 2017.

In terms of Article 24(4) of the Article of Association of the Company, Mr.Vidyaratne Ganithaguruge Kulatunga Vidyaratne retires by rotation. The Committee recommended to the Board that Mr.Vidyaratne Ganithaguruge Kulatunga Vidyaratne be proposed for re-election to the Board at the Annual General Meeting to be held on 31st March 2017.

The recommendations were accepted by the Board.

### Conclusion

I wish to thank and place my record of appreciation to all the members who served in the committee during the year for their contribution to the deliberations of the committee.

(Sgd.)

**Dr. S Kelegama**

Chairman – Board Nomination Committee

Colombo  
23rd February 2017

## BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

### Composition of the Board Related Party Transactions Review Committee

The Board established the Board Related Party Transactions Review Committee (BRPTRC) for Singer Group of Companies with effect from 25th February 2016 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules"). The establishment of a BRPTRC with effect from 1st January 2016 is mandatory in terms of the Code. The Board Related Party Transactions Review Committee comprises of 4 Non-Executive Directors and 1 Executive Director. The following Directors serve on the Committee.

**Mr. Deepal Sooriyaarachchi (IND)**  
*Singer (Sri Lanka) PLC- Chairman*

**Mr. Gavin Walker**  
*Non -Executive Director (NED)*

**Mr. Ranil De Silva (IND)**

**Mr. H A Pieris – (ED)**

**Mr. J A Setuvakalar (IND)**  
*(Represents Singer Finance (Lanka) PLC)*

The above composition is in compliance with the provisions of the Code regarding the composition of the Board Related Party Transactions Review Committee. Brief profiles of the members are given on pages 20 & 23 of the Annual Report.

The Finance Director of Singer (Sri Lanka) PLC functions as the Secretary to the Board Related Party Transactions Review Committee.

### Meetings

The Committee met once during the year under review.

### Role and Responsibilities

The mandate of the Committee is derived from the Code and the Rules and includes the following

1. Developing a Related Party Transaction Policy consistent with the provisions of the Code and the Rules for adoption by the Board of Directors of the Group and its listed subsidiaries.
2. Reviewing in advance all proposed Related Party Transactions ("RPTs") in compliance with the provisions of the Code
3. Advising the Board on making Immediate Market Disclosures and Disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Code and the Rules.

### Policies & Procedures Adopted by the BRPTRC for reviewing Related Party Transactions (RPT's)

1. Relevant information to capture RPTs is 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 of Singer (Sri Lanka) PLC, who has been identified as the Focal Point, for this purpose.
7. Data is shared with the Finance Director of Singer (Sri Lanka) PLC to meet the regulatory requirements if required.

### Review Function of the Committee

Review of the relevant related party transactions was done commencing 15th November 2016. Further it has communicated its observations to the Board on the RPTs published in the Note 35 to the Financial Statements.

### Reporting to the Board

The Minutes of the BRPTRC meetings are tabled at Board meetings enabling all Board members to have access to same. On behalf of the Board Related Party Transactions Review Committee

(Sgd.)

**Deepal Sooriyaarachchi**

Chairman - Board Related Party Transactions Review Committee

Colombo, Sri Lanka  
23rd February 2017



**SINGER**

**ADJUSTABLE TIMING**  
CUSTOMIZED WASHING

**STAINLESS STEEL TUB**  
LONG-LASTING

**ECONOMY WASH**  
SAVE ELECTRICITY

**CHILD LOCK**  
SAFETY AND WASH PROGRAMS



# FINANCIAL INFORMATION

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*We have marked our success by achieving a sustainable growth trajectory. The Company has over the years maintained its growth with sound financial strategies. We look forward to the future with optimism as we strive to achieve greater heights.*





## **FINANCIAL CALENDAR -2016**

Annual Report 2015 Approved 25th  
*February 2016*

### **Twenty-ninth Annual General Meeting**

*31st March 2016*

Final Dividend 2015 Paid  
*11th April 2016*

### **Interim Financial Statements in Terms of Rule 8.3 of the Colombo Stock Exchange**

For the three months ended  
31st March 2016 (unaudited)  
*5th May 2016*

For the six months ended  
30th June 2016 (unaudited)  
*01st August 2016*

For the nine months ended  
30th September 2016 (unaudited)  
*15th November 2016*

For the twelve months ended  
31st December 2016 (unaudited)  
*23rd February 2017*

### **Annual Report and Annual General Meeting**

Annual Report 2016 Approved  
*23rd February 2017*

Thirtieth Annual General Meeting  
*31st March 2017*

Final Dividend 2016 Payable  
*16th March 2017*

## **PROPOSED FINANCIAL CALENDAR -2017**

For the three months ended  
31st March 2017 (unaudited)  
*May 2017*

For the six months ended  
30th June 2017 (unaudited)  
*August 2017*

For the nine months ended  
30th September 2017 (unaudited)  
*November 2017*

For the twelve months ended  
31st December 2017 (unaudited)  
*February 2018*

Annual Report and Accounts for  
2017 (audited)  
*March 2018*

Thirty- first Annual General Meeting  
*March 2018*

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

The Board of Directors of Regnis (Lanka) PLC has pleasure in presenting its Report on the affairs of the Company together with the audited financial statements of Regnis (Lanka) PLC and the audited consolidated financial statements of the Group for the year ended 31st December 2016.

### Review of the Year

The Chairman's review on pages 12 to 15, the Chief Executive Officer's Review on pages 16 to 19 and Management Discussion and Analysis on pages 27 to 37 describe the Company's affairs and the Group business and mention important events that occurred during the year, and up to the date of this Report. These reports together with the audited financial statements reflect the state of affairs of the Company/Group.

### Principal Activities

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

Principal activities of the Subsidiary, Regnis Appliances (Pvt) Ltd are manufacture and assembly of Washing Machines and producing Plastic Components for Refrigerators.

The details of the Group and its main activities are described in Management Discussion and Analysis on pages 27 to 37.

### Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 86 in this Annual Report.

### Financial Statements

The financial statements for the year ended 31st December 2016 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 pages 90 to 139 in this Annual Report.

### Accounting Policies

The accounting policies adopted in preparation of the financial statements are provided in the Notes to the financial statements on pages 95 to 103. The Group has consistently applied the accounting policies as set out in Note 03 to all periods presented in these consolidated financial statements.

### Property, Plant & Equipment

During the year under review, the Company and Group invested a sum of Rs. 187,891,588/- (2015 - Rs. 106,632,226/-) and

Rs. 214,926,758/- (2015 - Rs. 108,966,407/-). The Company and Group Invested a sum of Rs. 1,493,500/- (2015 - NIL) in Computer Software, which is disclosed under Intangible Assets.

Details of Property, Plant & Equipment and Intangible Assets and their movements are given in Notes 14 and 15 to the financial statements respectively.

Details of Freehold Land and Building are given in Note 14 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. The most recent valuation was carried out on 30th June 2016. The details of the valuation are given in Note 14 to the financial statements on pages 110 to 114 in this Report.

### Investments

Details of long term investments are given in Notes 16 and 17 to the financial statements on page 115.

### Directors' Responsibility

The Statement of the Directors' Responsibility is given on page 85 of this Report.

### Corporate Governance

The Corporate Governance Section on pages 68 to 71 describes the extent of compliance to the listing rules of the Colombo Stock Exchange and good Corporate Governance principles adopted by the Company.

### Dividend

In terms of Article 7(1) of the Article of Association of the Company, the Board of Directors proposed to pay a Final Dividend of Rs.18.50 per share has been approved by the Directors for the financial year ended 31st December 2016, for the payment on 16th March 2017. The Board has reasonable grounds for believing that the Company would satisfy the Solvency Test immediately after the distribution is made and accordingly, Board of Directors has signed the Certificate of Solvency 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.

## Profit & Appropriations

	2016 Rs.	2015 Rs.
Group profit before Income tax expense for the year ending 31st December after deducting all expenses, known liabilities and depreciation amounts to	471,750,388	456,431,020
From this has to be deducted the income tax expense	(121,426,450)	(112,291,581)
<b>Making a profit for the year of</b>	<b>350,323,938</b>	<b>344,139,439</b>
From this has to be added/ (deducted) the actuarial gain/ (losses) on defined benefit plan recognised through other comprehensive income net of tax of	2,237,971	4,343,072
<b>To this has to be added the balance brought forward from previous year of</b>	<b>646,899,089</b>	<b>394,379,345</b>
And the Realisation of Revaluation Surplus	5,157,000	5,448,000
<b>Leaving a total available for Appropriation of</b>	<b>1,004,617,998</b>	<b>748,309,856</b>
Following Appropriation has been Approved:		
Final Dividend Approved: 2016 - Rs. 18.50 per share (2015 - Rs. 9.00)	(208,455,466)	(101,410,767)
<b>Leaving a balance to be carried forward by the Group of</b>	<b>796,162,532</b>	<b>646,899,089</b>
<b>Balance to be carried forward by Company of</b>	<b>561,178,739</b>	<b>491,651,282</b>

### Reserves

Company Reserves and Retained Earnings as at 31st December 2016 amounted to Rs. 1,186.4 Mn against Rs. 901.6 Mn as at 31st December 2015.

The Group Reserves and Retained Earnings as at 31st December 2016 amounted to Rs. 1,421.4 Mn against Rs. 1,056.9 Mn as at 31st December 2015.

The break-up and the movement are shown in the Statement of Changes in Equity in 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 December 2016 and was unchanged during the year.

The details are given in Note 22 to the financial statements on page 118.

### 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 has approved the final dividend of Rs.18.50 per ordinary share for the year ended 31st December 2016, for payment on 16th March 2017.

### Change of Immediate Parent Company:

The Company's parent undertaking as at 31st December 2015 was Singer (Sri Lanka) B.V. The Company's ultimate parent undertaking and controlling party is Retail Holdings N.V, which is incorporated in the Curacao.

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

Accordingly, Singer (Sri Lanka) PLC is the immediate parent of the Company as at 31st December 2016. Retail Holdings (Sri Lanka) B.V - formally Singer (Sri Lanka) B.V will continue to be an intermediate Parent Company.

### Statutory Payments

The declaration relating to Statutory Payments is made in the Statement of Directors' Responsibility on page 85.

### Interests Register

Details of transactions with Director-related entities are disclosed in Note 35 to the financial statements on pages 135 to 139 and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 07 of 2007.

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

### Interest in Shares

There are 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

Following are the names of the Directors comprising the Audit Committee of the Board:

Mr. Ranil De Silva – Chairman  
Dr. S Kelegama  
Mr. M M C Priyanjith – Secretary

The Report of the Audit Committee on page 72 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 Singer Group functions as the Remuneration Committee of Regnis (Lanka) PLC.

Following are the names of the Directors comprising the Remuneration Committee of Singer Group:

Mr. G J Walker - Chairman  
Dr. S Kelegama  
Mr. Ranil De Silva  
Mr. Deepal Sooriyaarachchi  
*[a Director of Singer (Sri Lanka) PLC]*  
Mr. K K L P Yatiwella – Secretary

The Report of the Remuneration Committee on page 73 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. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the financial year are given in Note 11 on page 107 to the financial statements.

#### Board Nomination Committee

Following are the names of the Directors comprising the Nomination Committee of the Board:

Dr. S Kelegama – Chairman  
Mr. Ranil De Silva  
Mr. H A Pieris  
Mr. B S E T Fernando – Secretary

The Report of the Board Nomination Committee on page 74 sets out the manner of compliance by the Company in accordance with the requirements of the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and The Securities and Exchange Commission of Sri Lanka.

#### Related Party Transactions Review Committee

Related Party Transactions Review Committee of Singer Group functions as the Related Party Transactions Review Committee of Regnis (Lanka) PLC.

Following are the names of the Directors comprising the Board Related Party Transactions Review Committee of the Singer Group:

Mr. Deepal Sooriyaarachchi  
*[a Director of Singer (Sri Lanka) PLC]* – Chairman  
Mr. Ranil De Silva  
Mr. Gavin Walker  
Mr. Asoka Pieris  
Mr. J A Setukavalar - *[a Director of Singer Finance (Lanka) PLC]*  
Mr. Lalith Yatiwalla - Secretary

Board Related Party Transactions Review Committee for Singer Group was formed to assist the Board in reviewing all related party transactions in accordance with the requirements of the Code of Best Practice on related party transactions issued by the Securities and Exchange Commission of Sri Lanka.

#### 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 141 to 143.

Earnings per share, dividends per share, dividend pay-out and net asset value per share are given in Performance Highlights on page 07 and Decade at a Glance on page 140 in this Annual Report.

## Directorate and Shareholdings

The names of Directors of the Company as at 31st December 2016 and their brief profiles are given on pages 20 to 23 in this Report.

In terms of article 24 (4) of the Article of Association of the Company, Mr. V G K Vidyaratne retires by rotation and who being eligible, is being recommended for re-election.

In terms of article 24 (4) of the Article of Association of the Company, Mr. Ranil de Silva retires by rotation and who being eligible, is being recommended for re-election.

Shareholdings of the Directors and the Chief Executive Officer at the beginning of the year and as at the end of the year are as follows:

Name of the Director	Shareholding	Shareholding
	01.01.2016 No. of Shares	31.12.2016 No. of Shares
Dr. S Kelegama	-	-
Mr. H A Pieris	1,000	1,000
Mr. Ranil De Silva	-	-
Mr. G J Walker**	-	-
Mr. V G K Vidyaratne	60,155	60,155
Mr. K D Kospelawatte	-	-
Mr. N.B Karunaratne	-	-

\* Mr. S H Goodman, who is the Shareholder/Chairman of Retail Holdings N.V, the ultimate holding company of Regnis (Lanka) PLC, indirectly holds 7.31% of Regnis (Lanka) PLC.

\*\* Mr. G J Walker indirectly holds 2.21% of Regnis (Lanka) PLC.

The names of Directors holding office at the end of the financial year in respect of the Subsidiary is given in Note 35.7.

## Independence of Directors

In accordance with Rule 7.10.2 (b) of Colombo Stock Exchange (CSE) Listing Rules, Dr. S Kelegama and Mr. Ranil De Silva who are Non-Executive Directors of the Company, has submitted signed and dated declarations as per the specimen given in Appendix 7 A of Continuing Listing Requirements of CSE.

Although, Dr. S Kelegama has not met the criteria mentioned in item (g) of Rule 7.10.4 of the CSE Rules, the Board of Directors of the Company is of the opinion that -

- (i) Dr. S Kelegama is nevertheless independent on the following basis:
  - (a) His high standing in society and business sector.
  - (b) His experience and knowledge particularly in the field of Economics will continue to be an asset to the Company.
  - (c) He does not participate in executive decision making.

Although, Mr. Ranil De Silva has not met the criteria mentioned in item (g) of Rule 7.10.4 of the CSE Rules, the Board of Directors of the Company is of the opinion that -

- (ii) Mr. Ranil De Silva is nevertheless independent on the following basis:
  - (a) His high standing in business sector.
  - (b) His experience and knowledge particularly in the accounting field will be an asset to the Company.
  - (c) He does not participate in executive decision making.

(Dr. S Kelegama and Mr. Ranil De Silva did not participate in these deliberations and decisions taken pursuant thereto as referred to above to avoid conflict of interests.)

## Independent Non-Executive Directors

Dr. S Kelegama  
Mr. Ranil De Silva

## Employment

The number of persons employed by the Group and Company as at 31st December 2016 was 316 (2015 - 322) and 261 (2015 - 265) respectively.

Details of human resource initiatives are detailed in "Social Sustainability" section of Sustainability Supplement on page 49.

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

### Donations

During the year, Donations amounting to Rs. 1,233,115/- (2015 - Rs. 149,864/-) were made by the Company.

Subsidiary company made donations amounting to Rs. 189,955/- during 2016 (2015 - NIL).

### 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. The Directors propose the reappointment of Messrs KPMG, Chartered Accountants, as Auditors of the Company for the year 2017.

The audit and audit related fees paid to the Auditor by the Company and Group is disclosed in Note 11 on page 107 in this Annual Report.

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its Subsidiary.

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 Auditor. Details on the work of the Audit Committee are set out in the Audit Committee Report.

### Notice of Meeting

The Annual General Meeting will be held at Singer (Sri Lanka) PLC at No. 80, Nawam Mawatha, Colombo 02 on Friday, 31st March 2017 at 10.30 a.m.

The Notice of the Annual General Meeting of the Shareholders is on page 146. The Notice of Meeting accompanies this report, explaining the business to be transacted at the meetings.

For and on behalf of the Board,

(Sgd.)  
**Dr. Saman Kelegama**  
Director

(Sgd.)  
**Asoka Pieris**  
Director

(Sgd.)  
**Eraj Fernando, ACA**  
Company Secretary  
Regnis (Lanka) PLC

Colombo  
23rd February 2017

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## STATEMENT OF DIRECTORS' RESPONSIBILITY

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The Companies Act No. 07 of 2007 requires Directors to ensure that the Company keeps accounting records, which correctly record and explain the Company's transactions and prepare financial statements that give a true and fair view of the state of the Company's affairs as at the reporting date and of the profit for the year. It further requires the financial statements of the Group to give a true and fair view of the state of affairs of the Group and the profit of the Group for the year.

The Directors are also required to ensure that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the Listing Rules of the Colombo Stock Exchange. They are also responsible for taking reasonable measures to safeguard the assets of the Group, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are of the view that these financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) as laid down by The Institute of Chartered Accountants of Sri Lanka.

The Directors endeavour to ensure that the Company maintains sufficient records to be able to disclose, with reasonable accuracy, the financial position of the Company and to be able to ensure that the financial statements of the Company meet with the requirements of the Companies Act, Sri Lanka Accounting Standards (SLFRS/LKAS) and the Listing Rules of the Colombo Stock Exchange.

The Directors have a reasonable expectation, that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and therefore have continued to adopt the going concern basis in preparing the Accounts.

As required by Section 56 (2) of the Companies Act and in terms of Article 7 (2) of the Article of Association of the Company, the Board of Directors has authorised the payment of final dividends, being satisfied based on information available to it that the Company would satisfy the Solvency Test after such distributions in accordance with Section 57 of the Companies Act No. 07 of 2007.

Accordingly, the Board of Directors has signed the Certificate of Solvency. The Company shall forward to CSE, prior to the date of dispatch of the dividend payment, a Certificate by the Auditors to the effect that the Company is able to satisfy the Solvency Test immediately after the distribution.

Messrs KPMG, the Auditors of the Company, have examined the financial statements made available by the Board of Directors together with all relevant financial records, related data, minutes of shareholders and Directors meetings and express their opinion in their report in page 86 of the Annual Report.

### COMPLIANCE REPORT

Based on the Report of the Compliance Officer, the Directors confirm that to the best of their knowledge and belief, all taxes, duties and levies payable by the Company and its subsidiary, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiary, and all other known statutory dues as were due and payable by the Company and its Subsidiary as at the reporting date have been paid, or were provided.

By Order of the Board,

(Sgd.)

**Eraj Fernando, ACA**  
Company Secretary  
Regnis (Lanka) PLC

Colombo  
23rd February 2017

## INDEPENDENT AUDITORS' 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  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : [www.lk.kpmg.com](http://www.lk.kpmg.com)

TO THE SHAREHOLDERS OF REGNIS (LANKA) PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Regnis (Lanka) PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiary ("Group"), which comprise the statement of financial position as at December 31, 2016, 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 a summary of significant accounting policies and other explanatory notes set out on Pages 90 to 139 of the annual report .

### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion :
  - 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,
  - The financial statements of the company give a true and fair view of its financial position as at December 31 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No.07 of 2007.

CHARTERED ACCOUNTANTS

Colombo  
23rd February 2017

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. Mihuler FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyratne FCA  
R.M.D.B. Rejapakse FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

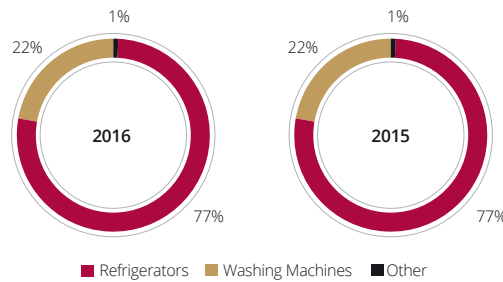


# FINANCIAL STATEMENTS HIGHLIGHTS

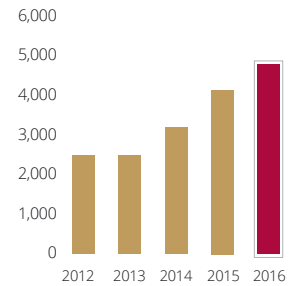
**LKR 4,791MN**

**15%**  
Group Revenue

GROUP REVENUE COMPOSITION (%)



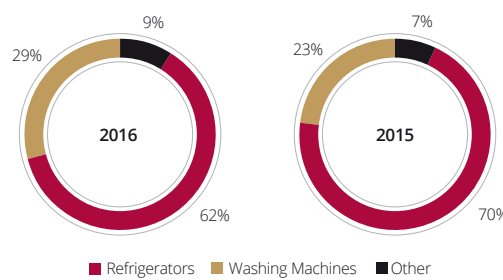
REVENUE



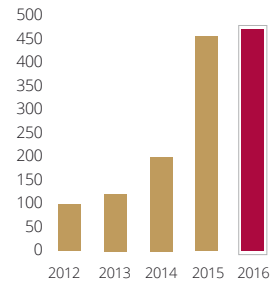
**LKR 471.75MN**

**3%**  
Group PBT

GROUP PROFIT BEFORE TAX COMPOSITION (%)



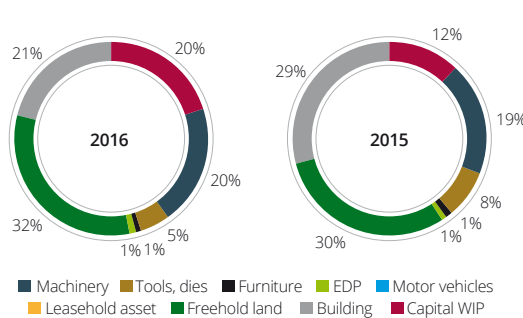
PBT



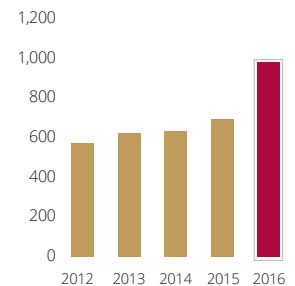
**LKR 979.5MN**

**41%**  
Group PPE

GROUP PPE COMPOSITION (%)



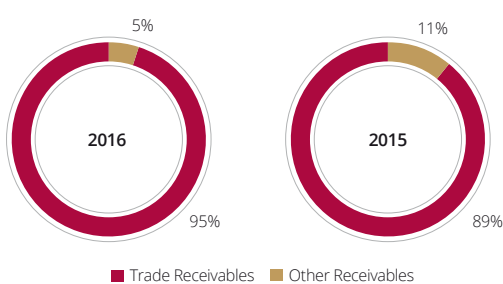
PPE



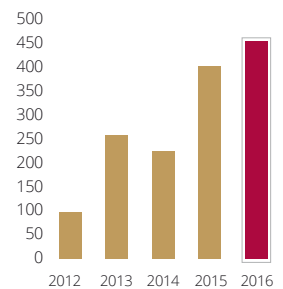
**LKR 456.0MN**

**13%**  
Group Receivables

GROUP TRADE & OTHER RECEIVABLES COMPOSITION (%)



RECEIVABLES

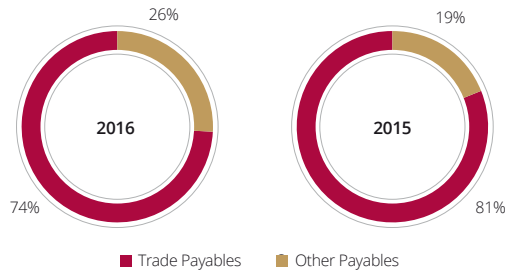


# FINANCIAL STATEMENTS HIGHLIGHTS

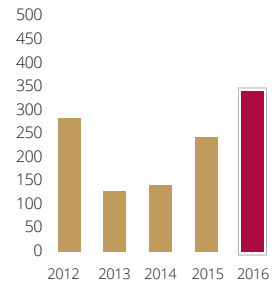
**LKR 341.9MN**

**41%**  
Group Paybles

GROUP TRADE & OTHER PAYABLES COMPOSITION (%)



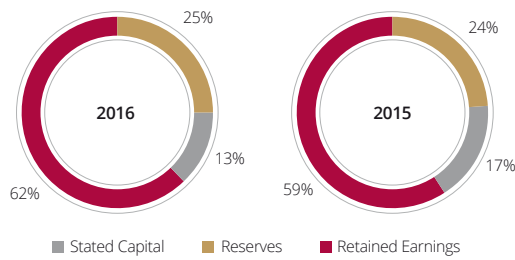
PAYABLES



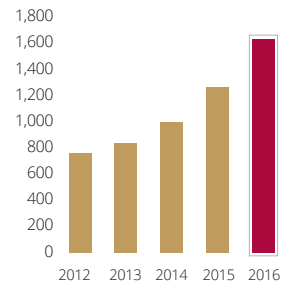
**LKR 1,632.5MN**

**29%**  
Group Equity

GROUP TOTAL EQUITY COMPOSITION (%)



PAYABLES



# FINANCIAL STATEMENTS

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Notes	Group		Company	
		2016	2015	2016	2015
		Rs.	Rs.	Rs.	Rs.
Revenue	7	4,791,255,604	4,148,657,204	3,693,478,411	3,200,093,453
Cost of sales		(4,208,998,325)	(3,637,106,431)	(3,315,155,984)	(2,848,429,100)
Gross profit		582,257,279	511,550,773	378,322,427	351,664,353
Other income	8	998,089	1,401,696	57,698,089	28,394,759
Administrative expenses		(19,745,194)	(14,900,628)	(16,825,833)	(12,748,820)
Selling and distribution expenses		(87,186,692)	(42,822,331)	(60,599,969)	(22,255,030)
Other expenses	9	(27,841)	(3,448)	-	(3,448)
Results from operating activities		476,295,641	455,226,062	358,594,714	345,051,814
Finance costs	10.1	(11,988,811)	(8,146,265)	(12,518,267)	(7,098,960)
Finance income	10.2	7,443,558	9,351,223	4,615,047	9,523,753
Net finance income/ (costs)		(4,545,253)	1,204,958	(7,903,220)	2,424,793
Profit before income tax expense	11	471,750,388	456,431,020	350,691,494	347,476,607
Income tax expense	12	(121,426,450)	(112,291,581)	(78,392,243)	(79,402,766)
Profit for the year		350,323,938	344,139,439	272,299,251	268,073,841
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment	23.1	116,872,482	-	116,872,482	-
Re-measurement of defined benefit liability	25	2,870,613	6,223,451	731,489	7,946,112
Related tax	12.2	(3,746,937)	(1,880,379)	(3,319,112)	(2,224,911)
Items that may be reclassified subsequently to profit or loss					
Net change in fair value of available-for-sale financial asset	17	(380,962)	(134,063)	(380,962)	(134,063)
Other comprehensive income for the year, net of tax		115,615,196	4,209,009	113,903,897	5,587,138
Total comprehensive income for the year		465,939,134	348,348,448	386,203,148	273,660,979
Profit attributable to:					
Owners of the Company		350,323,938	344,139,439	272,299,251	268,073,841
Non-Controlling Interest		-	-	-	-
Profit for the year		350,323,938	344,139,439	272,299,251	268,073,841
Total comprehensive income attributable to:					
Owners of the Company		465,939,134	348,348,448	386,203,148	273,660,979
Non-Controlling Interest		-	-	-	-
Total comprehensive income for the year		465,939,134	348,348,448	386,203,148	273,660,979
Basic Earnings Per Share	13	31.09	30.54	24.17	23.79

The Accounting Policies and Notes on pages 95 to 139 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## STATEMENT OF FINANCIAL POSITION

As at 31 December	Notes	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	979,596,219	695,121,346	897,730,122	632,182,503
Intangible assets	15	2,182,996	983,146	1,828,621	534,271
Investment in subsidiary	16	-	-	150,000,000	150,000,000
Available for sale financial asset	17	20,180,837	20,561,799	20,180,837	20,561,799
Other receivables	19.1	4,535,617	5,993,487	1,913,303	2,889,267
<b>Total non-current assets</b>		<b>1,006,495,669</b>	<b>722,659,778</b>	<b>1,071,652,883</b>	<b>806,167,840</b>
<b>Current assets</b>					
Inventories	18	1,160,687,229	713,648,642	889,302,209	505,132,026
Trade and other receivables	19.2	451,500,441	396,384,925	323,605,790	252,512,165
Prepayments	20	7,397,670	9,203,258	5,261,833	6,253,819
Cash and cash equivalents	21.1	9,565,987	6,342,703	8,494,005	6,292,703
<b>Total current assets</b>		<b>1,629,151,327</b>	<b>1,125,579,528</b>	<b>1,226,663,837</b>	<b>770,190,713</b>
<b>Total assets</b>		<b>2,635,646,996</b>	<b>1,848,239,306</b>	<b>2,298,316,720</b>	<b>1,576,358,553</b>
<b>Equity</b>					
Stated capital	22	211,192,425	211,192,425	211,192,425	211,192,425
Reserves	23	416,768,139	308,547,914	416,768,139	308,547,914
Retained earnings		1,004,617,998	748,309,856	769,634,205	593,062,049
<b>Total equity attributable to owners of the Company</b>		<b>1,632,578,562</b>	<b>1,268,050,195</b>	<b>1,397,594,769</b>	<b>1,112,802,388</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	24	74,507,118	70,686,443	65,946,957	63,618,770
Employee benefits	25	89,593,056	77,690,253	87,930,604	74,522,947
<b>Total non-current liabilities</b>		<b>164,100,174</b>	<b>148,376,696</b>	<b>153,877,561</b>	<b>138,141,717</b>
<b>Current liabilities</b>					
Trade and other payables	26	341,934,317	242,528,348	300,088,470	186,894,497
Provisions	27	53,929,260	45,350,493	39,269,397	32,740,300
Current tax liabilities	28	60,362,619	91,685,117	38,933,442	68,709,625
Dividends payable	29	3,090,348	2,244,237	3,090,348	2,244,237
Loans and borrowings	30.1	296,781,567	341,489	296,781,567	-
Bank overdraft	21.2	82,870,149	49,662,731	68,681,166	34,825,789
<b>Total current liabilities</b>		<b>838,968,260</b>	<b>431,812,415</b>	<b>746,844,390</b>	<b>325,414,448</b>
<b>Total liabilities</b>		<b>1,003,068,434</b>	<b>580,189,111</b>	<b>900,721,951</b>	<b>463,556,165</b>
<b>Total equity and liabilities</b>		<b>2,635,646,996</b>	<b>1,848,239,306</b>	<b>2,298,316,720</b>	<b>1,576,358,553</b>

The Accounting Policies and Notes on pages 95 to 139 form an integral part of these financial statements.

Figures in brackets indicate deductions.

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

(Sgd.)

**Eraj Fernando**

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.)

**Dr. Saman Kelegama**

Director

(Sgd.)

**Asoka Pieris**

Director

Colombo

23rd February 2017

## STATEMENT OF CHANGES IN EQUITY

Group	Notes	Stated Capital Rs.	Revaluation Reserve Rs.	Available For Sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 January 2015		211,192,425	311,434,115	2,695,862	473,254,386	998,576,788
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	344,139,439	344,139,439
<b>Other comprehensive income</b>						
Re-measurement of defined benefit obligation	25	-	-	-	6,223,451	6,223,451
Related taxes	12.2	-	-	-	(1,880,379)	(1,880,379)
<b>Total other comprehensive income for the year</b>	12.2,17,23 & 25	-	-	(134,063)	4,343,072	4,209,009
<b>Total comprehensive income for the year</b>		-	-	(134,063)	348,482,511	348,348,448
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Final dividend 2014		-	-	-	(78,875,041)	(78,875,041)
<b>Total transaction with owners of the Company</b>		-	-	-	(78,875,041)	(78,875,041)
Realisation of revaluation surplus	23.1	-	(5,448,000)	-	5,448,000	-
<b>Balance as at 31 December 2015</b>		<b>211,192,425</b>	<b>305,986,115</b>	<b>2,561,799</b>	<b>748,309,856</b>	<b>1,268,050,195</b>
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	350,323,938	350,323,938
<b>Other comprehensive income</b>						
Revaluation of property, plant & equipment	23.1	-	116,872,482	-		116,872,482
Re-measurement of defined benefit obligation	25	-	-	-	2,870,613	2,870,613
Related taxes	12.2	-	(3,114,295)	-	(632,642)	(3,746,937)
<b>Total other comprehensive income for the year</b>	12.2,17,23 & 25	-	113,758,187	(380,962)	2,237,971	115,615,196
<b>Total comprehensive income for the year</b>		-	113,758,187	(380,962)	352,561,909	465,939,134
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Final dividend 2015		-	-	-	(101,410,767)	(101,410,767)
<b>Total transaction with owners of the Company</b>		-	-	-	(101,410,767)	(101,410,767)
Realisation of revaluation surplus	23.1	-	(5,157,000)	-	5,157,000	-
<b>Balance as at 31 December 2016</b>		<b>211,192,425</b>	<b>414,587,302</b>	<b>2,180,837</b>	<b>1,004,617,998</b>	<b>1,632,578,562</b>

The Accounting Policies and Notes on pages 95 to 139 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Company	Notes	Stated Capital	Revaluation Reserve	Available For Sale Reserve	Retained Earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2015		211,192,425	311,434,115	2,695,862	392,694,048	918,016,450
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	268,073,841	268,073,841
<b>Other comprehensive income</b>						
Re-measurement of defined benefit obligation	25	-	-	-	7,946,112	7,946,112
Related taxes	12.2	-	-	-	(2,224,911)	(2,224,911)
<b>Total other comprehensive income for the year</b>	12.2,17,23 & 25	-	-	(134,063)	5,721,201	5,587,138
<b>Total comprehensive income for the year</b>		-	-	(134,063)	273,795,042	273,660,979
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Final dividend 2014		-	-	-	(78,875,041)	(78,875,041)
<b>Total transaction with owners of the Company</b>		-	-	-	(78,875,041)	(78,875,041)
Realisation of revaluation surplus	23.1	-	(5,448,000)	-	5,448,000	-
<b>Balance as at 31 December 2015</b>		<b>211,192,425</b>	<b>305,986,115</b>	<b>2,561,799</b>	<b>593,062,049</b>	<b>1,112,802,388</b>
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	272,299,251	272,299,251
<b>Other comprehensive income</b>						
Revaluation of property, plant & equipment	23.1	-	116,872,482	-	-	116,872,482
Re-measurement of defined benefit obligation	25	-	-	-	731,489	731,489
Related taxes	12.2	-	(3,114,295)	-	(204,817)	(3,319,112)
<b>Total other comprehensive income for the year</b>	12.2,17,23 & 25	-	113,758,187	(380,962)	526,672	113,903,897
<b>Total comprehensive income for the year</b>		-	113,758,187	(380,962)	272,825,923	386,203,148
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Final dividend 2015		-	-	-	(101,410,767)	(101,410,767)
<b>Total transaction with owners of the Company</b>		-	-	-	(101,410,767)	(101,410,767)
Realisation of revaluation surplus	23.1	-	(5,157,000)	-	5,157,000	-
<b>Balance as at 31 December 2016</b>		<b>211,192,425</b>	<b>414,587,302</b>	<b>2,180,837</b>	<b>769,634,205</b>	<b>1,397,594,769</b>

The Accounting Policies and Notes on pages 95 to 139 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## STATEMENT OF CASH FLOWS

Year ended 31 December	Notes	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Cash flows from operating activities</b>					
Profit before income tax expense		471,750,388	456,431,020	350,691,494	347,476,607
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment	14.2 & 14.5	45,663,133	41,685,455	37,583,058	32,485,247
Amortisation of intangible assets	15	293,650	156,743	199,150	62,243
(Gain)/Loss on disposal of property, plant and equipment	8 & 9	(676,437)	3,448	(704,278)	3,448
Provision for inventories	11	(1,870,260)	1,978,997	3,215,972	(161,521)
Interest expense	10.1	11,988,811	8,146,265	12,518,267	7,098,960
Interest income	8 & 10.2	(7,457,646)	(9,390,697)	(4,629,135)	(9,556,290)
Dividend income	8	(243,000)	(810,000)	(56,943,000)	(27,810,000)
Provision for employee benefits	25	15,802,813	12,931,754	15,168,543	12,238,238
<b>Operating profit before working capital changes</b>		<b>535,251,452</b>	<b>511,132,985</b>	<b>357,100,071</b>	<b>361,836,932</b>
Increase in inventories	18	(445,168,327)	(86,896,582)	(387,386,155)	(32,779,851)
Increase in trade and other receivables	19.2 & 10.2	(52,521,985)	(174,452,830)	(69,415,638)	(80,910,528)
Decrease in prepayments	20	1,805,588	3,408,121	991,986	5,007,899
Increase in trade and other payables	26	99,405,969	102,462,873	113,193,973	64,029,969
Increase in provisions	27	8,578,767	25,912,071	6,529,097	17,510,217
Decrease in amount due to related parties		-	-	-	(14,664)
<b>Cash generated from operations</b>		<b>147,351,464</b>	<b>381,566,638</b>	<b>21,013,334</b>	<b>334,679,974</b>
Interest paid	10	(10,755,309)	(8,286,697)	(11,289,775)	(7,274,029)
Employee benefits paid	25	(1,029,397)	(1,530,100)	(1,029,397)	(903,105)
Income tax paid	28	(152,675,210)	(48,662,385)	(109,159,351)	(31,496,619)
<b>Net cash flows (used in)/ generated from operating activities</b>		<b>(17,108,452)</b>	<b>323,087,456</b>	<b>(100,465,189)</b>	<b>295,006,221</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment, capital work-in progress and intangible assets	14 & 15	(216,420,258)	(108,966,407)	(189,385,088)	(106,632,226)
Proceeds from disposal of property, plant and equipment	8, 9 & 14	2,337,671	3,886,666	2,337,671	3,886,666
Interest income received	8 & 10.2	6,321,985	7,097,444	3,927,112	7,734,660
Dividend income received	8	243,000	810,000	56,943,000	27,810,000
<b>Net cash flows used in investing activities</b>		<b>(207,517,602)</b>	<b>(97,172,297)</b>	<b>(126,177,305)</b>	<b>(67,200,900)</b>
<b>Cash flows from financing activities</b>					
Repayment of long-term loans	30.3	-	(41,250,000)	-	(41,250,000)
Proceeds from short-term borrowings	30.2	320,553,075	185,000,000	320,553,075	185,000,000
Repayment of short-term borrowings	30.2	(25,000,000)	(295,000,000)	(25,000,000)	(295,000,000)
Payment of finance lease liability	30.4	(346,500)	(346,500)	-	-
Dividend paid	29 & 31	(100,564,656)	(78,329,199)	(100,564,656)	(78,329,199)
<b>Net cash flows generated from/ (used in) financing activities</b>		<b>194,641,919</b>	<b>(229,925,699)</b>	<b>194,988,419</b>	<b>(229,579,199)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(29,984,135)</b>	<b>(4,010,540)</b>	<b>(31,654,075)</b>	<b>(1,773,878)</b>
Cash and cash equivalents at the beginning of the year	21	(43,320,028)	(39,309,488)	(28,533,086)	(26,759,208)
<b>Cash and cash equivalents at the end of the year</b>	21	<b>(73,304,162)</b>	<b>(43,320,028)</b>	<b>(60,187,161)</b>	<b>(28,533,086)</b>

The Accounting Policies and Notes on pages 95 to 139 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.

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiary (Together referred to as the 'Group' and individually as 'Group entities').

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

A fully-owned Subsidiary, Regnis Appliances (Pvt) 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 year, which ends on 31 December.

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

The principal activities of Regnis (Lanka) PLC are Manufacturing of Refrigerators and Bottle Coolers.

#### Subsidiary

Principal activities of Regnis Appliances (Pvt) 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 December 2016 is Singer (Sri Lanka) PLC.

The Company's Ultimate Parent undertaking and controlling party is Retail Holdings N.V, incorporated in the Curacao.

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

Accordingly, Singer ( Sri Lanka ) PLC is the immediate parent of the company with effect from 23rd February 2016. Singer ( Sri Lanka ) B.V will continue to be an intermediate Parent Company.

### 1.5 Number of Employees

The number of employees of the Group at the end of the year was 316 (2015 - 322), and Company - 261 (2015 - 265).

### 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 December 2016 were authorised for issue in accordance with resolution of the Board of Directors on 23rd February 2017.

## 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.

### 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 available-for-sale financial assets are 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.

### 2.3 Functional and Presentation Currency

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Use of Estimates and Judgments

The preparation of the financial statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from those estimates and judgmental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following Notes:

- Note 18 - Provision for Inventories
- Note 24 - Deferred Tax Asset/Liability
- Note 25 - Measurement of Employee Benefits
- Note 27 - Provisions
- Note 33 - 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.

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** 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).
- **Level 3:** 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 14.10, and Note 17.

### 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

### 3.1 Basis of Consolidation

#### 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 acquirees 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 (Pvt) Ltd and accordingly there is no non-controlling interest.

#### 3.1.3 Loss of Control

When a Group loses control over a Subsidiary, it derecognises the asset and liabilities of subsidiary, and any related NCI 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 Translation

Transactions in foreign currencies are translated into the respective functional currencies of Group Companies at the 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. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

### 3.3 Financial Instruments

#### 3.3.1 Non-Derivative Financial Assets

The Group recognises financial assets in its Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group classifies non-derivative financial assets in to the following categories; financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets.

As at the reporting date Group has following non-derivative financial assets: loans and receivables and available-for sale financial assets.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### (a) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS

Loans and receivables comprise cash and cash equivalents and trade and other receivable.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### (b) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any of the other categories. The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in the other comprehensive income and presented in the reserve in equity. When an investment is derecognised, the cumulative gain or losses accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise of long-term equity investments.

### 3.3.2 Non-Derivative Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when and only when, the Company has a legal right to offset the amounts and intends either to

settle on a net basis or to realise the asset or settle the liability simultaneously.

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.

### 3.3.3 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.

### 3.4 Impairment

#### 3.4.1 Impairment of Non-Derivative Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

#### (a) Impairment Losses on Financial Assets Carried at Amortised Cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### (b) Impairment Losses on Available-for-Sale Financial Assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss, otherwise, it is reversed through OCI.

#### 3.4.2 Impairment of 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.

### 3.5 Property, Plant and Equipment

#### 3.5.1 Recognition and Measurement

Items of property, plant and equipment are measured at cost/fair value 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 reviews 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.5.2 Subsequent Expenditure

The cost of replacing a component of an item of property, plant & 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 Group 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 & equipment is recognised in profit or loss as incurred.

### 3.5.3 Depreciation

Depreciation is recognised in profit or loss on a straightline basis over the estimated useful lives of each part of an item of property, plant & equipment, since this most closely reflected the expected pattern of consumption of the future economic benefits embodied in the asset.

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.

The estimated useful lives are as follows:

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

Depreciation of assets begins from the date they are available for use or in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### 3.5.4 Derecognition

An item of property, plant & 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 & equipment and are recognised net within 'other income' in profit or loss.

### 3.6 Intangible Assets

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.

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.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible assets with finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumptions of future economic benefits embodied in the assets is accounted for by changing the amortisation period of method, as appropriate, and treated as changes in accounting estimates. Amortisation expense on intangible assets with finite lives is recognised in profit or loss on the straight-line basis over the estimated useful lives, from the date they are available for use. 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 Year

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.

### 3.7 Leased Assets

Leases of property, plant & equipment that transfer to the Group substantially all of the risk & rewards of ownership are classified as finance lease. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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.

### 3.8 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 on first-in first-out basis
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

### 3.9 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.

#### 3.9.1 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.

#### 3.10 Employee Benefits

##### 3.10.1 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, 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.

##### 3.10.2 Defined Contribution Plans - Employees' Provident Fund/ Mercantile Services Provident Society and Employees' Trust Fund

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

## NOTES TO THE FINANCIAL STATEMENTS

and is recognised as an expense in profit or loss in the periods during which services are rendered by employees.

### 3.10.3 Short-Term Benefits

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

### 3.11 Revenue Recognition

#### 3.11.1 Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

#### 3.11.2 Finance Income and Finance Cost

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and interest income for related party. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance cost comprise interest expense on borrowings and reclassification of net gain previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### 3.11.3 Dividends

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

#### 3.11.4 Others

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.

### 3.12 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the property, plant & 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 & Other Comprehensive Income, the Directors are of the opinion that 'function of expenses method' presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

### 3.13 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised either in equity or other comprehensive income respectively.

#### 3.13.1 Current Income Tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

#### 3.13.2 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 apply to temporary differences when they reverse, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable



entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.14 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.

## 4 FINANCIAL RISK MANAGEMENT

The Group's objective, policies and processes for measuring and managing risk from financial instruments and the management of capital are reported separately in Note 32 in conformity with Sri Lanka Financial Reporting Standards.

## 5 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly, these standards have not been applied in preparing these financial statements. The Group will be adopting these standards when they become effective.

### SLFRS 9 Financial Instruments

#### Summary of the requirements

SLFRS 9, published in July 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### Possible Impact on Consolidated Financial Statements

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 9.

### SLFRS 15 Revenue from Contracts with Customers

#### Summary of the Requirements

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### Possible Impact on Consolidated Financial Statements

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 15.

However possible impacts are limited.

## NOTES TO THE FINANCIAL STATEMENTS

### 6 OPERATING SEGMENTS

#### 6.1 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

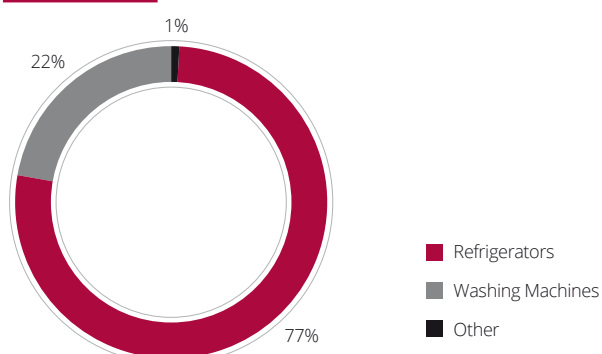
Inter-segment revenue includes sale of plastic components of Refrigerators manufactured at Regnis Appliances (Pvt) Ltd to Regnis (Lanka) PLC and transfer of raw materials.

## 6.2 Information about Reportable Segments

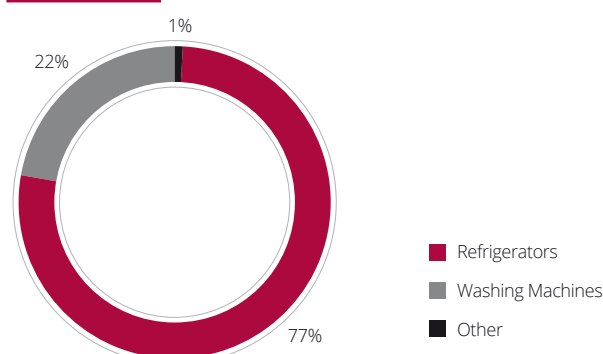
Information regarding the results of each reporting segments are included below. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results.

For the year ended 31 December	Refrigerators		Washing Machines		Other		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
External revenue	3,693,478,411	3,200,093,453	1,053,432,498	913,686,431	44,344,695	34,877,320	4,791,255,604	4,148,657,204
Inter segment revenue	-	-	-	-	265,230,896	233,939,702	265,230,896	233,939,702
<b>Reportable segment revenue (Note 6.3)</b>	<b>3,693,478,411</b>	<b>3,200,093,453</b>	<b>1,053,432,498</b>	<b>913,686,431</b>	<b>309,575,591</b>	<b>268,817,022</b>	<b>5,056,486,500</b>	<b>4,382,596,906</b>
Reportable segment results from operating activities	301,530,714	318,681,751	135,071,138	105,529,870	39,693,789	31,014,441	476,295,641	455,226,062
Net finance income/(costs) (Note 6.4)	(7,903,220)	2,424,793	2,595,283	(942,778)	762,684	(277,057)	(4,545,253)	1,204,958
<b>Reportable segment profit before tax</b>	<b>293,627,494</b>	<b>321,106,544</b>	<b>137,666,421</b>	<b>104,587,092</b>	<b>40,456,473</b>	<b>30,737,384</b>	<b>471,750,388</b>	<b>456,431,020</b>
Property, plant and equipment	897,730,122	632,182,503	51,974,285	26,494,861	29,891,812	36,443,982	979,596,219	695,121,346
Other segment assets	1,218,451,782	766,751,982	329,235,792	273,988,708	78,616,379	85,472,768	1,626,303,953	1,126,213,458
Reportable segment assets	2,116,181,904	1,398,934,485	381,210,069	300,483,569	108,508,199	121,916,750	2,605,900,172	1,821,334,804
Long-term investments	-	-	-	-	-	-	20,180,837	20,561,799
Cash and cash equivalents	-	-	-	-	-	-	9,565,987	6,342,703
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,635,646,996</b>	<b>1,848,239,306</b>
Reportable segment liabilities	440,906,403	302,397,149	92,016,240	103,455,568	27,041,108	30,402,820	559,963,751	436,255,537
Bank overdraft	68,681,166	34,825,789	10,966,285	11,467,076	3,222,698	3,369,866	82,870,149	49,662,731
Loans and borrowings	296,781,567	-	-	341,489	-	-	296,781,567	341,489
Current tax liabilities	-	-	-	-	-	-	60,362,619	91,685,117
Dividends payable	-	-	-	-	-	-	3,090,348	2,244,237
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,003,068,434</b>	<b>580,189,111</b>
Capital expenditure	189,385,088	106,632,226	1,779,512	543,830	25,255,658	1,790,351	216,420,258	108,966,407
Depreciation and amortisation	37,782,208	32,547,490	3,747,236	3,747,238	4,427,339	5,547,469	45,956,783	41,842,197

SEGMENTAL REVENUE 2015



SEGMENTAL REVENUE 2016



## NOTES TO THE FINANCIAL STATEMENTS

### 6 OPERATING SEGMENTS (Contd.)

#### 6.3 Reconciliation of Segmental Revenue

	Group	
	2016 Rs.	2015 Rs.
Total reportable segment revenue	5,056,486,500	4,382,596,906
Elimination of inter-segment revenue	(265,230,896)	(233,939,702)
Consolidated revenue	4,791,255,604	4,148,657,204

#### 6.4 Reconciliation of Segmental Net Finance Costs

Net finance costs for segments	(4,545,253)	1,204,958
Consolidated net finance income/(costs)	(4,545,253)	1,204,958

#### 6.5 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 considers the products manufacture by the Company within Refrigerator segment.

### 7 REVENUE

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Sale of goods-Local	4,791,255,604	4,146,072,841	3,693,478,411	3,197,509,090
Sale of goods-Exports to related entity (Note 35.4)	-	2,584,363	-	2,584,363
	4,791,255,604	4,148,657,204	3,693,478,411	3,200,093,453

### 8 OTHER INCOME

Interest income - from loans to Company officers	14,088	39,474	14,088	32,537
Gain on sale of property, plant and equipment	704,278	-	704,278	-
Dividend income	243,000	810,000	56,943,000	27,810,000
Other income - Miscellaneous	36,723	552,222	36,723	552,222
	998,089	1,401,696	57,698,089	28,394,759

### 9 OTHER EXPENSES

Loss on sale of property, plant and equipment	27,841	3,448	-	3,448
	27,841	3,448	-	3,448

### 10 NET FINANCE COSTS

#### 10.1 Finance Costs

Interest expense on				
Short term loans and borrowings	9,596,223	3,706,451	8,055,087	2,246,994
Long term loans and borrowings	-	2,127,073	-	2,127,073
Finance lease	5,010	34,637	-	-
Related parties	2,387,578	2,278,104	4,463,180	2,724,893
	11,988,811	8,146,265	12,518,267	7,098,960

#### 10.2 Finance Income

Interest income from				
Intercompany funding	6,307,897	7,057,970	463,024	4,252,123
Corporate guarantee issued to related party	-	-	3,450,000	3,450,000
Unwinding of interest on interest-free employee loan	820,128	1,965,248	599,674	1,760,710
Unwinding of interest on deposit given to lessor	315,533	328,005	102,349	60,920
	7,443,558	9,351,223	4,615,047	9,523,753
Net finance income/(costs)	(4,545,253)	1,204,958	(7,903,220)	2,424,793

**11 PROFIT BEFORE INCOME TAX EXPENSE**

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

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Depreciation on property, plant and equipment	45,663,133	41,685,455	37,583,058	32,485,247
Amortisation of intangible assets	293,650	156,743	199,150	62,243
Research and development expenditure	2,756,319	2,911,340	2,756,319	2,911,340
Provision for inventories	(1,870,260)	1,978,997	3,215,972	(161,521)
Personnel costs (Note 11.1)	504,140,134	448,254,901	457,834,474	412,648,499
Legal and professional fees	983,992	5,530,872	983,992	5,530,872
Auditors' remuneration	1,150,000	1,140,000	850,000	850,000
Donations	1,423,070	149,864	1,233,115	149,864
Executive Directors' emoluments	17,035,266	7,957,310	17,035,266	7,957,310
Non-Executive Directors' fees	1,284,000	1,759,667	1,284,000	1,759,667
Warranty cost (Note 27.1 & 27.2)	40,990,705	31,824,251	26,776,077	15,231,745

**11.1 Personnel Costs**

Salaries	417,652,132	367,550,444	378,577,656	338,721,279
Defined contribution plan- EPF and ETF	22,569,023	22,016,968	20,656,998	20,011,857
Bonus	48,116,166	45,755,735	43,431,277	41,677,125
Defined benefit plan cost - recognised in profit or loss (Note 25)	15,802,813	12,931,754	15,168,543	12,238,238
Total	504,140,134	448,254,901	457,834,474	412,648,499

**12 INCOME TAX EXPENSE****Current Tax Expense**

Tax on profit for the year (Note 12.1)	115,028,050	109,327,972	79,383,168	80,927,477
Under/(over) provision in respect of previous years	24,662	(31,790)	-	(22,661)
WHT on dividend received from Regnis Appliances (Pvt) Ltd	6,300,000	3,000,000	-	-
	121,352,712	112,296,182	79,383,168	80,904,816

**Deferred Tax Expense**

Origination and reversal of temporary difference (Note 24)	73,738	(4,601)	(990,925)	(1,502,050)
Income tax expense in statement of profit or loss	121,426,450	112,291,581	78,392,243	79,402,766

## NOTES TO THE FINANCIAL STATEMENTS

### 12 INCOME TAX EXPENSE (Contd.)

#### 12.1 Reconciliation between Accounting Profit and the Taxable Profit

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit before income tax expense	471,750,388	456,431,020	350,691,494	347,476,607
Total disallowable expenses	93,839,282	79,253,165	63,516,155	45,706,067
Total allowable expenses	(98,295,268)	(75,499,780)	(54,892,465)	(41,270,661)
Income not liable for tax	(243,000)	(810,000)	(56,943,000)	(27,810,000)
	467,051,402	459,374,405	302,372,184	324,102,013
Statutory income	467,051,402	459,374,405	302,372,184	324,102,013
Qualifying payments relief for investments	(18,860,869)	(34,941,867)	(18,860,869)	(34,941,867)
Taxable profit	448,190,533	424,432,538	283,511,315	289,160,146
Tax at 28%	83,248,204	83,328,807	79,383,168	80,899,454
Tax at 20%	31,779,846	25,971,142	-	-
Tax at 12%	-	28,023	-	28,023
Tax on profit for the year	115,028,050	109,327,972	79,383,168	80,927,477

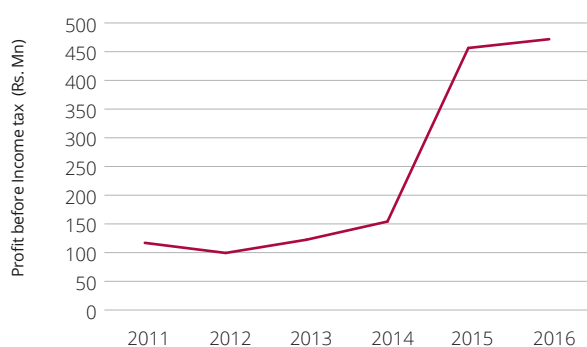
#### 12.2 Tax Recognised in Other Comprehensive Income

Group	2016			2015		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Surplus on revaluation of building	11,122,482	(3,114,295)	8,008,187	-	-	-
Defined benefit plan actuarial gain or (losses)	2,870,613	(632,642)	2,237,971	6,223,451	(1,880,379)	4,343,072
	13,993,095	(3,746,937)	10,246,158	6,223,451	(1,880,379)	4,343,072

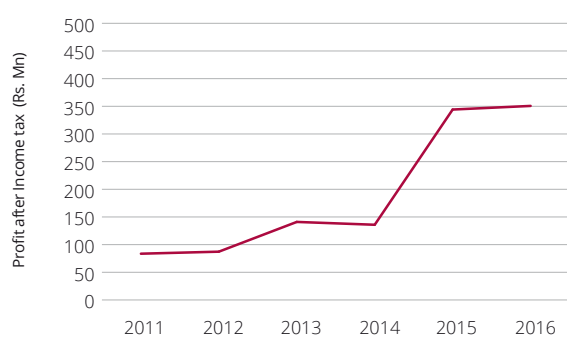
  

Company	2016			2015		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Surplus on revaluation of building	11,122,482	(3,114,295)	8,008,187	-	-	-
Defined benefit plan actuarial gain or (losses)	731,489	(204,817)	526,672	7,946,112	(2,224,911)	5,721,201
	11,853,971	(3,319,112)	8,534,859	7,946,112	(2,224,911)	5,721,201

#### PBT (Group)



#### PAT (Group)



PBT

PAT

### 12.3 Applicable Tax Rates

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

#### Regnis (Lanka) PLC

Regnis (Lanka) PLC is liable to income tax at the rate of 28% in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto. Profit from qualified export was liable for tax rate of 12%.

In terms of section 34 (2) (S) of the Inland Revenue Act No. 10 of 2006 which was introduced by section 15 (1) (C) of the Inland Revenue (Amendment) Act No. 8 of 2012, the investment of not less than Rs.50Mn made in fixed assets during the years 2012 to 2014 for the introduction of the new series qualified for exemption under section 16 (C) or Section 17 (A) is treated as a qualifying payment, deductible from the assessable income, subject to a maximum of 25% of the investment for each year of assessment falling within the period of 4 years commencing from the year of assessment 2012/2013.

#### 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% during 2016, ( 2015 - 20%). However, non-business income of the Company is liable at the rate of 28% in terms of Inland Revenue Act No. 10 of 2006 and amendment thereto.

## 13 EARNINGS PER SHARE

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

#### Profit Attributable to Ordinary Shareholders (Basic)

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Amounts Used as the Numerators</b>				
Profit for the year (Rs.)	350,323,938	344,139,439	272,299,251	268,073,841
Profit for the year, attributable to ordinary shareholders (Rs.)	350,323,938	344,139,439	272,299,251	268,073,841

#### Weighted Average number of ordinary shares (Basic)

	2016	2015	2016	2015
	Number	Number	Number	Number
<b>Number of Ordinary Shares Used as Denominators</b>				
Issued number of ordinary shares at 01 January	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.)	31.09	30.54	24.17	23.79

## NOTES TO THE FINANCIAL STATEMENTS

### 14 PROPERTY, PLANT AND EQUIPMENT

#### 14.1 Gross Carrying Amounts - Group

	Balance as at 01.01.2016 Rs.	Additions Rs.	Offset of Accumulated Depreciation on Revaluation Rs.	Surplus on Revaluation Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2016 Rs.
<b>At Cost</b>						
Machinery and equipment	291,976,352	86,551,742	-	-	(23,585,846)	354,942,248
Tools, dies and gauges	149,532,544	10,075,415	-	-	(75,405)	159,532,554
Furniture and fittings	8,554,381	487,324	-	-	-	9,041,705
EDP equipment	15,447,492	1,987,767	-	-	(1,501,868)	15,933,391
Motor vehicles	5,523,342	3,296,259	-	-	-	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	478,358,272	102,398,507	-	-	(25,163,119)	555,593,660
<b>At Valuation</b>						
Freehold land	211,500,000	-	-	105,750,000	-	317,250,000
Building on freehold land	212,052,594	1,337,419	(14,629,656)	11,122,482	-	209,882,839
Gross carrying amount at valuation	423,552,594	1,337,419	(14,629,656)	116,872,482	-	527,132,839
Gross carrying amount excluding capital work-in- progress	901,910,866	103,735,926	(14,629,656)	116,872,482	(25,163,119)	1,082,726,499
<b>Capital work-in-progress</b>						
Machinery and equipment	82,958,577	196,265,254	-	-	(85,074,422)	194,149,409
Total capital work-in- progress	82,958,577	196,265,254	-	-	(85,074,422)	194,149,409
Gross carrying amount	984,869,443	300,001,180	(14,629,656)	116,872,482	(110,237,541)	1,276,875,908



## 14.2 Depreciation and Impairment Losses - Group

	Balance as at 01.01.2016 Rs.	Charge for the Year Rs.	Adjustment on Revaluation Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2016 Rs.
<b>At Cost</b>					
Machinery and equipment	158,745,893	22,625,775	-	(22,010,258)	159,361,410
Tools, dies and gauges	97,371,363	10,171,188	-	(54,806)	107,487,745
Furniture and fittings	4,079,767	694,203	-	-	4,773,970
EDP equipment	10,705,122	1,810,062	-	(1,436,821)	11,078,363
Motor vehicles	2,963,554	916,574	-	-	3,880,128
Improvement on leasehold premises	5,946,295	-	-	-	5,946,295
Leasehold asset	200,939	114,822	-	-	315,761
Total depreciation on assets at cost	280,012,933	36,332,624	-	(23,501,885)	292,843,672
<b>At Valuation</b>					
Building on freehold land	9,735,164	9,330,509	(14,629,656)	-	4,436,017
Total depreciation on asset at valuation	9,735,164	9,330,509	(14,629,656)	-	4,436,017
Impairment losses	-	-	-	-	-
Total depreciation and impairment losses	289,748,097	45,663,133	(14,629,656)	(23,501,885)	297,279,689

## 14.3 Carrying Amounts - Group

	2016 Rs.	2015 Rs.
At cost	262,749,988	198,345,339
At valuation	522,696,822	413,817,430
Capital work-in-progress	194,149,409	82,958,577
Total carrying amount of property, plant and equipment	979,596,219	695,121,346

## NOTES TO THE FINANCIAL STATEMENTS

### 14 PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### 14.4 Gross Carrying Amounts - Company

	Balance as at 01.01.2016 Rs.	Additions Rs.	Offset of Accumulated Depreciation on Revaluation Rs.	Surplus on Revaluation Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2016 Rs.
<b>At Cost</b>						
Machinery and equipment	186,287,676	86,358,872	-	-	(23,585,846)	249,060,702
Tools, dies and gauges	141,923,370	7,571,617	-	-	(30,000)	149,464,987
Furniture and fittings	8,073,863	419,872	-	-	-	8,493,735
EDP equipment	14,088,867	1,322,057	-	-	(1,432,118)	13,978,806
Motor vehicles	5,523,342	3,296,259	-	-	-	8,819,601
Gross carrying amount at cost	355,897,118	98,968,677	-	-	(25,047,964)	429,817,831
<b>At Valuation</b>						
Freehold land	211,500,000	-	-	105,750,000	-	317,250,000
Building on freehold land	212,052,594	1,337,419	(14,629,656)	11,122,482	-	209,882,839
Gross carrying amount at valuation	423,552,594	1,337,419	(14,629,656)	116,872,482	-	527,132,839
Gross carrying amount excluding capital work-in-progress	779,449,712	100,306,096	(14,629,656)	116,872,482	(25,047,964)	956,950,670
<b>Capital work-in-progress</b>						
Machinery and equipment	82,958,577	172,659,914	-	-	(85,074,422)	170,544,069
Total capital work-in-progress	82,958,577	172,659,914	-	-	(85,074,422)	170,544,069
Gross carrying amount	862,408,289	272,966,010	(14,629,656)	116,872,482	(110,122,386)	1,127,494,739

#### 14.5 Depreciation and Impairment Losses - Company

	Balance as at 01.01.2016 Rs.	Charge for the Year Rs.	Adjustment on Revaluation Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2016 Rs.
<b>At Cost</b>					
Machinery and equipment	109,475,317	15,688,550	-	(22,010,258)	103,153,609
Tools, dies and gauges	94,671,676	9,359,034	-	(30,000)	104,000,710
Furniture and fittings	3,838,458	643,907	-	-	4,482,365
EDP equipment	9,541,615	1,644,484	-	(1,374,313)	9,811,786
Motor vehicles	2,963,556	916,574	-	-	3,880,130
Total depreciation on assets at cost	220,490,622	28,252,549	-	(23,414,571)	225,328,600
<b>At Valuation</b>					
Building on freehold land	9,735,164	9,330,509	(14,629,656)	-	4,436,017
Total depreciation on assets at valuation	9,735,164	9,330,509	(14,629,656)	-	4,436,017
Impairment losses	-	-	-	-	-
Total depreciation and impairment losses	230,225,786	37,583,058	(14,629,656)	(23,414,571)	229,764,617

#### 14.6 Carrying Amounts - Company

	2016 Rs.	2015 Rs.
At cost	204,489,231	135,406,496
At valuation	522,696,822	413,817,430
Capital work-in-progress	170,544,069	82,958,577
Total carrying amount of property, plant and equipment	897,730,122	632,182,503

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

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

	Last Revaluation Date	Valuation	Extent	No. of Buildings	Accommodation
Land	30th June 2016	317,250,000	705 Perches	-	Factory
Buildings	30th June 2016	208,545,406	120,615 Sq.ft	16	Factory

14.8 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. 65,544,702/-

	Cost Rs.	Accumulated Depreciation Rs.	Carrying Amount Rs.
Land	11,742,796	-	11,742,796
Building	88,691,054	(34,889,148)	53,801,906
Total carrying amount	100,433,850	(34,889,148)	65,544,702

14.9 During the year, Group and the Company acquired property, plant and equipment and intangible assets amounting to Rs. 216,420,258/- (2015 - Rs.108,966,407/-) and Rs.189,385,088/- (2015 - Rs.106,632,226/-) respectively.

Group and the Company made cash payments of Rs.216,420,258/- (2015 - Rs.108,966,407/-) and Rs.189,385,088/- (2015 - Rs.106,632,226/-) respectively during the year for the purchase of property, plant and equipment and intangible assets.

#### 14.10 Property, Plant and Equipment at Fair Value

##### (a) Reconciliation of Carrying Amount

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance as at 1 January	413,817,430	419,022,164	413,817,430	419,022,164
Additions	1,337,419	4,530,430	1,337,419	4,530,430
Change in fair value	116,872,482	-	116,872,482	-
Depreciation	(9,330,509)	(9,735,164)	(9,330,509)	(9,735,164)
Balance as at 31 December	522,696,822	413,817,430	522,696,822	413,817,430

## NOTES TO THE FINANCIAL STATEMENTS

### 14 PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### (b) Measurement of Fair Value

##### Fair Value Hierarchy

The freehold land and buildings were re-valued during the first half of 2016 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 June 2016. The surplus arising from the revaluation was transferred to a revaluation reserve.

The fair value measurement for freehold land and building of Rs 525.7 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 14.10 (d)

#### (c) Level 3 Fair Value

Reconciliation of from opening balance to the closing balance is shown in note 14.10 (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
Land	Open market value for existing use basis	450,000/- per perch	The estimated fair value would increase/ (decrease) if : <ul style="list-style-type: none"> <li>• Market value per perch was higher (lower)</li> </ul>
Buildings	Contractors method	<ul style="list-style-type: none"> <li>• Construction cost per square feet of a similar building</li> <li>• Depreciation rate for the usage of assets</li> </ul>	<ul style="list-style-type: none"> <li>• Cost per square feet was higher (lower)</li> <li>• Depreciation rate for usage lower (higher)</li> </ul>

Land Value as per the previous revaluation report dated 30th December 2014 was Rs 300,000/- per perch.

### 15 INTANGIBLE ASSETS

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Software:</b>				
<b>Cost</b>				
As at the beginning of the year	1,567,449	1,567,449	622,449	622,449
Acquired/incurred during the year	1,493,500	-	1,493,500	-
As at the end of the year	3,060,949	1,567,449	2,115,949	622,449
<b>Amortisation</b>				
As at the beginning of the year	584,303	427,560	88,178	25,935
Amortisation charge for the year	293,650	156,743	199,150	62,243
As at the end of the year	877,953	584,303	287,328	88,178
<b>Carrying Amount</b>				
As at the beginning of the year	983,146	1,139,889	534,271	596,514
As at the end of the year	2,182,996	983,146	1,828,621	534,271

## 16 INVESTMENT IN SUBSIDIARY

	Country of Incorporation	Holding % as at 31.12.2016	No. of Shares 31.12.2016	Cost 2016 Rs.	Cost 2015 Rs.
Regnis Appliances (Pvt) Ltd	Sri Lanka	100	15,000,000	150,000,000	150,000,000
Carrying amount as at 31 December		100	15,000,000	150,000,000	150,000,000

## 17 AVAILABLE FOR SALE FINANCIAL ASSET - NON-CURRENT

## Investment In Equity Securities - Group/Company

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

	No. of Shares 2016	Carrying Amount 2016 Rs.	No. of Shares 2015	Carrying Amount 2015 Rs.
Reality Lanka Ltd				
As at beginning of the year	1,800,000	20,561,799	1,800,000	20,695,862
Increase/(decrease) in fair value of investments	-	(380,962)	-	(134,063)
As at the end of the year	1,800,000	20,180,837	1,800,000	20,561,799

## 18 INVENTORIES

		Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Raw materials	-at cost	734,589,782	446,613,580	578,878,413	354,511,747
Work-in-progress	-at cost	59,887,704	69,574,985	42,123,681	44,027,777
Finished goods	-at cost	191,125,148	68,469,466	147,722,895	54,343,355
Goods-in-transit	-at cost	196,760,606	158,738,780	139,314,976	73,972,829
		1,182,363,240	743,396,811	908,039,965	526,855,708
Consumables and spares	-at cost	8,462,919	8,278,134	8,462,919	8,278,134
		1,190,826,159	751,674,945	916,502,884	535,133,842
Less: Provision for inventories		(30,138,930)	(38,026,303)	(27,200,675)	(30,001,816)
Total inventories		1,160,687,229	713,648,642	889,302,209	505,132,026

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. 3,508,457,815/- (2015-Rs. 3,013,710,382/-) and Rs. 2,722,244,777/- (2015-Rs. 2,319,141,309/-) respectively.

The Group and Company inventories amounting to Rs. 6,017,113 /- (2015-Rs. 3,443,893/-) and Rs. 6,017,113/- (2015-Rs. 3,443,893/-) respectively, were written off against provision made during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>19.1 Non-Current</b>				
Rent deposits (Note 19.4)	1,126,191	3,047,289	-	845,258
Loans to Company officers (Note 19.3)	3,409,426	2,946,198	1,913,303	2,044,009
	<b>4,535,617</b>	<b>5,993,487</b>	<b>1,913,303</b>	<b>2,889,267</b>
<b>19.2 Current</b>				
Trade receivable from related parties (Note 19.6)	432,664,488	359,487,463	307,843,548	219,219,607
Shipping guarantees	-	5,693,000	-	5,693,000
Advances and other receivables	11,377,495	23,200,731	9,035,502	20,383,218
Other taxes recoverable ( Note 19.5)	4,754,123	4,847,550	4,754,123	4,847,550
	<b>448,796,106</b>	<b>393,228,744</b>	<b>321,633,173</b>	<b>250,143,375</b>
Loans to company officers (Note 19.3)	1,570,125	2,358,530	1,027,359	1,571,139
Rent deposits (Note 19.4)	1,134,210	797,651	945,258	797,651
	<b>451,500,441</b>	<b>396,384,925</b>	<b>323,605,790</b>	<b>252,512,165</b>
Total	<b>456,036,058</b>	<b>402,378,412</b>	<b>325,519,093</b>	<b>255,401,432</b>
<b>19.3 Loans to Company Officers</b>				
<b>Summary</b>				
Balance as at the beginning of the year	5,304,728	12,359,563	3,615,148	10,271,632
Loans granted during the year	3,418,280	2,465,478	1,668,280	837,478
Unwinding of interest	820,128	1,965,248	599,674	1,760,710
Less: Recoveries	(4,563,585)	(11,485,561)	(2,942,440)	(9,254,672)
Balance as at the end of the year	<b>4,979,551</b>	<b>5,304,728</b>	<b>2,940,662</b>	<b>3,615,148</b>
<b>Current/Non-Current Distinction</b>				
Amount receivable within one year	1,570,125	2,358,530	1,027,359	1,571,139
Amount receivable after one year	3,409,426	2,946,198	1,913,303	2,044,009
	<b>4,979,551</b>	<b>5,304,728</b>	<b>2,940,662</b>	<b>3,615,148</b>

	Group		Company		
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	
<b>19.4 Operating Lease Deposits</b>					
<b>Summary</b>					
At the beginning of the year	3,844,940	1,934,946	1,642,909	-	
Deposits during the year	1,249,928	1,956,989	100,000	1,956,989	
Unwinding of interest	315,533	328,005	102,349	60,920	
Less: Recoveries	(3,150,000)	(375,000)	(900,000)	(375,000)	
Balance as at the end of the year	2,260,401	3,844,940	945,258	1,642,909	
<b>Current/Non-Current Distinction</b>					
Amount receivable within one year	1,134,210	797,651	945,258	797,651	
Amount receivable after one year	1,126,191	3,047,289	-	845,258	
	2,260,401	3,844,940	945,258	1,642,909	
<b>19.5 Other Taxes Recoverable</b>					
Value Added Tax (VAT)	-	4,316,849	-	4,316,849	
Excise Duty	2,117,134	530,701	2,117,134	530,701	
Nation Building Tax (NBT)	2,636,989	-	2,636,989	-	
	4,754,123	4,847,550	4,754,123	4,847,550	
<b>19.6 Amounts Receivable from Related Parties</b>					
	Relationship				
Singer (Sri Lanka) PLC	- Parent Company	432,664,488	356,903,100	305,042,784	216,631,071
Brand Trading (Cambodia) Ltd	- Affiliate Entity	-	2,584,363	-	2,584,363
Regnis Appliances (Pvt) Ltd	- Subsidiary	-	-	2,800,764	4,173
		432,664,488	359,487,463	307,843,548	219,219,607

Group exposure to credit risks relating to trade and other receivables are disclosed in note 32.1.1 to the financial statements.

## 20 PREPAYMENTS

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Pre-paid rent	936,297	2,410,566	56,239	152,648
Pre-paid employee benefit	1,479,719	1,398,274	796,223	1,117,900
Other prepayments	4,981,654	5,394,418	4,409,371	4,983,271
Total	7,397,670	9,203,258	5,261,833	6,253,819

## NOTES TO THE FINANCIAL STATEMENTS

### 21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
Components of Cash and Cash Equivalents	Rs.	Rs.	Rs.	Rs.
<b>21.1 Favourable Cash and Cash Equivalent Balances</b>				
Cash at Bank	9,415,987	6,192,703	8,394,005	6,192,703
Cash in Hand	150,000	150,000	100,000	100,000
Cash and cash equivalents	9,565,987	6,342,703	8,494,005	6,292,703
<b>21.2 Unfavourable Cash and Cash Equivalent Balances</b>				
Bank overdraft (Note 21.2.1)	(82,870,149)	(49,662,731)	(68,681,166)	(34,825,789)
Total cash and cash equivalents for the purpose of statement of cash Flows	(73,304,162)	(43,320,028)	(60,187,161)	(28,533,086)

21.2.1	Bank/Institution	Nominal interest rate		31 December 16	31 December 15
		2016	2015	Carrying Amount	Carrying Amount
Group		Rs.	Rs.	Rs.	Rs.
Bank overdraft	Commercial Bank	PLR+1.5%	PLR+1.0%	49,850,071	18,448,776
	Hatton National Bank	AWPLR+1.0%	AWPLR+1.0%	7,963,669	2,932,073
	National Development Bank	14.50%	8.50%	8,643,908	2,784,752
	Sampath Bank	AWPLR+2.5%	PLR+1.5%	15,740,603	17,419,861
	DFCC Vardhana Bank	PLR+1.25%	AWPLR+1.25%	671,898	8,077,269
			82,870,149	49,662,731	
<b>Company</b>					
Bank overdraft	Commercial Bank	PLR+1.5%	PLR+1.0%	49,850,071	18,448,776
	Hatton National Bank	AWPLR+1.0%	AWPLR+1.0%	7,963,669	2,924,080
	National Development Bank	14.5%	8.5%	8,643,908	2,702,331
	Sampath Bank	AWPLR+2.5%	PLR+1.5%	1,551,620	2,673,333
	DFCC Vardhana Bank	PLR+1.25%	AWPLR+1.25%	671,898	8,077,269
			68,681,166	34,825,789	

### 22 STATED CAPITAL

22.1	At the beginning of the Year 01.01.2016 Number	Issued for Cash during the Year Number	Issued for Non-Cash Consideration Number	At the end of the Year 31.12.2016 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



## 22.2 Shares Held by Group Companies

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

	2016		2015	
	Number	%	Number	%
<b>Held by Group Companies</b>				
Singer (Sri Lanka) PLC (Note 35.1)	6,568,577	58.29%	-	-
Retail Holdings (Sri Lanka) B.V - Formally Singer (Sri Lanka) B.V	-	-	6,568,461	58.29%
	<b>6,568,577</b>		<b>6,568,577</b>	

## 23 RESERVES

### 23.1 Revaluation Reserve

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 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	305,986,115	311,434,115	305,986,115	311,434,115
Surplus from revaluation of land & building	116,872,482	-	116,872,482	-
Deferred tax effect on surplus on revaluation	(3,114,295)	-	(3,114,295)	-
Realisation of revaluation surplus	(5,157,000)	(5,448,000)	(5,157,000)	(5,448,000)
Balance at the end of the year	<b>414,587,302</b>	<b>305,986,115</b>	<b>414,587,302</b>	<b>305,986,115</b>

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

### 23.2 Available for Sale Reserve

At the beginning of the year	2,561,799	2,695,862	2,561,799	2,695,862
Deficit during the year	(380,962)	(134,063)	(380,962)	(134,063)
Balance at the end of the year	<b>2,180,837</b>	<b>2,561,799</b>	<b>2,180,837</b>	<b>2,561,799</b>
<b>Total Reserves</b>	<b>416,768,139</b>	<b>308,547,914</b>	<b>416,768,139</b>	<b>308,547,914</b>

This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

## 24 DEFERRED TAX LIABILITIES

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance at the beginning of the year	70,686,443	68,810,665	63,618,770	62,895,909
Origination and reversal of temporary difference:				
Recognised in profit or loss	73,738	(4,601)	(990,925)	(1,502,050)
Recognised in actuarial gain or (losses)	632,642	1,880,379	204,817	2,224,911
Recognised in revaluation	3,114,295	-	3,114,295	-
Balance at the end of the year	<b>74,507,118</b>	<b>70,686,443</b>	<b>65,946,957</b>	<b>63,618,770</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority.

## NOTES TO THE FINANCIAL STATEMENTS

### 24 DEFERRED TAX LIABILITIES (Contd.)

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Deferred tax assets	24,953,059	21,499,885	24,620,569	20,866,425
Deferred tax liabilities	99,460,177	92,186,328	90,567,525	84,485,195
Net deferred tax liabilities	74,507,118	70,686,443	65,946,956	63,618,770
	2016		2015	
Recognised Deferred Tax Assets and Liabilities - Group	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.
Property, plant and equipment	-	99,460,177	-	92,186,328
Employee benefits	24,953,059	-	21,499,885	-
	24,953,059	99,460,177	21,499,885	92,186,328
Net deferred tax liabilities	-	74,507,118	-	70,686,443
	2016		2015	
Recognised Deferred Tax Assets and Liabilities - Company	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.
Property, plant and equipment	-	90,567,525	-	84,485,195
Employee benefits	24,620,569	-	20,866,425	-
	24,620,569	90,567,525	20,866,425	84,485,195
Net deferred tax liabilities	-	65,946,956	-	63,618,770

### 25 EMPLOYEE BENEFITS

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Present value of unfunded gratuity	89,593,056	77,690,253	87,930,604	74,522,947
Total present value of the obligation	89,593,056	77,690,253	87,930,604	74,522,947
Provision for employee benefits movement in the present value of employee benefits				
Balance at the beginning of the year	77,690,253	72,512,050	74,522,947	71,133,926
Current service costs	6,186,466	5,317,464	5,827,464	4,768,651
Interest costs	9,616,347	7,614,290	9,341,079	7,469,587
Expenses recognised in comprehensive income statement	15,802,813	12,931,754	15,168,543	12,238,238
Actuarial (gain)/ losses	(2,870,613)	(6,223,451)	(731,489)	(7,946,112)
Expenses recognised in other comprehensive income	(2,870,613)	(6,223,451)	(731,489)	(7,946,112)
Benefits paid	(1,029,397)	(1,530,100)	(1,029,397)	(903,105)
Balance at the end of the year	89,593,056	77,690,253	87,930,604	74,522,947

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 December 2016, 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 December 2016 has been determined based on the recommendation of this report.

	2016	2015
Key assumptions used by the actuary include the following:		
(a) Discount rate	11.5% p.a.	10.5% p.a.
(b) Salary increment rate	10%	9%
(c) Assumptions regarding future mortality (Basis)	A67/70	A67/70
(d) Retirement age	Executive Grade	Executive Grade
	Males	60 Years
	Females	60 Years

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

#### 25.1 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 2016		Effect 2015	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.
<b>(A) Discount Rate</b>				
Increase by one percentage point - (Increase)/Decrease	(6,940,031)	(6,712,312)	(5,479,964)	(5,106,355)
Decrease by one percentage point - (Increase)/Decrease	7,836,917	7,556,365	6,201,005	5,760,052
<b>(B) Salary Increment Rate</b>				
Increase by one percentage point - Increase/(Decrease)	8,153,359	7,865,339	6,560,249	6,096,692
Decrease by one percentage point - Increase/(Decrease)	(7,327,146)	(7,090,221)	(5,875,946)	(5,478,524)

## NOTES TO THE FINANCIAL STATEMENTS

### 26 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Trade payable due to related Company (Note 26.1)	6,958,087	-	49,802,621	55,379,366
Other trade payables	246,500,420	195,613,921	188,981,133	108,410,972
Sundry creditors and accrued expenses (Note 26.2)	80,539,225	43,700,710	60,063,112	23,039,802
Value Added Tax (VAT), Excise Duty and Nation Building Tax (NBT) payable	7,936,585	3,213,717	1,241,604	64,357
Total	341,934,317	242,528,348	300,088,470	186,894,497

#### 26.1 Amounts due to Related Party - Trade

	Relationship	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Regnis Appliances (Pvt) Ltd.	Subsidiary	-	-	49,802,621	55,379,366
Singer Industries (Ceylon) PLC	Related Entity	6,958,087	-	-	-
		6,958,087	-	49,802,621	55,379,366

#### 26.2 Sundry Creditors and Accrued Expenses

Sundry creditors	1,140,505	901,815	983,280	814,092
Accrued expenses	79,398,720	42,798,895	59,079,832	22,225,710
	80,539,225	43,700,710	60,063,112	23,039,802

The Group exposure to required risk related to trade and other payable is disclosed in Note 32.1.2 to the financial statements.

### 27 PROVISIONS

#### 27.1 Provisions - Group

	2016	2016	2016	2015
	Warranties Rs.	Bonus Rs.	Total Rs.	Total Rs.
Balance as at the beginning of the year	21,886,012	23,464,481	45,350,493	19,438,422
Provision made during the year	40,990,705	48,116,166	89,106,871	77,579,986
Utilised during the year	(31,438,402)	(49,089,702)	(80,528,104)	(51,667,915)
Balance at the end of the year	31,438,315	22,490,945	53,929,260	45,350,493

Warranties: A provision of Rs. 31,438,315/- has been recognised for expected future warranty claims for products sold.

Bonus: A provision of Rs. 22,490,945/- has been recognised for expected bonus payable for all employees employed as at 31 December 2016.

## 27.2 Provisions - Company

	2016 Warranties Rs.	2016 Bonus Rs.	2016 Total Rs.	2015 Total Rs.
Balance as at the beginning of the year	12,122,305	20,617,995	32,740,300	15,230,083
Provision made during the year	26,776,077	43,431,277	70,207,354	56,908,870
Utilised during the year	(19,449,191)	(44,229,066)	(63,678,257)	(39,398,653)
Balance at the end of the year	19,449,191	19,820,206	39,269,397	32,740,300

Warranties: A provision of Rs.19,449,191/- has been recognised for expected future warranty claims for products sold.

Bonus: A provision of Rs. 19,820,206/- has been recognised for expected bonus payable for all employees employed as at 31 December 2016.

## 28 CURRENT TAX LIABILITIES

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance payable at the beginning of the year	91,685,117	28,051,320	68,709,625	19,301,428
Tax on profit for the year (Note 12.1)	115,028,050	109,327,972	79,383,168	80,927,477
Under/(over) provision in respect of previous year	24,662	(31,790)	-	(22,661)
WHT on dividend received from Regnis Appliances (Pvt) Ltd	6,300,000	3,000,000	-	-
Current tax expense for the year (Note 12)	121,352,712	112,296,182	79,383,168	80,904,816
Payments made during the year	(152,675,210)	(48,662,385)	(109,159,351)	(31,496,619)
Balance payable at the end of the year	60,362,619	91,685,117	38,933,442	68,709,625

## 29 DIVIDENDS PAYABLE

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Unclaimed dividend	3,090,348	2,244,237	3,090,348	2,244,237

## NOTES TO THE FINANCIAL STATEMENTS

### 30 LOANS AND BORROWINGS

#### 30.1 Payable as Follows:

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Payable within one Year</b>				
Short-term bank loans (Note 30.2)	295,553,075	-	295,553,075	-
Long-term bank loans (Note 30.3)	-	-	-	-
Interest payable	1,228,492	-	1,228,492	-
Lease payable (30.4)	-	341,489	-	-
	<b>296,781,567</b>	<b>341,489</b>	<b>296,781,567</b>	<b>-</b>
<b>Payable after one year</b>				
Total	296,781,567	341,489	296,781,567	-

#### 30.2 Short-Term Loans

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
At the beginning of the year	-	110,000,000	-	110,000,000
Obtained during the year	320,553,075	185,000,000	320,553,075	185,000,000
Repayments during the year	(25,000,000)	(295,000,000)	(25,000,000)	(295,000,000)
At the end of the year	295,553,075	-	295,553,075	-

#### 30.3 Long-Term Loans

At the beginning of the year	-	41,250,000	-	41,250,000
Obtained during the year	-	-	-	-
Repayments during the year	-	(41,250,000)	-	(41,250,000)
At the end of the year	-	-	-	-

## 30.4 Lease Payables

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
At the beginning of the year	346,500	693,000	-	-
Obtained during the year	-	-	-	-
Repayments during the year	(346,500)	(346,500)	-	-
At end of the year	-	346,500	-	-
<b>Interest in Suspense</b>				
At the beginning of the year	(5,011)	(39,648)	-	-
Obtained during the year	-	-	-	-
Charged during the year	5,011	34,637	-	-
Net lease payable	-	(5,011)	-	-
Payable within one year	-	341,489	-	-
Payable after one year	-	-	-	-
	-	341,489	-	-

## 30.5 Group

Terms and Conditions of Outstanding Loans were as follows:

	Bank/Institution	Nominal Interest Rate		31 December 16	31 December 15
		2016	2015	Carrying Amount Rs.	Carrying Amount Rs.
Short- term	Commercial Bank	MKT RATE (12.8%)	-	50,000,000	-
	Hatton National Bank	AWPLR+1.5%	-	50,000,000	-
	National Development Bank	MKT RATE (14.5%)	-	90,000,000	-
Trust receipt	Commercial Bank	MKT RATE (12.5%)	-	105,553,075	-
Interest payable			-	1,228,492	-
Finance lease	Tianjin Hakushinsei Int'l Trading Co.Ltd	0.00%	-	-	341,489
Loans and borrowings			-	296,781,567	341,489

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. 345.0 Mn for the facilities granted to Regnis Appliances (Pvt) Ltd.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 LOANS AND BORROWINGS (Contd.)

#### 30.6 Company

	Bank/Institution	Nominal Interest Rate		31 December 16	31 December 15
		2016	2015	Carrying Amount	Carrying Amount
				Rs.	Rs.
Short -term	Commercial Bank	MKT RATE (12.8%)	-	50,000,000	-
	Hatton National Bank	AWPLR+1.5%	-	50,000,000	-
	National Development Bank	MKT RATE (14.5%)	-	90,000,000	-
Trust receipt	Commercial Bank	MKT RATE (12.5%)	-	105,553,075	-
Interest payable			-	1,228,492	-
Loans and borrowings			-	296,781,567	-

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 32 to the financial statements.

### 31 DIVIDENDS

	Group		Company	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Proposed final dividends - Rs. 18.50 (2015 Rs.9.00)	208,455,466	101,410,767	208,455,466	101,410,767
	208,455,466	101,410,767	208,455,466	101,410,767

### 32 FINANCIAL INSTRUMENTS

#### Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Company in turn, has deployed best practices in its endeavours to manage risks. The Group's system of internal controls covers all policies and procedures and facilitates the timely identification and effective management of significant areas of strategic and operational risks that may arise.

The Risk Management Report on page 64 of this Annual Report explains the risk management framework of the Group.

#### 32.1 Financial Risk Management

The Group has exposure to the following risks arising from financial instruments:

##### 32.1.1 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 customers and investment securities.



### 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	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Trade and other receivables (Note 19)	456,036,058	402,378,412	325,519,093	255,401,432
Cash at bank (Note 21.1)	9,415,987	6,192,703	8,394,005	6,192,703
Available for sale finance asset (Note 17)	20,180,837	20,561,799	20,180,837	20,561,799
Total	485,632,882	429,132,914	354,093,935	282,155,934

### Trade and Other Receivables

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

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Trade and other receivables	456,036,058	402,378,412	325,519,093	255,401,432

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	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Singer (Sri Lanka) PLC	432,664,488	356,903,100	305,042,784	216,631,071
Brand Trading (Cambodia) Ltd	-	2,584,363	-	2,584,363
Regnis Appliances (Pvt) Ltd	-	-	2,800,764	4,173
Loans to company officers	4,979,551	5,304,728	2,940,662	3,615,148
Shipping guarantees	-	5,693,000	-	5,693,000
Advances and other receivables	13,637,896	27,045,671	9,980,760	22,026,127
Other taxes recoverable	4,754,123	4,847,550	4,754,123	4,847,550
Total	456,036,058	402,378,412	325,519,093	255,401,432

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 Company 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. 9,415,987/- and 8,394,005/- respectively- as at 31 December 2016. The cash at bank are held with reputed commercial banks.

## NOTES TO THE FINANCIAL STATEMENTS

### 32 FINANCIAL INSTRUMENTS (Contd.)

#### 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 to this report.

#### 32.1.2 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.

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 December 2016.

Lines of Credit	Group 2016		Company 2016	
	Facility Amounts	Utilisation	Facility Amounts	Utilisation
	Rs.	Rs.	Rs.	Rs.
Short-term loans	289,000,000	190,000,000	244,000,000	190,000,000
Import-term loans	375,000,000	105,553,075	247,500,000	105,553,075
Bank overdraft	155,000,000	82,870,149	110,000,000	68,681,166
Total borrowing facility vs utilisation	819,000,000	378,423,224	601,500,000	364,234,241
Total borrowings	819,000,000	378,423,224	601,500,000	364,234,241
Letter of credit facility vs utilisation	500,000,000	419,015,113	372,500,000	336,414,404

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, including estimated interest payments as at the end of the reporting period:

31 December 2016	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	296,781,567	296,781,567	296,781,567	-	-	-	-
Bank overdraft	68,681,166	68,681,166	68,681,166	-	-	-	-
Trade and other payables	300,088,470	300,088,470	300,088,470	-	-	-	-

Group	Carrying Amount	Contractual Cash Flows					
		Total	1 Month	2 Months	3-12 Months	1-2 Years	Over 2 Years
Group	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans	296,781,567	296,781,567	296,781,567	-	-	-	-
Bank overdraft	82,870,149	82,870,149	82,870,149	-	-	-	-
Trade and other payables	341,934,317	341,934,317	341,934,317	-	-	-	-
Lease payable	-	-	-	-	-	-	-

31 December 2015	Carrying Amount	Contractual Cash Flows					
		Total	1 Month	2 Months	3-12 Months	1-2 Years	Over 2 Years
Company	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans	-	-	-	-	-	-	-
Bank overdraft	34,825,789	34,825,789	34,825,789	-	-	-	-
Trade and other payables	186,894,497	186,894,497	186,894,497	-	-	-	-

Group	Carrying Amount	Contractual Cash Flows					
		Total	1 Month	2 Months	3-12 Months	1-2 Years	Over 2 Years
Group	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans	-	-	-	-	-	-	-
Bank overdraft	49,662,731	49,662,731	49,662,731	-	-	-	-
Trade and other payables	242,528,348	242,528,348	242,528,348	-	-	-	-
Lease payable	341,489	346,500	-	-	346,500	-	-

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 32 FINANCIAL INSTRUMENTS (Contd.)

#### 32.1.3 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 and Euro.

US\$	Group		Company	
	2016	2015	2016	2015
Trade payables	1,348,524	1,109,516	1,002,216	581,509
Trade receivables	-	(17,928)	-	(17,928)
Net exposure	1,348,524	1,091,588	1,002,216	563,581

On reporting date Book rate was US\$ 1 = LKR 150.31 (2015 - US\$ 1 = LKR 144.15)

#### Sensitivity Analysis

##### Group

At 31 December 2016, the pre-tax profit and shareholder equity of the Group would be (Rs. '000) 6,081 (2015- 3,147), (higher/lower) based on the appreciation/depreciation of the Sri Lankan Rupee by 3% (2015-2%) against the US\$, due to the US\$ denominated trade payables.

31 December 16	Equity		Profit and Loss	
	Appreciation Rs.'000	Depreciation Rs.'000	Appreciation Rs.'000	Depreciation Rs.'000
US\$ (3% movement)	(6,081)	6,081	(6,081)	6,081

31 December 15	Equity		Profit and Loss	
	Appreciation Rs.'000	Depreciation Rs.'000	Appreciation Rs.'000	Depreciation Rs.'000
US\$ (2% movement)	(3,147)	3,147	(3,147)	3,147

### Company

At 31 December 2016, the pre-tax profit and shareholder equity of the Company would be (Rs. '000) 4,519 (2015- 1,625), (higher/lower) based on the appreciation/depreciation of the Sri Lankan Rupee by 3%(2015-2%) against the US\$, due to the US\$ denominated trade payables.

	Equity		Profit and Loss	
	Appreciation Rs.'000	Depreciation Rs.'000	Appreciation Rs.'000	Depreciation Rs.'000
31 December 16				
US\$ (2% movement)	(4,519)	4,519	(4,519)	4,519

	Equity		Profit and Loss	
	Appreciation Rs.'000	Depreciation Rs.'000	Appreciation Rs.'000	Depreciation Rs.'000
31 December 15				
US\$ (2% movement)	(1,625)	1,625	(1,625)	1,625

### (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 borrowings are denominated in Sri Lankan Rupees which is the functional currency.

### 32.1.4 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 21.2.1 & 30.1 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in Notes 22 and 23). 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	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
31 December				
Total borrowings (Note 21.2.1 & 30.1)	379,652	50,004	365,463	34,826
Cash and bank balances	(9,566)	(6,343)	(8,494)	(6,293)
Net debt	370,086	43,661	356,969	28,533
Equity	1,632,579	1,268,050	1,397,595	1,112,802
Net debt to equity ratio	23%	3%	26%	3%

(1) Debt is defined as long and short-term borrowings as described in Notes 21.2.1 & 30.1.

(2) Equity includes all capital and reserves of the Group and Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 32 FINANCIAL INSTRUMENTS (Contd.)

#### 32.2 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

##### 32.2.1 Group

In Rs '000	Note	Loans and Receivables	Available - for-Sale	Other Financial Liabilities	Total Carrying Amount	Fair Value			
						Level 1	Level 2	Level 3	Total
<b>31 December 2016</b>									
Cash and cash equivalents	21.1	9,566	-	-	9,566	-	-	-	-
Trade and other receivables	19.2	456,036	-	-	456,036	-	-	-	-
Investment in equity									
Securities - Available for sale	17	-	20,181	-	20,181	-	-	20,181	20,181
		465,602	20,181	-	485,783	-	-	20,181	20,181
Bank loans	30.1	-	-	(296,782)	(296,782)	-	-	-	-
Trade and other payables	26	-	-	(341,934)	(341,934)	-	-	-	-
Lease payable	30.4	-	-	-	-	-	-	-	-
Bank overdraft	21.2	-	-	(82,870)	(82,870)	-	-	-	-
Dividends payable	29	-	-	(3,090)	(3,090)	-	-	-	-
Current tax liabilities	28	-	-	(60,363)	(60,363)	-	-	-	-
		-	-	(785,039)	(785,039)	-	-	-	-
<b>31 December 2015</b>									
Cash and cash equivalents	21.1	6,343	-	-	6,343	-	-	-	-
Trade and other receivables	19.2	402,378	-	-	402,378	-	-	-	-
Investment in equity									
securities - Available for sale	17	-	20,562	-	20,562	-	-	20,562	20,562
		399,571	20,562	-	429,283	-	-	20,562	20,562
Bank loans	30.1	-	-	-	-	-	-	-	-
Trade and other payables	26	-	-	(242,528)	(242,528)	-	-	-	-
Lease payable	30.4	-	-	(341)	(341)	-	-	-	-
Bank overdraft	21.2	-	-	(49,663)	(49,663)	-	-	-	-
Dividends payable	29	-	-	(2,244)	(2,244)	-	-	-	-
Current tax liabilities	28	-	-	(91,685)	(91,685)	-	-	-	-
		-	-	(386,462)	(386,462)	-	-	-	-

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.

## 32.2.2 Company

In Rs '000	Note	Loans and Receivables	Available - for- Sale	Other Financial Liabilities	Total Carrying Amount	Fair Value			
						Level 1	Level 2	Level 3	Total
<b>31 December 2016</b>									
Cash and cash equivalent	21.1	8,494	-	-	8,494	-	-	-	-
Trade and other receivables	19.2	325,519	-	-	325,519	-	-	-	-
Investment in equity securities - Available for sale	17	-	20,181	-	20,181	-	-	20,181	20,181
		<u>334,013</u>	<u>20,181</u>	<u>-</u>	<u>354,194</u>	<u>-</u>	<u>-</u>	<u>20,181</u>	<u>20,181</u>
Bank loans	30.1	-	-	(296,782)	(296,782)	-	-	-	-
Trade and other payables	26	-	-	(300,088)	(300,088)	-	-	-	-
Bank overdraft	21.2	-	-	(68,681)	(68,681)	-	-	-	-
Dividends payable	29	-	-	(3,090)	(3,090)	-	-	-	-
Current tax liabilities	28	-	-	(38,933)	(38,933)	-	-	-	-
		<u>-</u>	<u>-</u>	<u>(707,575)</u>	<u>(707,575)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In Rs '000	Note	Loans and Receivables	Available - for- Sale	Other Financial Liabilities	Total Carrying Amount	Fair Value			
						Level 1	Level 2	Level 3	Total
<b>31 December 2015</b>									
Cash and cash equivalents	21.1	6,293	-	-	6,293	-	-	-	-
Trade and other receivables	19.2	255,401	-	-	255,401	-	-	-	-
Investment in equity securities - Available for sale	17	-	20,562	-	20,562	-	-	20,562	20,562
		<u>261,694</u>	<u>20,562</u>	<u>-</u>	<u>282,256</u>	<u>-</u>	<u>-</u>	<u>20,562</u>	<u>20,562</u>
Bank loans	30.1	-	-	-	-	-	-	-	-
Trade and other payables	26	-	-	(186,894)	(186,894)	-	-	-	-
Bank overdraft	21.2	-	-	(34,826)	(34,826)	-	-	-	-
Dividends payable	29	-	-	(2,244)	(2,244)	-	-	-	-
Current tax liabilities	28	-	-	(68,710)	(68,710)	-	-	-	-
		<u>-</u>	<u>-</u>	<u>(292,674)</u>	<u>(292,674)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 available-for-sale financial instruments classified as Level 3 within the fair value hierarchy

In Rs '000	Available for Sale Financial Asset			
	Group		Company	
	2016	2015	2016	2015
Balance as at 1 January	20,562	20,696	20,562	20,696
Total loss recognised in other comprehensive income	(381)	(134)	(381)	(134)
As at 31 December	<u>20,181</u>	<u>20,562</u>	<u>20,181</u>	<u>20,562</u>

The fair value of Available for sale financial asset is determined by considering Regnis (Lanka) PLC's, share of the investee's net assets (Note 17).

## NOTES TO THE FINANCIAL STATEMENTS

### 33 COMMITMENTS AND CONTINGENCIES - GROUP/COMPANY

#### 33.1 Finance Commitments

Document credit are effected for foreign purchases of the Group amounting to Rs. 293,707,534/- (2015- Rs. 329,440,633/-)

Document credit are effected for foreign purchases of the Company amounting to Rs. 262,926,498 /- (2015- Rs. 236,982,602 /-)

#### 33.2 Operating Lease commitment - Group

##### (a) The land and buildings of Regnis Lanka PLC

Operating lease unexpired period details are as follows:

Location of Premises	Unexpired Period as at 31 December 2016
Ratmalana premises	Seven months

Operating lease rentals are payable as follows :

	2016 Rs.	2015 Rs.
Within one year	5.4Mn	7.7Mn
Between one to five years	-	4.49Mn

##### (b) 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 December 2016
Diggala premises	Twelve months
Moratuwa premises	Twelve months

Operating lease rentals are payable as follows :

	2016 Rs.	2015 Rs.
Within one year	18.74Mn	5.33Mn
Between one to five years	11.62Mn	Nil

#### 33.3 Contingencies

- 33.3.1 Corporate guarantees were given to banks on behalf of Regnis Appliances (Pvt) Ltd amounting to Rs. 345 Mn for the purpose of obtaining banking facilities.



**33.3.2** 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 is of the opinion that there is no basis that the Company is liable for the additional duty and hence, no provision is made in the financial statements.

Other than the above, Company does not have significant contingencies as at the reporting date.

#### **33.4 Capital Commitments**

There were no material capital commitments as at the reporting date except for the following:

There were no material capital commitments as at the reporting date, except that the company entered in to an agreement with Anhui Sunmine mechanical (the supplier) to procure a foaming setup for US \$ 545,500.

### **34 EVENTS OCCURRING AFTER THE REPORTING DATE**

No circumstances have arisen since the reporting date, which would require adjustments to or disclosure except for the following:

Directors have proposed the payment of final dividend of Rs.18.50 per share amounting to Rs. 208.5 million for the year ended 31st December 2016 to be paid on 16th March 2017. In accordance with Sri Lanka Accounting Standard No.10 on "Event after reporting period", the proposed final dividend has not been recognised as a liability at the reporting date.

### **35 RELATED PARTY DISCLOSURES**

#### **35.1 Parent and Ultimate Controlling Party**

Singer (Sri Lanka) PLC acquired 58.29%, the entire equity stake held by Retail Holdings (Sri Lanka) B.V [formally know as Singer (Sri Lanka) B.V] on 23rd February 2016 after obtaining necessary regulatory approval.

Accordingly, Singer ( Sri Lanka ) PLC is the immediate parent of the company with effect from 23rd February 2016.

Retail Holdings (Sri Lanka) B.V will continue to be an intermediate parent Company.

The Company's Ultimate Parent undertaking and controlling party is Retail Holdings N.V which is incorporated in the Curacao.

## NOTES TO THE FINANCIAL STATEMENTS

### 35.2 Transactions with Parent Company and Subsidiary Company

(a) During the year Company had following transactions with its Parent Company:

#### Singer (Sri Lanka) PLC

Principal Activities	Nature of Transaction	2016	2015
		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.	Bank guarantees obtained on behalf of the Company	455,500,000	455,500,000
	Balance at the beginning	216,631,071	147,362,862
	Revenue	3,682,114,780	3,186,023,315
	Sales taxes	560,069,926	425,785,977
	Non-trade settlement	72,950,640	25,000,000
	Funds received for sales	(4,150,562,715)	(3,522,443,331)
	Expenses incurred	(72,395,521)	(49,668,681)
	Fixed asset (purchases)/sales	(1,022,667)	3,515,995
	Transfer of staff loan	(921,410)	(919,085)
	Interest income	463,024	4,258,363
	Interest expense on corporate guarantee	(2,284,344)	(2,284,344)
	Balance at the end of the year	305,042,784	216,631,071

(b) During the year Company had following transactions with its Subsidiary Company:

#### Regnis Appliances (Pvt) Ltd

Principal Activities	Nature of Transaction	2016	2015
		Rs.	Rs.
Manufacture and assembly of washing machines, plastic chairs and producing plastic components for refrigerators.	Bank guarantees issued	345,000,000	345,000,000
	Balance at the beginning	(55,375,193)	(53,570,650)
	Purchases	(304,454,902)	(264,972,520)
	Sale of raw materials	301,835	122,057
	Funds paid	248,245,111	226,191,280
	Expenses incurred	4,425,026	5,065,929
	Fixed asset sales	135,102	-
	Dividends received	56,700,000	27,000,000
	Interest expense	(2,178,836)	(446,789)
	Interest income needed on corporate guarantee	3,450,000	3,450,000
	Transfer of staff loan	1,750,000	1,785,500
	Balance at the end of the year	(47,001,857)	(55,375,193)

### 35.3 Transactions with Related Entities

Transactions with the following parties have been disclosed in the Note 35.4

	Relationship
Singer Industries (Ceylon) PLC	Related Entity
Reality (Lanka) Ltd	Related Entity
Brand Trading (Cambodia) Ltd	Affiliate Entity

### 35.4 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 and its parent Company Singer (Sri Lanka) PLC.

#### (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.

Key Management Personnel Compensation comprised:	2016 Rs.	2015 Rs.
Short-term employment benefits	17,035,266	7,957,310

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 11 to the financial statements.

No other transactions were carried out with key management personnels of the company and the group.

#### Transactions with related entities

Name of the Company and Relationship	Nature of Transaction	2016 Rs.	2015 Rs.
Singer Industries (Ceylon) PLC Related entity	Expenses incurred	73,181	-
	Settlement of dues	(73,181)	-
	Balance at the end of the year	-	-
Reality (Lanka) Ltd Related entity	Dividend received	243,000	810,000
	Share of profit/(loss) from available-for-sale-financial asset	(380,962)	(134,063)
Singer Business School (Pvt) Ltd Related entity	Training fees incurred	50,882	-
	Settlement of dues	(50,882)	-
	Balance at the end of the year	-	-
Brand Trading (Cambodia) Ltd Affiliate entity	Balance at the beginning	2,584,363	-
	Fund received for sales	(2,584,363)	-
	Balance at the end of the period	-	2,584,363

## NOTES TO THE FINANCIAL STATEMENTS

### Terms and Conditions of Transactions with Related Parties:

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at the year end are unsecured, and the settlements will be made in cash subject to the following credit periods

	Credit Period 2016	Credit Period 2015
Singer (Sri Lanka) PLC	4 Weeks	2 Weeks
Regnis Appliances (Pvt) Ltd	8 Weeks	8 Weeks
Brand Trading (Cambodia) Ltd	30 Days form B/L	30 Days form B/L

The related party borrowings are at pre-determined interest rates and terms.

- 35.5 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.

Name of the Company and Relationship	Nature of Transaction	2016 Rs.	2015 Rs.
Singer (Sri Lanka) PLC Related entity	Balance at the beginning	140,272,029	45,050,367
	Revenue	1,087,090,978	933,727,466
	Sales taxes	160,820,579	123,861,807
	Non-trade settlement	15,927,796	8,310,694
	Funds received	(1,262,899,218)	(961,722,921)
	Expenses incurred	(19,644,026)	(11,871,629)
	Rent charged	311,928	110,398
	Interest expenses	5,741,639	2,805,847
	Balance at the end of the year	127,621,705	140,272,029
Singer Industries (Ceylon) PLC Related entity	Balance at the beginning	-	-
	Sales of raw materials	7,175,370	9,875,760
	Sales taxes	1,006,447	1,310,050
	Non trade settlement	2,042,753	-
	Purchases including taxes	(13,213,166)	-
	Funds received	(3,651,175)	(10,240,007)
	Lease rental paid	(318,316)	(945,803)
		Balance at the end of the year	(6,958,087)

### Terms and Conditions of Transactions with Related Parties:

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at the year end are unsecured, and the settlements will be made in cash subject to the following credit period.

	Credit Period 2016	Credit Period 2015
Singer (Sri Lanka) PLC	4 Weeks	2 Weeks

The related party borrowings are at pre-determined interest rates and terms.

- 35.6 The Company is authorised to use the name "REGNIS" as part of its corporate name so long as Singer Asia Limited continues to hold, directly or indirectly, at least a majority of the voting stock of the Company.

**35.7 Parent /Subsidiaries and Related Companies**

Company Name	Principal Activity	Director
Singer (Sri Lanka) PLC	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.	Dr. S Kelegama Mr. H A Pieris Mr. Ranil De Silva Mr. G J Walker
Regnis Appliances (Pvt) Ltd.	Manufacture and assembly of washing machines and producing plastic components for refrigerators	Dr. S Kelegama Mr. H A Pieris Mr. V G K Vidyaratne Mr. K D Kospelawatta
Singer Industries (Ceylon) PLC	Manufacture of sewing machines	Dr. S Kelegama Mr. H A Pieris Mr. G J Walker Mr. V G K Vidyaratne Mr. Ranil De Silva Mr. K D Kospelawatta
Reality Lanka Ltd	Investment on properties	Dr. S Kelegama Mr. H A Pieris Mr. G J Walker
Singer Business School (Pvt) Ltd	Educational services	Mr. H A Pieris

## DECADE AT A GLANCE

Year ended 31st December Rs '000	2016 Group	2015 Group	2014 Group	2013 Group	2012 Group	2011 Group	2010 Group	2009	2008	2007
Revenue **	4,791,256	4,148,657	3,194,513	2,492,702	2,494,531	2,340,675	2,037,320	1,346,241	1,498,647	1,423,141
Profit/(Loss) before taxation **	471,750	456,431	200,357	122,485	99,395	117,086	148,289	75,879	60,222	76,600
Taxation	(121,426)	(112,292)	(46,159)	(22,686)	(18,364)	(33,493)	(76,475)	(28,010)	(18,969)	(22,952)
Profit/(Loss) after taxation **	350,324	344,139	154,198	99,799	81,031	83,593	71,814	47,869	41,253	53,648
Profit from discontinued operations (net of tax)	-	-	-	8,047	6,224	-	-	-	-	-
Profit/(Loss) for the Year	350,324	344,139	154,198	107,845	87,255	83,593	71,814	47,869	41,253	53,648
Property, plant and equipment	979,596	695,121	631,731	620,909	572,417	480,072	489,844	323,096	339,489	318,243
Intangible assets	2,183	983	1,140	638	732	827	921	-	-	-
Available for sale financial asset	20,181	20,562	20,696	19,960	19,749	15,582	8,822	-	-	-
Investment in subsidiary	-	-	-	-	-	100,000	50,000	-	-	-
Current assets	1,629,151	1,125,579	864,937	839,326	1,100,954	792,605	573,098	478,545	424,474	413,015
Current liabilities	838,968	431,812	361,908	452,124	781,124	645,619	474,265	437,606	489,093	521,325
Net current assets	790,183	693,767	503,030	387,202	319,830	146,986	98,833	40,939	(64,619)	(108,310)
Long term loans	-	-	41,250	110,500	75,250	47,250	80,250	60,000	-	7,054
<b>Share Capital &amp; Reserves</b>										
Stated capital	211,192	211,192	211,192	211,192	211,192	100,123	100,123	100,123	100,123	100,123
Capital reserves	416,768	308,548	314,130	290,289	294,987	251,505	255,499	164,507	164,507	129,257
Revenue reserves	1,004,618	748,310	473,254	334,816	251,461	192,168	132,334	74,875	39,079	12,313
<b>Share Holders Funds</b>	<b>1,632,579</b>	<b>1,268,050</b>	<b>988,577</b>	<b>836,298</b>	<b>757,641</b>	<b>543,796</b>	<b>487,956</b>	<b>339,506</b>	<b>303,710</b>	<b>241,693</b>
Basic earnings per share from continuing operations	31.09	30.54	13.68	8.86	8.11	8.64	14.87	9.91	8.54	11.11
Basic earnings per share after discontinued operations	-	-	13.68	9.57	8.73	-	-	-	-	-
Net assets per share at year end (Rs.)	144.90	112.54	88.62	74.22	67.24	56.3	50.53	35.15	31.45	25.03
Return on average net assets %	24.16	30.4	16.8	13.5	13.4	16.2	17.36	14.88	15.13	24.97
<b>Dividends</b>										
Dividends (Rs.) *	208,455	101,411	78,875	22,536	28,170	28,975	28,975	14,487	12,072	14,487
Dividend cover *	1.7	3.4	1.95	4.8	3.1	1.44	2.48	3.3	3.41	3.70
Dividend per share (Rs.) *	18.50	9.00	7.00	2.00	2.50	6.00	6.00	3.00	2.50	3.00
<b>Others</b>										
Annual sales growth (%)	15.49	30	28	-	19.65	14.89	51.33	(10.16)	5.31	10.98
Inflation rate (%)	3.75	0.93	3.3	6.9	7.6	6.7	6.9	4.8	14.4	18.8
Current ratio	1.94	2.62	2.39	1.86	1.41	1.22	1.21	1.09	0.87	0.79
Investment in fixed assets (Rs.000)	216,420	108,966	28,416	80,117	72,206	21,410	59,733	2,460	5,038	1,705
Price earnings ratio (Times)	4.42	5.79	5.64	6.8	6.9	20.86	8.37	6.73	5.03	3.69
Market value of share (Rs.)	137.50	176.70	77.10	65.00	60.00	180.25	62.25	33.38	21.50	20.50

\* 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 - 31 ST DECEMBER

Category	No. of Share Holders	2016 Total Holdings	%	2015 Holders	2015 No. of Holdings	Total %
Less than 1,001 shares	1,138	333,286	2.96	1,058	310,701	2.76
1,001 to 10,000	352	1,148,089	10.19	286	898,259	7.97
10,001 to 100,000	75	2,094,980	18.59	62	1,854,013	16.45
100,001 to 1,000,000	6	1,122,931	9.97	8	1,636,429	14.52
Over 1,000,000 shares	1	6,568,577	58.29	1	6,568,461	58.29
	1,572	11,267,863	100.00	1,415	11,267,863	100.00

Category	2016 No. of Holders		2016 No. of Holdings		Percentage No of Holdings	
	Non-resident	Resident	Non-resident	Resident	Non-resident	Resident
Less than 1,001 shares	7	1,131	1,746	331,540	0.02	2.94
1001 to 10,000	6	346	27,027	1,121,062	0.24	9.95
10001 to 100,000	3	72	122,680	1,972,300	1.09	17.50
100,001 to 1,000,000	0	6	-	1,122,931	-	9.97
Over 1,000,000 shares	0	1	-	6,568,577	-	58.30
	16	1,556	151,453	11,116,410	1.34	98.66

### 4. SHARE INFORMATION

	2016 Rs.	2015 Rs.
Closing price for the year ended 31.12. 2016 and 31.12.2015	137.50	176.70
Highest value per share during the year	188.90	240.00
Lowest value per share during the year	131.50	76.00

Share trading for the year ended 31.12.2016 and 31.12.2015

	No of Transactions (Trades)	No of Shares (Trades)	Value of Shares (Trades) Rs.
2015	9,046	8,269,910	987,177,443
2016	3,939	1,854,295	285,309,148

## INVESTOR INFORMATION

### 5. DIVIDEND

The Board of directors approved the payment of a final dividend of Rs. 18.50 per share on 23rd February 2017 for the year ended 31st December 2016, to be paid on 16th March 2017.

### 6. DIRECTORS' AND CEO'S SHAREHOLDINGS AS AT 31ST DECEMBER 2016

Name of the Director	No. of Shares
Dr. Saman Kelegama	Nil
Mr. H A Pieris	1,000
Mr. Ranil De Silva	Nil
Mr. G J Walker	Nil
Mr. V G K Vidyaratne	60,155
Mr. Kelum Kospelawatta	Nil
Mr. N B Karunaratne (Appointed on 05th May 2016) - Alternate to Mr. G J Walker	Nil

### 7. ANALYSIS OF SHARES

Class of Member	2016			2015		
	Holders	No. of Shares	No. of %	Holders	No. of Shares	No. of %
Individual	1,455	3,289,327	29.00	1,330	3,299,492	29.00
Company	117	7,978,536	71.00	85	7,968,371	71.00
Total	1,572	11,267,863	100.00	1,415	11,267,863	100.00
Shares held by public	1,569	4,638,131	41.16	1,411	4,760,441	40.93

### 8. TWENTY LARGEST SHAREHOLDERS AS AT 31ST DECEMBER 2016

	Name	No of Shares	%
1	SINGER (SRI LANKA) PLC	6,568,577	58.29
2	MR. CHANNA NALIN RAJAHMONEY	500,519	4.44
3	WALDOCK MACKENZIE LIMITED/MR. SURANJAN PRAVEEN	144,469	1.28
4	FREUDENBERG SHIPPING AGENCIES LIMITED	126,188	1.12
5	MR. JOSEPH ROMESH DE SILVA	124,918	1.11
6	UNION INVESTMENTS PRIVATE LTD	124,600	1.11
7	BANSEI SECURITIES CAPITAL (PVT) LTD/DAWI INVESTMENT	102,237	0.91
8	ALLIANCE FINANCE COMPANY PLC	100,000	0.89
9	WALDOCK MACKENZIE LIMITED/MR. P. S. R. CASIE CHITTY	100,000	0.89
10	MR. HAMISH WINSTON MCDONALD WOODWARD	87,835	0.78
11	MR. AZEEZ JALALUDDIN RUMY	71,100	0.63
12	MR. MILINDA RANJAN PERERA	64,422	0.57
13	MR. CHANDIRAPAL CHANMUGAM	61,722	0.55
14	MR. VIDYARATNE GANITAGURUGE KULATUNGE VIDYARATNE	60,155	0.53
15	MRS. SONALI ROSHINI PERERA	58,282	0.52
16	WALDOCK MACKENZIE LIMITED/MR. P. T. S. DE SILVA	52,000	0.46
17	MR. SUVIN WETTIMUNY	50,188	0.45
18	SEYLAN BANK PLC/ROMANI KUMAR EARDLEY PATRICK DE SILVA	50,000	0.44
19	TRADING PARTNERS (PVT) LTD	48,584	0.43
20	MRS. LILANI IRANDATHIE PERERA	47,990	0.43
	Total	8,543,786	75.82



## TWENTY LARGEST SHAREHOLDERS AS AT 31ST DECEMBER 2015

	Name	No of Shares	%
1	SINGER (SRI LANKA) B.V	6,568,461	58.29
2	MR. CHANNA NALIN RAJAHMONEY	500,519	4.44
3	FREUDENBERG SHIPPING AGENCIES LIMITED	280,000	2.48
4	MELLON BANK N.A.-COMMONWEALTH OF MASSACHUSETTS	200,135	1.78
5	DAWI INVESTMENT TRUST (PVT) LTD	146,330	1.30
6	WALDOCK MACKENZIE LIMITED/MR.SURANJAN PRAVEEN PERERA	137,241	1.22
7	MR. JOSEPH ROMESH DE SILVA	125,132	1.11
8	UNION INVESTMENTS PRIVATE LTD	124,600	1.11
9	DR. ALAGU CARUPPIAH VISVALINGAM/'498532144VN'	122,472	1.09
10	ALLIANCE FINANCE COMPANY PLC	100,000	0.89
11	MR. PRASANNA SENANI RAJIV CASIE CHITTY	94,905	0.84
12	MR. CHANDIRAPAL CHANMUGAM	88,719	0.79
13	MR. HAMISH WINSTON MCDONALD WOODWARD	87,835	0.78
14	MR. AZEEZ JALALUDDIN RUMY	68,600	0.61
15	MRS. LILANI IRANDATHIE PERERA	66,093	0.59
16	MR. MILINDA RANJAN PERERA	60,531	0.54
17	MR. VIDYARATNE GANITAGURUGE KULATUNGE VIDYARATNE	60,155	0.53
18	TRADING PARTNERS (PVT) LTD	59,068	0.52
19	MRS. SONALI ROSHINI PERERA	58,282	0.52
20	SEYLAN BANK PLC/ROMANI KUMAR EARDLEY PATRICK DE SILVA	50,000	0.44
	Total	8,999,078	79.86

## GLOSSARY OF FINANCIAL TERMS

### Accounting Policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

### Amortisation

The expense of writing off over a fixed period, the initial value of an intangible asset such as goodwill, patents etc.

### Available-for-Sale

All assets not in any of the three categories namely held to maturity fair value through profit or loss and loan and receivables. It is a residual category does not mean that the entity stands ready to sell these all the time.

### Borrowings

All interest bearing liabilities.

### Capital Employed

Total assets less interest free liabilities, deferred income and provisions.

### Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

### Cash Equivalents

Liquid investments with original maturity periods of three months or less.

### Contingent Liabilities

Conditions or situations at Reporting date the financial effect of which are to be determined by future events which may or may not occur.

### Current Ratio

Current assets divided by current liabilities. A measure of liquidity.

### Debt

Total liabilities, excluding deferred income.

### Debt Ratio

Total liabilities divided by total assets.

### Deferred Taxation

The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

### Dividend Cover

Profit attributable to ordinary shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

### Dividend Payout

Dividend per share divided by earnings per share.

### Earnings Per Share

Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

### Equity

Shareholders' funds.

### Fair Value

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transactions.

### Financial Instruments

Financial instrument is any contract that gives rise to both a financial assets in one entity and a financial liability or equity instrument in another entity.

### Gearing

Proportion of borrowings to capital employed.

### Gross Dividend

Portion of profits inclusive of tax withheld, distributed to shareholders.

### Held-to-Maturity

Debt assets acquired by the entity with positive intention to be held-to-maturity.

### Interest Cover

Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

**Impairment**

This occurs when recoverable amount of an asset is less than its carrying value.

**Market Capitalisation**

Number of shares in issue multiplied by the market value of a share at the reported date.

**Net Assets Per Share**

Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

**Non-Controlling Interest**

Equities in a subsidiary not attributable, directly or indirectly, to a parent.

**Price Earnings Ratio**

Market price of a share divided by earnings per share as reported at that date.

**Related Parties**

Parties who could control or significantly influence the financial and operating policies of the business.

**Return on Average Net Assets Equity**

Attributable profits divided by average shareholders' funds/ total equity.

**Revenue Reserves**

Reserves considered as being available for distributions and investments.

**Segment**

Constituent business units grouped in terms of similarity of operations and location.

**Value Addition**

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

**Working Capital**

Capital required to finance the day-to-day operations

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## NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN THAT THE THIRTIETH ANNUAL GENERAL MEETING OF REGNIS (LANKA) PLC, will be held at Singer (Sri Lanka) PLC at No. 80, Nawam Mawatha, Colombo 02 on Friday, 31st March 2017 at 10,30 a.m.

For the following purposes:

1. To receive, consider and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31st December 2016 with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. Ranil De Silva, who retires by rotation in terms of Article 24(4) of the Article of Association of the Company and who being eligible is being recommended for re-election. A brief profile of Mr. Ranil De Silva is contained in the Board of Directors section of the Annual Report.
3. To re-elect as a Director, Mr. Vidyaratne Ganithaguruge Kulatunge Vidyaratne, who retires by rotation in terms of Article 24(4) of the Article Association of the Company and who being eligible is being recommended for re-election. A brief profile of Mr. Vidyaratne Ganithaguruge Kulatunge Vidyaratne is contained in the Board of Directors section of the Annual Report.
4. To authorise Directors to determine contributions to Charities.
5. To reappoint Messrs KPMG, Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

By Order of the Board of Directors,

(Sgd.)  
**Eraj Fernando, ACA**  
Secretary  
Regnis (Lanka) PLC

Colombo  
23rd February 2017

**Note:**

1. The Transfer Books of the Company will be kept open.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her and such Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The completed Form of Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.

# FORM OF PROXY

Regnis (Lanka) PLC  
 Company Registration No. PQ 191

I/We ..... of ..... being a member/members of

Regnis (Lanka) PLC, hereby appoint:

- |   |                  |
|---|------------------|
| Dr. Saman Kelegama                                | (or failing him) |
| Mr. Hiran Asoka Pieris                            | (or failing him) |
| Mr. Ranil De Silva                                | (or failing him) |
| Mr. Gavin John Walker                             | (or failing him) |
| Mr. Vidyaratne Ganithaguruge Kulatunge Vidyaratne | (or failing him) |
| Mr. Kelum Deshapriya Kospelawatte                 | (or failing him) |
| Mr. Neminda Bandara Karunaratne                   | (or failing him) |

..... of .....

as my/our Proxy to represent me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 31st March 2017 at 10.30 a.m. at Singer (Sri Lanka) PLC, No. 80, Nawam Mawatha, Colombo 02, and at any adjournment thereof and at every poll, which may be taken in consequence thereof. I/We the undersigned, hereby authorise my/our proxy to vote on my/our behalf in accordance with the preferences indicated below:

	<b>For</b>	<b>Against</b>
1. To receive, consider and adopt the Report of the Directors and the audited financial statements for the year ended 31st December 2016 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director, Mr. Ranil De Silva, who retires by rotation in terms of Article 24(4) of the Article of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director, Mr. Vidyaratne Ganithaguruge Kulatunge Vidyaratne, who retires by rotation in terms of Article 24(4) of the Article Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorise Directors to determine Contributions to Charities.	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint Messrs KPMG , Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this ..... day of ..... Two Thousand and Seventeen.

Signature.....

### **Instructions for Completion of Form of Proxy**

- If a proxy other than the names mentioned is preferred, delete the names printed and add the name of the proxy preferred and initial the alteration.
- Please indicate how your proxy should vote by marking an 'X' in the cage provided for each resolution. If no indication is given, or if there is, in the view of the Proxyholder, any doubt (be reason of the manner in which the instructions contained in the Proxy form have been completed) as to the way in which the Proxy-holder should vote, the Proxy-holder in his/her discretion may vote as he/she thinks fit.
- A Company/Corporation should execute the proxy under its seal in the manner authorised by its Article of Association or Statute creating it or under the hand of an Officer or Attorney duly authorised.
- If the Form of Proxy is signed by an Attorney, a certified copy (certified by a Notary Public) of the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company and the original of the Power of Attorney should be produced for inspection at the meeting if required.
- Unless the completed Form of Proxy is deposited at the Registered Office of the Company at No. 52, Ferry Road, Off Borupana Road, Ratmalana, Sri Lanka, not less than 48 hours before the time of the meeting the same will not be valid.

## GENERAL

### Name of the Company

Regnis (Lanka) PLC

### Legal Form

A Public Limited Liability Company listed 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

December 31

### Registered Office

No 52, Ferry Road, Off Borupana Road, Ratmalana, Sri Lanka.

Tel: 0112622642, 0112635401

Fax: 0112622032

### Tax Payer Identification Number (TIN)

134001488

### Company Secretary

B S E T Fernando, ACA

Tel: 0112 622 641

### Registrars

Business Intelligence Ltd

No 08, Tickell Road, Colombo 08.

### Auditors

KPMG

Chartered Accountants

No 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3.

### Banks

Commercial Bank of Ceylon PLC

NDB Bank PLC

Hatton National Bank PLC

Sampath Bank PLC

Seylan Bank PLC

People's Bank

DFCC Vardhana Bank

### Legal Advisors

Neelakandan & Neelakandan

Attorneys -at-law

M&N Building (5th Floor)

No. 02 Deal Place,

Colombo 03.

### Management Team

K D Kospelawatte

E Fernando

K G G Perera

P Madurasinghe

J Jayasundara

M Ranasinghe

E N P Soysa

Ms.S Edirisinghe

A Amarasinghe

A S Kendasinghe

T J Nishanthan

K K Athukorala

M De S Seneviratne

Ms. S Fernando

Y C Withanachchi

## BOARD OF DIRECTORS AND SUB-COMMITTEES

### Board of Directors

Dr. Saman Kelegama - *Chairman*

Asoka Pieris - *Managing Director/ CEO*

Ranil De Silva

V G K Vidyaratne

Gavin J Walker - *Alternate: N Karunaratne*

Kelum Kospelawatte

### Board Sub-Committees

#### Board Nomination Committee

Dr. S Kelegama - *Chairman*

Mr. Ranil De Silva

Mr. H A Pieris

Mr. B S E T Fernando - *Secretary*

#### Board Audit Committee

Mr. Ranil De Silva - *Chairman*

Dr. S Kelegama

Mr. M M C Priyanjith-Secretary

### Related Party Transactions Review Committee

RPT Review Committee of Singer Group functions as the RPT Review Committee of Regnis (Lanka) PLC

Mr. Deepal Sooriyaarachchi - *Chairman*  
[*a Director of Singer (Sri Lanka) PLC*]

Mr. Ranil De Silva

Mr. Gavin Walker

Mr. Asoka Pieris

Mr. J A Setukavalar

[*a Director of Singer Finance (Lanka) PLC*]

Mr. Lalith Yatiwalla - *Secretary*

### Board Remuneration Committee

Remuneration Committee of Singer Group functions as the Remuneration Committee of Regnis (Lanka) PLC

Mr. G J Walker - *Chairman*

Dr. S Kelegama

Mr. Ranil De Silva

Mr. Deepal Sooriyaarachchi

[*a Director of Singer (Sri Lanka) PLC*]

Mr. K K L P Yatiwella - *Secretary*

## 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

Singer Business School (Pvt) 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: 0112622642, 0112635401

Fax: 0112 622032



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