

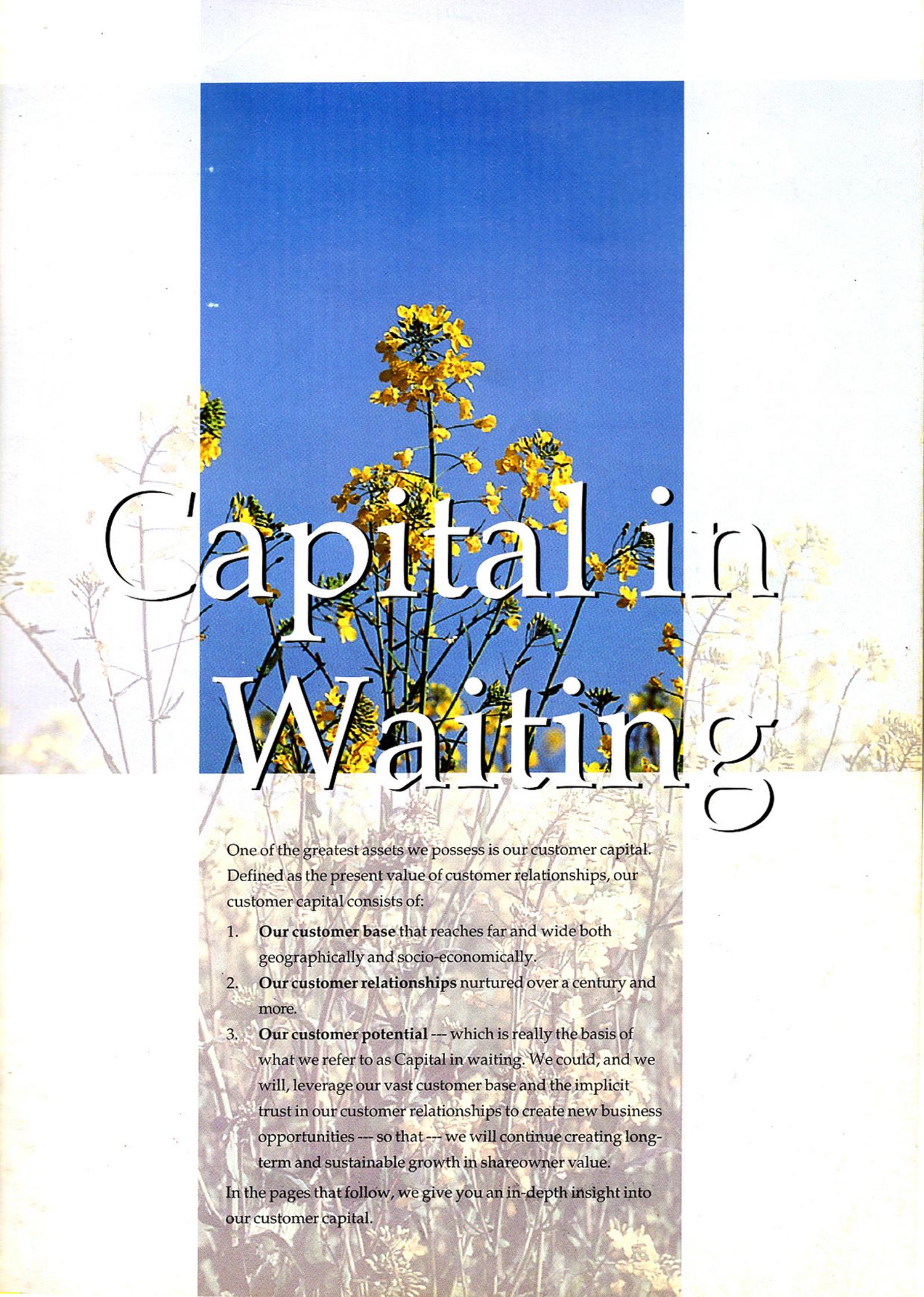


S I N G E R (S R I L A N K A) L I M I T E D

Annual Report 2000

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Capital in Waiting

One of the greatest assets we possess is our customer capital. Defined as the present value of customer relationships, our customer capital consists of:

1. **Our customer base** that reaches far and wide both geographically and socio-economically.
2. **Our customer relationships** nurtured over a century and more.
3. **Our customer potential** --- which is really the basis of what we refer to as Capital in waiting. We could, and we will, leverage our vast customer base and the implicit trust in our customer relationships to create new business opportunities --- so that --- we will continue creating long-term and sustainable growth in shareowner value.

In the pages that follow, we give you an in-depth insight into our customer capital.

Customer Base

that reaches far and wide both geographically and socio-economically

We understand the true value of our customer base, and its importance towards our future. The individual customer relationships are the origin of the financial flows; the present value of which is our customer capital. Our focus has shifted from product to customer relationship, because we believe this contributes to the mutual success of customer and company alike.

Sri Lanka has an estimated 3.6 Million households. Using the widely accepted Socio-Economic Classification (SEC) of Households, we categorize these into 5 groups from A to E; where A represents the highest category and E represents the lowest category.

The diversity and strength of our customer base is illustrated in the figures below:

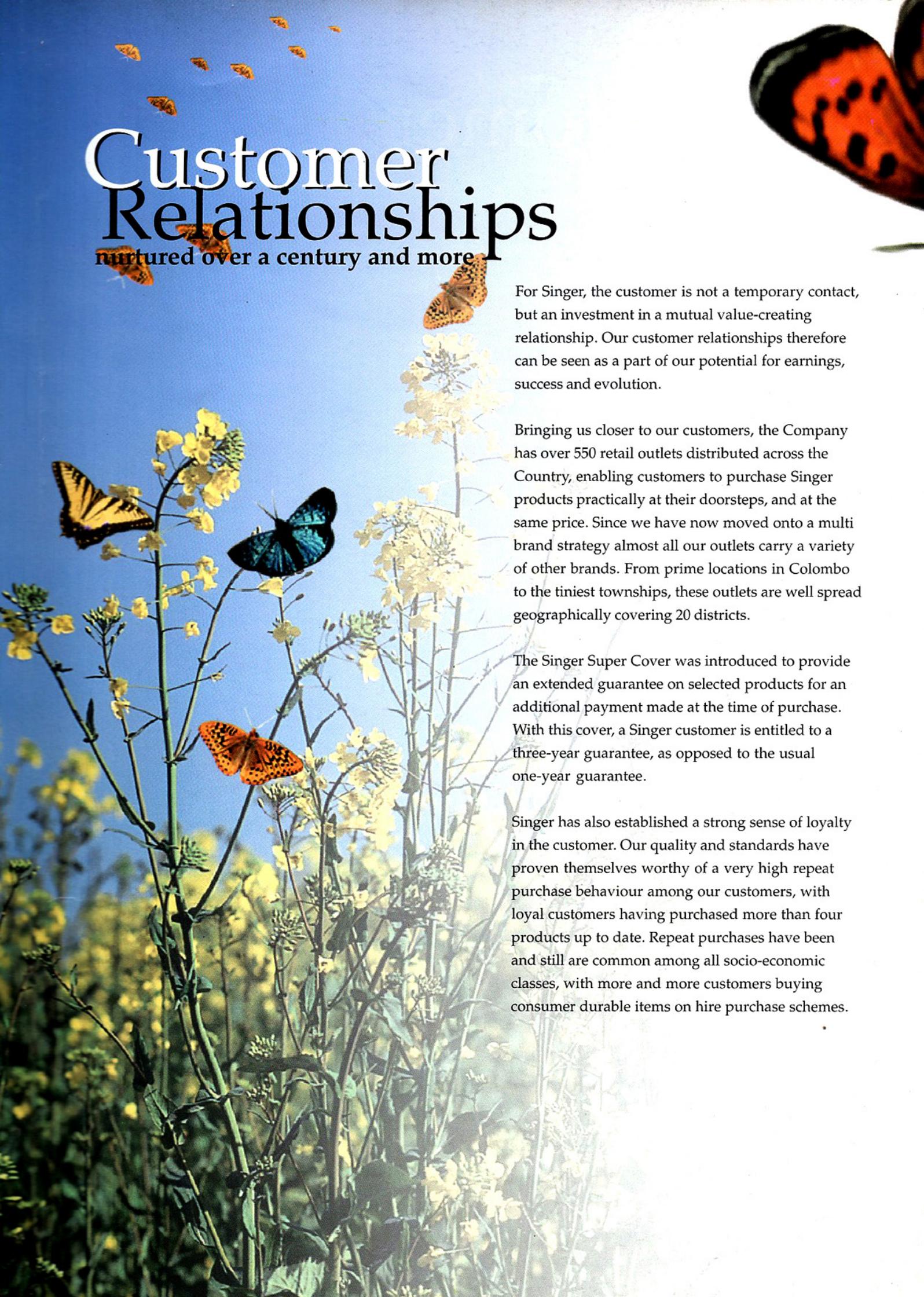
SEC Category	No of Households in Sri Lanka	Consumer Durable Penetration	Households using Singer Consumer Durables
A	252,000	100%	80%
B	396,000	100%	70%
C	1,008,000	80%	60%
D	900,000	75%	40%
E	900,000	68%	30%
UC	144,000	68%	50%

Over 50% of Sri Lankan households have made a Singer purchase within the last three years.

Source: Extracts from NMS (LMRB)

Classification:

- A - Professional/ Senior Manager with an education level of graduate and above
- B - Middle Management/ Junior Management with A/L's and above
- C - Small Business Person with O/L's and above
- D - Clerical/Skilled Worker
- E - Unskilled Worker/ Pensioner
- UC - Not classified



Customer Relationships

nurtured over a century and more

For Singer, the customer is not a temporary contact, but an investment in a mutual value-creating relationship. Our customer relationships therefore can be seen as a part of our potential for earnings, success and evolution.

Bringing us closer to our customers, the Company has over 550 retail outlets distributed across the Country, enabling customers to purchase Singer products practically at their doorsteps, and at the same price. Since we have now moved onto a multi brand strategy almost all our outlets carry a variety of other brands. From prime locations in Colombo to the tiniest townships, these outlets are well spread geographically covering 20 districts.

The Singer Super Cover was introduced to provide an extended guarantee on selected products for an additional payment made at the time of purchase. With this cover, a Singer customer is entitled to a three-year guarantee, as opposed to the usual one-year guarantee.

Singer has also established a strong sense of loyalty in the customer. Our quality and standards have proven themselves worthy of a very high repeat purchase behaviour among our customers, with loyal customers having purchased more than four products up to date. Repeat purchases have been and still are common among all socio-economic classes, with more and more customers buying consumer durable items on hire purchase schemes.

Customer Potential

-- which is really the basis for what we refer to as Capital in waiting. We could, and we will, leverage our vast customer base and the implicit trust in our customer relationships to create new business opportunities --- so that --- we will continue creating long-term and sustainable growth in shareowner value.

The Company has been consolidating its position in the consumer durables market concentrating in product categories with the greatest potential. Thus, we acquired the sole distributorship for the popular brands Akai (1995), Whirlpool (1997), Hitachi Audio/Video products (1999) and acquired Sisil brand name in 2000. We aim to continue this strategy to consolidate and grow market shares in the high volume segments of the consumer durables market.

Understanding the potential for creating better relationships with our customers, we introduced several new services to our already impressive portfolio. One of the more popular new additions is the introduction of the Suraksha policy scheme; which is available to Singer hire purchase customers, giving them relief against hire purchase obligations in the event of death of the hirer or damage to or loss of the product due to various natural disasters such as floods, earthquakes and lightning.

Further innovations for harnessing customer potential are in various stages of planning and development --- an endless exercise --- and thankfully, the sure path to sustained creation of value.



Highlights

		2000	1999	%
		Rs.'000	Rs.'000	Change
Revenue - Net		4,102,282	3,628,871	13.0
Operating Profit before Interest and Tax		472,098	421,924	11.9
Profit before Tax		250,089	235,713	6.1
Profit after Tax		170,973	168,269	1.6
Issued Share Capital		320,537	267,114	20.0
Capital Reserve		4,098	16,366	(75.0)
Revenue Reserve		602,948	619,370	(2.7)
Shareholders' Funds		982,727	962,446	2.1
Property, Plant & Equipment – Net		368,686	369,995	(0.4)
Investments		121,751	139,036	(12.4)
Net Current Assets		1,031,309	415,361	148.3
Gross Dividends		128,215	106,846	20.0
Dividend per Share	Rs.	4.00	4.00	–
Earnings per Share	Rs.	5.33	5.25	1.5
Net Assets per Share	Rs.	30.66	36.03	(14.9)
Market Value per Share – 31st Dec.	Rs.	31.50	44.00	(28.4)
Net Income to Net Turnover	%	4.2	4.6	(8.7)
Return on Average Net Assets	%	17.58	17.99	(2.3)
Debt Ratio	%	66.97	62.60	7.0
Interest Cover		2.13	2.27	(6.2)
Operating Return on Investment	%	17.02	16.87	0.9

Vision

To be the foremost appliance retailer in Asia Pacific.

Mission

To improve quality of life by providing comforts and conveniences.

Values

CUSTOMERS

We live up to the expectations of a responsible organization by contributing to the improvement in the quality of life of our customers.

EMPLOYEES

We respect each other as individuals and encourage teamwork while providing opportunities for personal development.

SHAREHOLDERS

We provide a reasonable return while safeguarding their investment.

SUPPLIERS

We develop our suppliers to be partners in progress.

COMMUNITY

We conduct our business by conforming to the ethics of our country.

Objectives

To be the leader in our Product and Market Segments.

- provide our Customers with the Best Service in the Island.

- provide our Customers with World-Class products.

- develop our Employees to reach up to their True Potential.

- provide our Shareholders with Asset Growth and High Return on Investment.

- grow our Revenue and Profits at a rate above the Industry Norm.

To our Shareholders,

The Company reported an excellent performance in every respect despite uncertain trading conditions. The initiatives implemented in the year under review will significantly benefit our future performance, assuring continuity of solidly established growth patterns.

Highlights

- Market share of Home Appliances, our major category of business, increased materially as against weakening competition. Product development initiatives over the past 2 years paid dividends and we did offer comparatively superior product lines to consumers. Some competitors could not provide adequacy levels of service required of the appliance business and consumers rallied round the trusted leader in consequence, whilst brand switching. Television sales exceeded the unit fifty thousand mark, closely followed by Refrigerators, which will do so in 2001.
- Acquisition of the Sisil brand, coincidentally near the Balance Sheet date, adds strength and variation to our brand offering. Sisil, a quintessential Sri Lankan name, denotes outstanding brand properties and strong brand equity. Singer will continue to provide a reliable service to the existing Sisil customer base. We forecast that Sisil will add Rs. 325 Million to our revenue through their existing channel of distribution. Mid term revenue potential will be enhanced via brand extensions. It is opportune to thank the Management of Associated Electrical Corporation for the absolutely smooth transition of brand ownership, a pioneering transaction in the appliance sector. This enabled the continuity of business for the convenience of a loyal customer base.
- Our multi-branding strategy of offering a multitude of carefully selected world-class brands amongst which are Whirlpool, Akai, Hitachi and Tefal, in addition to Singer, across the mass market paid rich dividends. By carefully positioning these brands in qualifying market segments, we also succeeded in growing in tandem, revenue of the "mother brand" Singer.



- The Retail Channel consisting of 104 Stores and 101 Exclusive Dealers is the flagship of our distribution network. This Channel continued to record "extrapolatory" growth and 100% of Stores recorded profits. The wide knowledge of the customer base and market place coupled with time tested management systems enables this Channel to grow relentlessly.
- Our Factory Division, manufacturing for the Furniture and Agro markets recorded modest operating profits for the second successive year amounting to Rs. 8 million. This follows a series of losses and this performance now amply justifies investment in a factory division. ISO 9002 certification was a prelude to uplifting standards of the manufacturing processes. This factory won the "Best Factory of the Year" award for the "Group" beating other senior factory companies and we look forward to continuing growth, both through local and export markets.

The favourable impact of above initiatives will stream through the Organization into the short and medium term and it is against this backdrop that we move forward with confidence, despite uncertainty.

The Economy

The external environment remains difficult to manage, due to the clouds shrouding the economy. Wildly fluctuating interest rates accompanied by an uncertain rupee value can only benefit the financial sector leaving traditional industry, construction, commerce and trade sectors in the cold. Therefore we welcome the confidence expressed by the Central Bank that the economy will surge back strongly in the second half and look forward to a stable external environment as we move through the upcoming months.

Our Vision

Our vision to be the foremost appliance retailer in Asia Pacific is yet but a distant dream. The Mega Channel, an appliance supermarket chain set up in 1998 was the starting point of this journey. Four such stores are now located in Kandy, Rajagiriya, Mt. Lavinia and Gampaha and channel sales increased by 96% over prior year.

Refurbishing of city stores is progressing in earnest with focus on Colombo, Galle and Kandy and we plan to complete this programme over 5 years. Easy access to parking, restaurant and child play facilities where feasible, an inviting ambiance and climate control, internet shopping and communicating, optimum stocking and outstanding post sales customer care will predominate the march towards setting new standards for in-store shopping. Intra-netting of all stores with warehouses and the sales office by 2002 using web technology, will enhance the latter criteria. Our web site www.singersl.com now brings us even closer to the homes of our customer base of over 2 Million households.

Shareholders

The restructuring of our major shareholder Singer N.V. through a Chapter 11 re-organization via the District Court of New York is now completed. In essence, this means business as usual.

Our shareholders were blessed with a 1 for 5 Bonus Issue, the eighth in a series since the Company obtained a quotation from the Colombo Stock Exchange.

Though net profits were flat, earnings per share increased marginally from Rs. 5.25 to Rs. 5.33. However, you will be happy to note that the Dividend per share remains at Rs. 4.00 despite the aforementioned increase in share capital. We like to recognize that increasing shareholder value is a primary goal. The bearish Colombo Bourse with its ever declining indices makes this an unenviable task for the sector.

Operations

The financial review and an overview of each Division's functions are recorded elsewhere in this report and provide explicit details of the operational activities for Year 2000. You will not doubt be pleased to note progress therein and the careful attention paid to innovative practices designed to build "blocks" into the future.

Directorate

Our Marketing Director, Mr. Gamani Abeysuriya who served as Alternate Director to Mr. Stephen Goodman on the Board of Directors, retired shortly after the Balance Sheet date. Gamani was associated with Singer's remarkable growth over the last 2 decades and I wish to record our sincere appreciation of his services and wish him well.

Our Credit Director, Mr. Paramsothy Shivaji was nominated as Alternate with the concurrence of the Board.

Appreciation

On behalf of the Board of Directors, we record our appreciation to our Staff for their dedicated contribution throughout the year. Our appreciation also goes to all others who are closely associated with us in day to day activities.

Sincerely,



Hemaka Amarasuriya

Chairman/Managing Director

Colombo, Sri Lanka
4th April 2001

BOARD OF DIRECTORS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000



Paramsothy Shivaji

Neville Peiris

Hemaka Amarasuriya

Anton Abeyesekera

Gamini Wijeyesinghe

HEMAKA AMARASURIYA

Chairman & Managing Director

Joined the Board of Singer (Sri Lanka) Limited on 1st April 1979. Appointed Deputy Managing Director on 24th August 1983. Managing Director on 1st January 1985. Chairman and Managing Director on 1st November 1986. Chairman and Managing Director of Singer Industries (Ceylon) Limited, Regnis Lanka Limited, Chairman of Commercial Leasing Co. Limited, and Infocom (Lanka) Limited. Director, First Capital Limited, National Development Bank, Bata Shoe Company of Ceylon Limited, Commercial Fund Management (Pvt) Limited, Equity Investments Lanka Limited, First Capital Treasuries Limited, Telshan Network (Pvt) Limited, P.T. Singer Industries Indonesia Limited. Area Manager - Singer N.V. Chairman of the Mercantile Services Provident Society. Founder President of the Industrial Association of Sri Lanka. Currently Chairman of Regional Industrial Service Committee (RISC), Southern Province. Served on the Presidential Task Force on Science & Technology and Member of the

Advisory Commission on Company Law. Member of the Securities & Exchange Commission. Fellow of the Institute of Chartered Accountants of Sri Lanka, Fellow of the Chartered Institute of Management Accountants - U.K., Fellow of the Chartered Institute of Marketing U.K. Holds a diploma in Marketing Management & Strategy from New York University, U.S.A.

GAMINI WIJEYESINGHE

Director

Joined the Board of Singer (Sri Lanka) Limited on 13th February 1995. Director of Singer Industries (Ceylon) Limited, Regnis Lanka Limited, Reckitt & Benckiser Limited, Richard Pieris & Co. Limited, Nations Trust Bank., Hapugastenna Plantations Limited, Udapussellawa Plantations Limited, NDB Venture Investments (Pvt) Limited, Ayojana Fund (Pvt) Limited, Finlays Travels (Pvt) Limited, Industrial & Commercial Consultants Limited, Management Aids Limited, Computer Systems Consultants Limited, FRT Holdings (Pvt) Limited.

BOARD OF DIRECTORS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Senior Partner of KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants. A Fellow of the Institute of Chartered Accountants of Sri Lanka. A Fellow of the Association of Authorised Public Accountants, UK. Past President of the Institute of Chartered Accountants of Sri Lanka and Organization of Professional Association of Sri Lanka. A former Member of the External Audit Committee of the International Monetary Fund and Member of the KPMG-Asia Pacific Board. A Council Member of the Employers' Federation of Ceylon and a Committee Member of the Ceylon Chamber of Commerce.

STEPHEN GOODMAN

Director

Joined the Board of Singer (Sri Lanka) Limited, on 28th July 2000. Director, Singer BV., The Singer Company B.V., Singer Sewing Machine Company, SSMC Inc., Neatport Limited, Emerson Radio Limited, Singer Sewing Machine Company Limited, Singer Sourcing Limited, Alencon Manufacturing Corp., Singer Sewing Co., Singer India Limited, Litigo B.V., Madrina (Austria) Holdings B.V., Madrina (Italy) Holdings B.V., Madrina (Spain) Holdings B.V., Madrina (Portugal) Holdings B.V., Madrina (Benelux) Holdings B.V., Madrina (Scandinavia) Holdings B.V., Singer Shanghai B.V., Singer Caribbean N.V., Zenaida Investment Company N.V., Singer Produtos Eelectricos S.A., Singer-Servico de Tecnologia e Desenvolvimento, Lda., Singer (Shangahi) Sewing Machine Company Limited, Amedo Sewing Machine (Jordan) Limited, Freshfields Holding Limited, Rentons Limited, Star Nation International Limited, International Piecework, Controls Limited, Singer USA LLC., Singer Nikko Company Limited, Roseg Investments N.V., Ellen Investments N.V., Excellar-Produtos Electricos S.A., Singer Europa S G P S SA., Sewing Equipment Specialists Corp., Singer Thailand Public Co. Limited. Chairman and Chief Executive Officer, Singer N.V. *(Absent in photograph)*

KAMAL SHAH

Director

Joined the Board of Singer (Sri Lanka) Limited, on 2nd September 1997. Managing Director, Singer Pakistan Limited. Commissioner, PT Singer Industries, Indonesia. Director of Singer Industries (Ceylon) Limited, Regnis Lanka Limited, First Capital Limited, Singer Bangladesh Limited, Singer Exports Limited, Hong Kong. Regional Vice-President, Singer N.V. *(Absent in photograph)*

NEVILLE PEIRIS

Director

Joined the Board of Singer (Sri Lanka) Limited, on 1st November 1986. Director of Regnis Lanka Limited, Commercial Leasing Co. Limited, Commercial Insurance Brokers (Pvt) Limited, First Capital Limited. A Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Holds the position of Finance Director.

ANTON ABYESEKERA

Alternate Director

Joined the Board of Singer (Sri Lanka) Limited, on 1st October 1987. Chairman, Ceylon Chamber of Commerce (Import Section). Member, Panel of Experts on Import Procurement and Materials Management of the International Trade Centre in Geneva. A graduate of the University of Ceylon (B.Sc.). Holds the position of Purchasing Director.

PARAMSOTHY SHIVAJI

Alternate Director

Joined the Board of Singer (Sri Lanka) Limited, on 1st March 2001. A graduate of the Madras University, South India (B. Sc.).

Marketing

An Overview of the Division's function

In a nutshell the primary function of the Marketing Division is TO SATISFY THE NEEDS OF THE SINGER CUSTOMERS ON A TIMELY BASIS.

Our Marketing Division, with the help of the Purchasing Division, has to ensure timely procurement of all products and models for its wide portfolio. The team of Product Managers have to work closely with the Purchasing Division to ensure that all orders are placed with the different suppliers to ensure that products reach our Warehouse in time for distribution islandwide through the official sales channels, which in turn work on monthly sales targets.

Product Managers liaise with Suppliers to ensure that high quality standards are maintained at all times. They have to also scan the market place and look for technologically advanced products, which need to be introduced to our portfolio. We also have to ensure that we introduce new products on a continuous basis so as to be competitive and thereby look after the changing needs of the consumer. The job of the Product Manager is to ensure timely distribution of products to the different sales channels. viz.,

1. The Direct Channel comprising over two hundred sales outlets managed by Branch Managers and Approved Dealers. This is the most important Channel of sales to the Company and accounts for 75% of the turnover. A Sales Manager, 07 Area Managers and 25 District Managers operate and supervise the Direct Channel.
2. The Indirect Channel, which sells through a network of multi-branded Dealers, comprising 160 Dealers. This Channel is managed by a team which comprises of a Sales Manager, 03 Area Managers and 09 Sales Promotion Officers/Sales Representatives.



Nasser Majeed, Premalal de Silva, Ravi Balraj, Senani Perera, Russel De La Motte, Asita Abayasekera, Dammika Wijesundera

MANAGEMENT DISCUSSION AND ANALYSIS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

3. SINGER acquired the 'SISIL' brand name in December 2000 and we continue to service the 'SISIL' network of around 150 Dealers by utilizing a Sales Manager and 03 Sales Promotion Officers. We expect the "SISIL" Dealer Channel to make a significant impact on overall Company sales in the near future.
4. Industrial Products Department – This Department exclusively sells Industrial Sewing Machines to the garment industry. The Division is headed by a Senior Manager and has a team of sales and technical staff who liaise and canvass orders for the garment industry. In the year 2000, the Department ventured out on a policy of multi-branding. The appointment of 'Sunstar' – a well known brand of Korean origin, has made a significant impact on the Department.
5. Computer Department – This Department is headed by a Manager who has a sales and technical team under him. The prime function of the Division is to sell personal computers to the home market. The Microchip has not made profits for the past several years but, we hope to breakeven and are confident that we will be placed as a serious contender amongst the other computer vendors when the boom in the home market occurs. Computer Department also sells Dialog mobile phones through a network of selected Branch Shops and Mega outlets.
6. The Mega Channel was set up to cater to the high-end consumer. It is our objective to make the Mega Channel an "unforgettable shopping experience". The Channel is headed by a Sales Manager and at present comprises of 04 Mega Stores which are being managed by Executive Retail Managers and is staffed by Company employees.

PRICING - SINGER always maintains a pricing policy which makes its products affordable to all SINGER customers.

The Division has to review and revise product pricing continuously in an environment of inflation and devaluation in order to look after the shareholder interests and maintain reasonable prices to the consumer. SINGER drives the market through attractive schemes and promotional offers. The Hire Purchase scheme has been the main contributor despite similar offers made by competitors.

PROMOTION – the Division is continuously involved in building brand equity and market share for several brands of products distributed by SINGER. There are regular sales promotions to activate consumer buying.

Significant initiatives in the Division during the year

The Marketing Division adopted multi-branding as a key strategy to build and maintain market share in the increasingly competitive market place. SINGER wishes to be the best retailer in consumer durables and be able to bring the best brands and options for her customers, in the widest choice available.

MANAGEMENT DISCUSSION AND ANALYSIS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Challenges faced by the Division if any

In a low growth economic environment and intensely competitive market place the Division is constantly challenged to obtain a reasonable return on investment for SINGER shareholders while yet being competitive enough to retain their customers.

The Division's Vision for the Future

Our vision is to be the foremost marketer and retailer of consumer durables in South East Asia.

Our mission is to improve the quality of life of our consumers by providing comforts and conveniences at affordable prices, through the strategy of multi-branding and extensive distribution.

Finance

Finance Division played a significant role in managing the Income Statement and Balance Sheet and maintaining the control system of the Company and in addition provides support services to Marketing, Credit, Human Resource and Purchasing Divisions.

Managers of the Finance Division visit selective weak Retail Shop Managers and Consignment Dealers and guide them in managing Cash, Hire Purchase Receivables and Inventory at Retail Shops. Shop Assistants are trained on location on record keeping aspects to enhance the standard of Inventory Management at the Retail Shops. These programmes are being continued to raise management standards and control systems.

Singer (Sri Lanka) Limited are Market Leaders in most products that are marketed by the Company. Yet competition is intense leading to price cutting in the market. Added to this, the rupee depreciated in excess of 14% last year compounding the situation. However, the Division provided leadership necessary to improve profit margins with timely action programmes.

Interest Rates increased rapidly in the second half of the year, however, the division managed to soften the impact of high interest cost by locking in with Long Term

Borrowings at very attractive rates. At year end 40% of the borrowings were locked in at rates of 14.5% to 15.0% inclusive of all costs. In spite of these initiatives our interest cost grew sharply due to growth in receivables and capital expenditure.



Asoka Pieris, Neville Peiris, Kapila Perera, Priyath Salgado, Nimal Fernando, Ajith Paranavitane

MANAGEMENT DISCUSSION AND ANALYSIS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

We recognize that growth in Interest cost need to be arrested and with this in mind, have set several action programmes to reduce borrowings. We are working tirelessly and effectively to reduce credit enjoyed by Dealers, which has exceeded 70 days in the last year. Our plans are to reduce this to around 50 days. We are also working with our overseas suppliers for deferred payment terms. These programmes will keep our finance costs under control though current borrowings rates are over 21.5%.

Information Technology Department

Singer (Sri Lanka) Limited is now represented in the Internet and can be accessed at www.singersl.com. We are in the process of developing this to a fully functional e-commerce site, however customers could at present place orders through the site for their purchases.

In the year 1999 all in-house written software were converted to be Y2K compliant without any set back whatsoever.

At the end of the year 2000 the Company had 4 Mega Stores, 104 Retail Shops and a Duty Free Shop at the International Airport, Katunanayake. 56 of these Shops are computerized as at Present and Company's plans are to computerize balance Shops by the end of the year. Wherever Shops are computerized it has helped the Shop and Head Office management immensely in improving operational efficiency and fine tuning inventory and Receivables management.

Process of improving Information Technology Systems further using web technology and enhanced communication to further improve operational efficiency is under way.

Our vision is to be a strong Finance Division providing support service to all other Divisions, maintain a strong control system and manage the Income Statement and the Balance Sheet of the Company effectively while improving net cash flow from year to year.

Internal Audit Department

Internal Audit regularly reviews Systems and Controls applicable to Cash, Inventory and Hire Purchase management of Retail Shops and Consignment Dealers in the Direct Channel.

In addition; other areas of the Company are reviewed through a process of internal control systems and operational or exception auditing.

Internal Audit actively participate in affairs of the Audit (Review) Committee which is headed by the Non-Executive Director.

Internal Audit carried the Best Administered Award in years 1999 and 2000; a reward for exceptional and consistent performance.

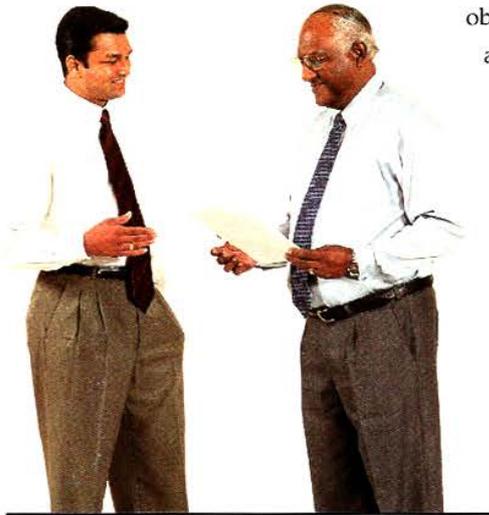
The Vision of the Internal Audit Department is to be proactive and to identify emerging control weaknesses, inefficiencies and wastages early to enable the Company to grow its Business and Profits.

MANAGEMENT DISCUSSION AND ANALYSIS

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Procurement

The Purchasing Division has over the years established a strong supply base both domestic and globally which is able to meet the Products required by the Consumers, and the Raw Materials necessary for the Factory. The emphasis is on the procurement of products and Raw Materials of good quality at a reasonable price. In the procurement of Finished Products there is continuous focus on price negotiation in an effort to offset the unfavourable effects of revisions upwards of fiscal levies, depreciation of the currency and a high Interest regime. At the Factory, the Purchasing Department has concentrated its efforts also in obtaining price reductions whilst maintaining quality in accordance with ISO 9002 Quality System Certification Procedures.



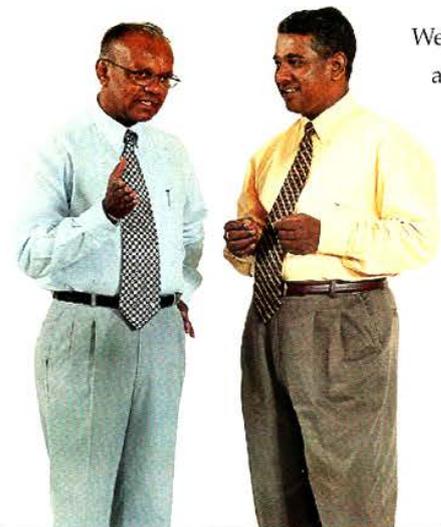
Mahesh Wijewardene, Anton Abeyesekera

With developments in Technology, continuous changes in trends of demand and competitive activity, the procurement function faces a challenging task in the future in sourcing products in keeping with the demands of the Market.

In this Era of E-commerce the fully-equipped Purchasing Division is committed to satisfy the demands of the Company and the large customer base in providing Products and Raw Material of the highest quality at competitive prices, while at the same time maintaining inventories at optimum levels.

Human Resources

Human Resource Management and Development are two main functions of the Division. Primary and perhaps the ultimate aim of the Division is the maintenance of a satisfied, motivated, loyal and competent workforce in an ever changing environment. Actions and the aims of the Division have been mainly based on the above and will continue to be so in the future.



James Nandasiri, Chitral Perera

We place strong emphasis on developing our employees at all levels and have successfully implemented numerous skill building training programmes. High flyers are identified and facilities provided to further improve their knowledge and sharpen skills, thus developing employees to reach to their true potential, so that they will contribute even more to the Company whilst developing themselves.

During the period under review we successfully launched a campaign to foster team spirit in the Company. Theme of the Division is "Team Work". We promote and create a people friendly culture which will help to achieve Company objectives and build up one team within all Divisions in the Company who have a sense of belonging and feel that they are one family.

Amongst major Training Programmes conducted for employees of all levels was the Continuous Improvement Programme launched to improve Company-wide Customer Service. Greater emphasis was placed on developing newcomers to meet the Company requirements and to face ever-growing competition.

The introduction of a Grievance Handling Procedure highlights the Management's sincere wish to eliminate misconceptions among staff that their grievances remain either unheard or unattended to. It is proposed to expand this to cover all sections of employees.

Our vision is to achieve excellence through Human Resource Management & Development and build a strong team of employees who can withstand the changes of a dynamic global order and continue to grow our business.

Credit and Service

Credit

Credit and service are two key support functions of the organization in its continuous march towards success. Both these stand as unique features towards improving the life styles of the Singer Customers.

Credit Division primarily is involved in the process of helping the marketing team to manage and market the credit portfolios. Primarily the Department deals in two types of credit, namely trade credit given for Institutions and Wholesales Dealers and hire purchase transactions through the entire chain of Retail Stores throughout the island.

Credit per se has gone through a significant change over the years. With more players in the market and even banks entering the fray in a big way the challenges today is very much greater than the yester years. Keeping ahead of the rest and at the same time having the grass root touch is certainly a challenge for any Division. It is particularly so when your customer base, mainly on hire purchase is primarily from the semi-urban areas. The economic situation and the varying priorities of customers pose serious challenges in the collection front. The ability to manage a large chain of Retail outlets with all of these selling on hire purchase could be cited as yet another challenge that the Division faces. Training and development of new staff, refresher courses for the experienced and also keeping abreast with the latest trends and advising the sales and marketing staff too is a matter of priority. In an era of credit marketing, managing credit, as one would do to a product by itself, has its challenges.

The Division managed to help the Company to stay ahead of the rest in terms of innovation, increased volumes and profits in spite of stiff competition and adverse conditions. The collection programme could be cited as one of



Shyam Ramanathan, Murali Prakash, Paramsothy Shivaji

MANAGEMENT DISCUSSION AND ANALYSIS

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the best in the country for a operation of this magnitude. Year after year this has increased both in absolute terms and percentage terms and during the year 2000 recorded a total of 2.1 Billion averaging at 13.4% for a month, an increase of 370 Million over prior year and is also 1.2% over prior year in terms of percentage.

The unique collection campaigns initiated with both the internal and external customers in mind, paved way for this excellent collection during the year against adverse conditions in general.

A new scheme, namely "Singer Suraksha" was launched during the 2nd half of 1999. This basically is a product security scheme, which covers the customer in the event of a death or disability while safeguarding the product against any damages due to an act of God. Forty seven thousand two hundred and fifty seven (47,259) customers opted for this scheme during the last year, which also gave an edge over the competition to market our hire purchase better.

The Division's vision is to be the most admired, No. 1 profit making credit marketing facility in Sri Lanka. In this regard we consider credit marketing as a key function, as we believe that this would help us to be innovative and be ahead of the rest in a competitive market scenario. We indeed continue to bring out new products/schemes in line with the present credit activities for greater benefit of the organization. Already in co-ordination with the service team we have launched another innovative scheme "Singer Super Cover" which is an extended warranty scheme for the products that we market. We also launched the unique "SINGER 121" direct easy payment scheme for institutions, which has become an instant success. Many more innovations will originate in the future.

Collection trends, overdue accounts and bad debts, all are significantly below the industry average. Over due or arrears accounts are only around 2.1% of the gross receivable. We should state that the excellent support extended by the Marketing and Sales teams helped in maintaining these at low levels throughout the year. We would continue to forge ahead as a team, to build an even better and profitable receivable portfolio in the years to come.

Service

After sales service of products purchased from Singer (Sri Lanka) Limited is carried out by the Customer Service Division.

Customer Service Division maintains post purchase satisfaction of Singer customers through 4 of their own Service Centres in Colombo, Kandy, Matara and Anuradhapura and 78 franchisee outlets for Electronic/Electrical and Agro products. Almost 90% of the service locations could be contacted over the telephone. The Company's 4 Service Centres have e-mail facility.

After sales service is managed by 7 Executive Managers, 39 general staff employees and 78 franchise agents.

In addition to the above, the Industrial Products Division and the Computer Division provides prompt service for products sold through the respective Divisions.

MANAGEMENT DISCUSSION AND ANALYSIS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Approximately 40 mobile vehicles including those of franchise holders throughout the island visit the customers to assist in repairs. Wherever products cannot be repaired on location they are brought to the Company Service Centres and Franchisee Workshops by customers to attend on them.

Singer provides guarantee for all products sold. The guarantee varies from 6 months to 5 years. The Company policy of after sales service, is that the customer complaint will be responded within 72 hours. Almost on 60% of the time the repair is completed, tested and delivered to the customer within 4 working days.

At any given time approximately Rs. 40 Million worth of spare parts are stocked by the Company to carry out after sales service/repairs. Customer has the option of either repairing his product at the Company Service Centre or at the authorised service agent. The Company also sells spare parts to customers.

Service staff is regularly trained on new technology and on public relations. The assistance of outside resource agencies are sought at regular intervals to continuously improve the standard of after sales service.

During the period 1999/2000 Service Division conducted the continuous improvement initiative under the guidance of an international trainer which further uplifted our standards of Service.

After sales service is monitored by the Consumer Service Committee which comprises of 15 Executive Managers. This Committee is chaired by the CEO of the Company.

Our vision is to be the best provider of post purchase service in any category in Sri Lanka.

Factory

The Piliyandala manufacturing facility comprising of the Agro Factory, Solid Furniture Factory and the Modular Furniture Factory was expanded with a new Warehouse, which commissioned in January. The Division is now self-sufficient in designing, manufacturing, storing and distributing.

ISO 9002 Quality Certification awarded encompassing all three manufacturing facilities and the Warehouse is the noteworthy achievement. Ours is the first furniture factory in Sri Lanka to be awarded this prestigious quality certification.

Manufacturing processes were streamlined in all factories. Operations were systematized to ensure economy and quality. Industrial relations enhanced resulting in improved productivity, and reduced wastage. These changes resulted in an unprecedented growth in the profitability of the manufacturing complex.



Ananda Perera, Vidya Vidyaratne, Nihal Vijendra

Support activities were computerized with stand-alone computers that will be networked in the coming year to keep up with current trends. This will further enhance reliability with all those who interact with us.

Agro Factory

This factory had a good year, increasing manufacture and sales of domestic pumps. Quality of pumps were improved substantially. There was a drop in production of Agro pumps and tractors due to escalating costs of imported engines and components, resulting in reduced sales volumes. Domestic pump model offering was enhanced with the introduction of new models. Paddy threshers were awarded the FMRC certification and recorded significant sales. A light-weight paddy thresher was introduced to the market this year. By its manufacturing process our Factory Division brings quality Agro machinery to the doorstep of the Sri Lankan farmer.

Modular Furniture Factory

Concept of Modular Furniture is gaining ground in Sri Lanka. For the first time this factory recorded a profit and among other things secured an order from the Oasis Hospital for supply of hospital cupboards, that was highly commended in the media.

Pantry Cupboard Section promises to be a viable proposition. Several new models of Modular Furniture are presently being tested in the market, and are hopeful of establishing a modular furniture market in the coming year.

Solid Furniture Factory

This factory is important for the future of our manufacturing complex. We are hopeful of turning this around to be profitable. We have now introduced a range of new models and these measures put in place show positive signs of making the solid furniture factory a viable venture. Hitherto we were manufacturing high quality premium furniture for the upper segment of the market and now our plans are to produce furniture for local and export market at competitive prices without compromising quality.

Warehouse

The new Warehouse with 26,000 square feet now stores all our products. With this warehouse we have curtailed damages due to transportation and reduce extra transport costs.

Our Mission is to be a high quality manufacturer of furniture for the local and export market while providing utility Agro products for the local farmer's convenience.

FINANCIAL REVIEW

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Financial Statements in this Annual Report represents the financial performance of Singer (Sri Lanka) Limited and the share of profits of Associate Companies that is applicable to Singer (Sri Lanka) Limited.

Revenue

Net turnover for the year cleared the Four Billion level, growing from Rs 3.6 Billion to Rs 4.1 Billion and recording an increase of 13.0% over the previous year. Major share of the revenue growth was achieved from volume gains, with strong contributions from Television and Refrigerator categories.

Gross Profit

Gross profit for the year was Rs. 1,435.5 Million against Rs. 1,260.2 Million in the previous year, a growth of 13.9%. Customs duty reductions, negotiating of better pricing from suppliers and volume gains on higher margin products contributed to a higher percentage of gross profit as against turnover.

Other Operating Income

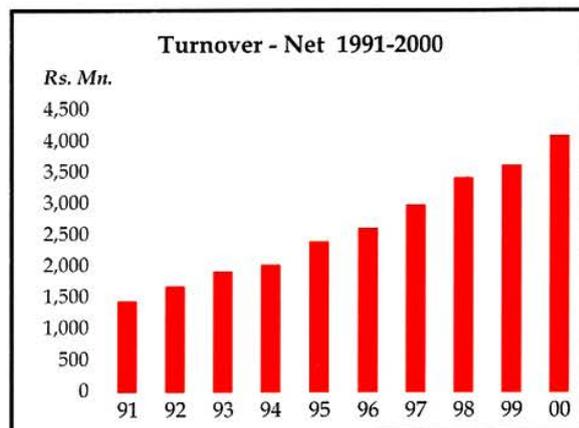
Other Operating Income, which is mainly income on sale of Property, Plant, Equipment and Motor vehicles declined to Rs 1.3 Million for the year against Rs 4.2 Million in the previous year due to fewer vehicles being disposed and replaced during the year.

Administration and Selling Expenses

Administration and Selling Expenses grew by 15.4% to Rs. 961.4 Million from prior year's level of Rs. 833.1 Million. Selling commissions to sales staff, advertising and sales promotion, shop rents, transport and employee travel contributed to this growth.

Associate Companies' Profits

Share of Associate Companies' Profits applicable to Singer (Sri Lanka) Limited, declined to Rs. 16.0 Million in the year against Rs. 20.0 Million in the prior year. The drop is mainly from Commercial Leasing Co. Limited, where Singer (Sri Lanka) Limited, share of profit before tax dropped from Rs. 18.0 Million to Rs. 8.6 Million, a drop of Rs. 9.4 Million.



FINANCIAL REVIEW

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Sharp drop of profit at Commercial Leasing Company Limited is due to high cost of borrowings that prevailed in the second half of the year and the provisioning for losses on lease receivables. However, this drop was off set partly by the improved performance of First Capital Limited.

First Capital Limited benefited from the high interest that prevailed in the second half of the year to record a healthy profit of Rs. 39.6 Million for the year before tax of which Singer (Sri Lanka) Limited share is Rs. 7.9 Million before tax as against Rs. 2.3 Million a year ago.

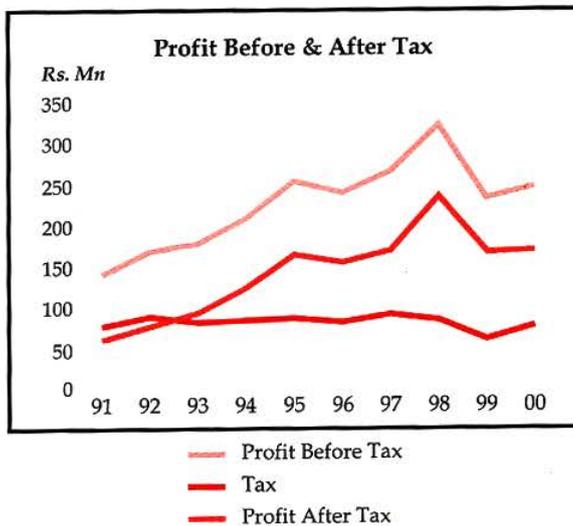
Finance Cost

Interest payable increased from Rs. 186.2 Million in the previous year to Rs. 222.0 Million in the year an increase of 19.2% due to high cost of borrowings, growth in receivable and the capital expenditure incurred in the year.

Income Tax Expense

Singer (Sri Lanka) Limited, being a public quoted company with more than 300 registered shareholders benefits from the preferential Income Tax rate of 30% applicable to such companies as against the Corporate Income tax rate of 35%. This preferential income Tax Rate is also applicable to Commercial Leasing Co. Limited, whereas the taxable profits of First Capital Limited, and Commercial Fund Management Co. were liable for tax at 35%.

Singer (Sri Lanka) Limited, and the share of Associate Companies' Income Tax for the year inclusive of deferred tax was Rs. 79.1 Million as against Rs. 67.4 Million in the prior year. The effective tax rates being 31.6% and 28.6% respectively. Increase of effective rate in tax during the year is due to withdrawal of investment tax allowance from 1st April 2000 and the increase in National Security Levy to 6.5% from 5.5% effective mid February, 2/9th of which is disallowed for tax purposes and the increase in tax of the Associated Companies.



FINANCIAL REVIEW

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Net Profit for the year

Net profit for the year after tax is Rs. 171.0 Million up a marginal Rs. 2.7 Million or 1.6% from the previous year. The net income of Singer (Sri Lanka) Limited, excluding share of Associate Companies' profits for the year was Rs. 159.0, as against Rs. 149.5 Million in 1999 a growth of Rs. 9.5 Million or 6.4%.

Scrip Issue of Shares

A scrip issue of one share for every five shares held was made in July 2000 increasing the share capital from Rs. 267,113,840/- to Rs. 320,536,600/-.

Dividends

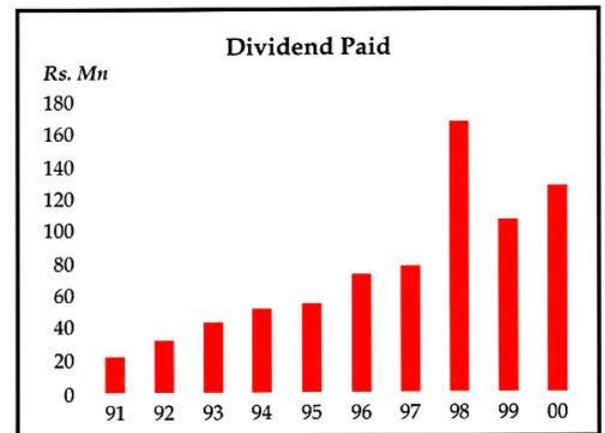
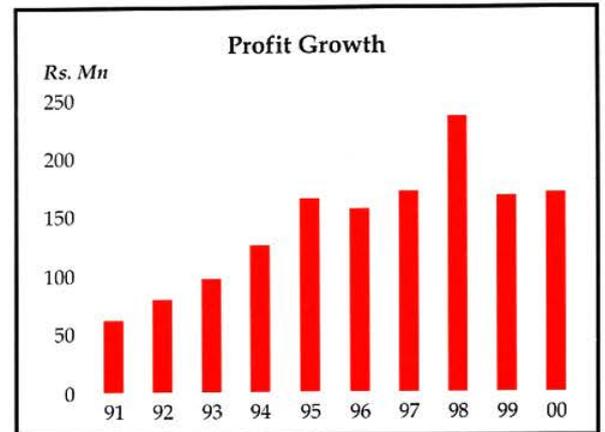
Total Cash Dividends of Rs. 4.00 per share will be paid along with the proposed Final Dividend. These dividends are being paid on the increased share capital, and hence this year's dividend will be 20% more than the previous year's dividends in the hands of the shareholders.

Return on Equity

Return on equity for the year was 17.6% as compared with 18.0% in the previous year. Return on equity has been computed by comparing the profit after tax and the average shareholders' funds.

Accounting Policies

The financial statements contained in this report are prepared in accordance with the Sri Lanka Accounting Standards and the requirement of the Colombo Stock Exchange.



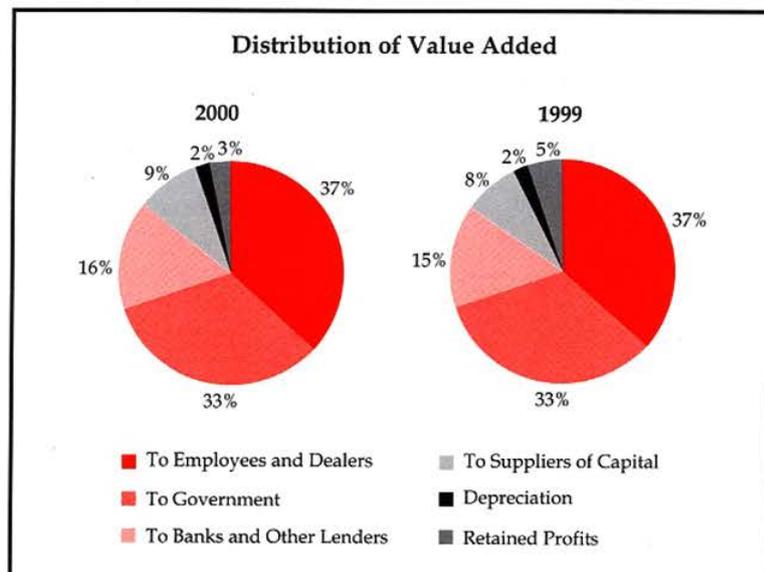
STATEMENT OF VALUE ADDED

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

	2000	1999
	Rs.'000	Rs.'000
Turnover-Gross	4,473,123	3,976,357
Other Income	1,302	4,183
	4,474,425	3,980,540
Less : Cost of Material & Services	3,094,293	2,718,956
Value Added	1,380,132	1,261,584

Distribution of Value Added

		%		%
To Employees and Dealers				
Salaries, Commissions and Other Benefits	506,861	37	460,580	37
To Government				
Income Taxes, Turnover Taxes, Goods & Services Tax and National Security Levy	449,958	33	414,931	33
To Banks and Other Lenders				
Interest and Bank Charges on Borrowings	224,517	16	188,382	15
To Suppliers of Capital				
Dividends to Shareholders	128,215	9	106,846	8
Retained for Re-investment and Future Growth				
Depreciation	27,823	2	29,422	2
Retained Profits	42,758	3	61,423	5
	1,380,132	100	1,261,584	100



DIRECTORS' REPORT

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Directors have pleasure in presenting to Members their Report together with the Audited Accounts of the Company for the year ended 31st December 2000.

Review of the year

Chairman's Review on pages 7 to 9 describes the Company's affairs and mentions important events that occurred during the year, and up to the date on this Report.

Financial Activities

The Company is engaged in marketing Domestic and Industrial Sewing Machines, Consumer Electronics, Household Appliances, Furniture, Agricultural Implements and Personal Computers, and is also engaged in Financial Services. In addition the Company manufactures Furniture, Water Pumps, Paddy Threshers and assembles Two Wheel Tractors.

Property, Plant & Equipment

During the year under review the Company invested a sum of Rs. 30,293,712/- (1999 - Rs. 92,577,352/-) in Property, Plant & Equipment. Gampaha shop was upgraded into a Mega Store at a cost of Rs. 4.8 Million. Embilipitiya shop was renovated at a cost of Rs. 3.0 Million and renovation work at Borella shop was in progress. Motor Vehicles purchased during the year amounted to Rs. 3.1 Million whereas Rs. 3.1 Million was spent on Furniture and Equipment. Machinery acquired for the Water Pump Factory in the year was Rs. 0.2 Million, while the cost of Data Processing Equipment purchased during the year was Rs. 10.8 Million.

Movement in Property, Plant & Equipment during the year is disclosed under Note 10 to the Accounts.

Bonus Issue of Shares

On 28th July 2000 Bonus Shares were issued to the existing shareholders on the basis, 1 share for every 5 shares held by them; which increased the Issued Share Capital to Rs. 320,536,600/-.

Corporate Governance

It is not mandatory to disclose corporate governance. However, Directors of Singer (Sri Lanka) Limited are committed to disclose good corporate governance practised in the interest of Key Stakeholders, having regard to the code of best practices issued by the Institute of Chartered Accountants of Sri Lanka.

Board of Directors and its Role

Board of Directors of Singer (Sri Lanka) Limited comprise of five Directors, including the Chairman. The Chairman of the Board of Directors also holds the position of Managing Director and is the Chief Executive Officer. The Board of Directors retain full and effective control over the Company in formulating and implementing policies and ensuring its effectiveness. The two non-resident Directors are represented by Alternate Directors in their absence.

All strategic functions of the Company, namely Marketing, Finance Credit and Procurement are headed by Departmental Directors. There is extensive participation in decision making at all levels of staff and strategic recommendations on material matters flow to the Board of Directors for decision making.

DIRECTORS' REPORT

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Shareholders' Role

Directors have continuously recognized the important role played by the Shareholders of the Company in assisting the Board of Directors in good corporate governance.

In this respect it is the policy of the Board of Directors that Shareholders should have equal access to information and the Directors disclose all material information of the Company to the Shareholders. The corporate information disclosed through the Annual General Meeting and the quarterly release to Shareholders on performance are steps taken towards this end.

Audit (Review) Committee

In order to ensure that proper internal controls exist and that such controls are effectively complied with, the Directors have appointed an Audit (Review) Committee. The Committee is headed by the Non-Executive Director and includes two other Executive Directors and the Internal Auditor of the Company. The Finance Director and the External Auditor attends by invitation. The Company's Internal Auditor functions as the Secretary of the Committee.

This Committee is empowered among other things to examine matters relating to Financial Affairs of the Company to review Internal and External Audit Programmes, Internal Control Systems of the Company and Accounting Policies, etc., to ensure that the Company's operations conform to those laid down procedures and other rules and regulations.

During the year under review the Committee met on four occasions and reviewed the Internal Audit Programmes in consultation with External Auditor; provided directions to strengthen controls in shops and other departments where certain shortcomings were observed. Identified new areas to review controls, examined compliance of Accounting Standards and regulations of the Securities Exchange Commission and the Colombo Stock Exchange.

The Committee also reviewed the Management Letter submitted by the External Auditor on the audit for the year ended 31st December 1999 and the Management responses thereon.

Financial Reporting and Transparency

Financial statements have been prepared and presented under the generally accepted Accounting Principles and in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The Internal Audit Department of the Company regularly examines the internal controls that are in place to ensure that financial information is fairly stated.

Quarterly financial results are analysed by the Board of Directors and corrective measures are recommended to ensure effectiveness of operations wherever necessary.

Statement of Internal Control

Directors are responsible for providing and planning a system of internal control that would ensure effective implementation of all Policies and decisions of the Board of Directors. This framework is designed to provide reasonable but not absolute assurance that assets of the Company are safeguarded, proper records are maintained and reliable information is recorded.

DIRECTORS' REPORT

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Directors' Responsibility for Financial Statements

The Companies Act, No. 17 of 1982 requires the Directors to prepare financial statements comprising a Profit & Loss Account and a Balance Sheet for each financial year and place before a General Meeting.

Directors are of the view that, these financial statements have been prepared under the generally accepted Accounting Principles and in accordance with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka.

Directors are responsible for ensuring 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.

Directors confirm that to the best of their knowledge all taxes and duties payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known Statutory dues, as at the Balance Sheet date have been paid or provided.

Profit and Appropriations

	2000	1999
	Rs.	Rs.
Profit for the year ending 31st December after deducting all expenses, known liabilities and depreciation amounts to	250,089,268	235,713,126
From this has to be deducted the provision for Taxation	79,116,558	67,444,593
Making a Profit after Tax of	<u>170,972,710</u>	<u>168,268,533</u>
To this has to be added the balance brought forward from previous year of	59,595,470	58,172,474
Making a total available of	<u>230,568,180</u>	<u>226,441,007</u>
From which additional time based provision of Commercial Leasing Co. Limited is adjusted amounting to	22,208,224	-
Leaving a total available for appropriation of	<u>208,359,956</u>	<u>226,441,007</u>
Following Appropriations have been made:		
Transfer to General Reserve	25,000,000	60,000,000
First Interim Dividend paid - 20.0% Gross (1999 - 22.5%)	64,107,320	60,100,615
Second Interim Dividend paid - 7.5% Gross (1999 - 0%)	24,040,245	-
Final Dividend proposed - 12.5% Gross (1999 - 17.5%)	40,067,075	46,744,922
Total Dividend of	<u>128,214,640</u>	<u>106,845,537</u>
Making a total Appropriation of	<u>153,214,640</u>	<u>166,845,537</u>
Leaving a balance to be carried forward of	<u>55,145,316</u>	<u>59,595,470</u>

Directors' Interests in Contracts with the Company

Directors' Interests in contracts with the Company are declared under "Note 32 to the Accounts" on page 55 of the Annual Report.

DIRECTORS' REPORT

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Directorate and Shareholding

The names of Directors of the Company are shown on page 10.

Mr. S. Ramanathan resigned from the Board of Directors with effect from 1st July 2000. Directors place on record their appreciation for the invaluable service rendered by Mr. S. Ramanathan during his term as a Director of the Company.

Consequent to his retirement from the services of the Company, Mr. A.P.G.P. Abeyesuriya ceased to be an Alternate Director with effect from 28th February 2001. Directors place on record their appreciation for the invaluable service rendered by Mr. A.P.G.P. Abeyesuriya during his term as an Alternate Director of the Company.

In terms of Section 102 of the Articles of Association of the Company, Mr. S. H. Goodman was appointed a Director of the Company on 28th July 2000 to fill the casual vacancy created by the resignation of Mr. S. Ramanathan and he being eligible is recommended for re-election.

In terms of Section 96 of the Articles of Association of the Company, Mr. Kamal Shah retires by rotation, and being eligible is recommended for re-election.

Shareholding of Directors at the beginning of the year and as at the end of the year are as follows :

	Shareholding 01.01.2000	Shareholding 31.12.2000
H.D.S. Amarasuriya	19,090	22,908
G.C.B. Wijeyesinghe	-	-
N.C. Peiris	7,412	8,894
K. Shah	-	-
S.H. Goodman	-	-
A.P.G.P. Abeyesuriya - resigned on 28.02.2001	1,727	2,072
D.J.A. Abeyesekera	1,174	1,408
P. Shivaji - appointed on 01.03.2001	654	784

Donations

During the year donations amounting to Rs. 196,250/- (1999 - Rs. 143,200/-) were made by the Company of which Rs. 132,000/- were paid to Government approved charities.

Auditors

The Accounts for the period under review were audited by Messrs. Ernst & Young, Chartered Accountants, who offer themselves for re-appointment for the ensuing year, at a fee to be decided by the Board of Directors.

By Order of the Board
Singer (Sri Lanka) Limited
Neville Peiris, F.C.A.
Secretary

Colombo
 4th April 2001

AUDITORS' REPORT

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

AUDITORS' REPORT TO THE MEMBERS OF SINGER (SRI LANKA) LIMITED

We have audited the Balance Sheet of Singer (Sri Lanka) Limited as at 31st December 2000, and the related Statements of Income, Cash Flows and Changes in Equity for the year then ended, together with the Accounting Policies and Notes as set out on pages 30 to 57.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31st December 2000, and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Cash Flows and Changes in Equity and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act, No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st December 2000, its profit, and cash flows for the year then ended.

Directors' Interests in Contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year then ended 31st December 2000, except as stated in Note 32 to these financial statements.

(Sgd) Ernst & Young
Chartered Accountants

Colombo
4th April 2001

I N C O M E S T A T E M E N T

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Year ended 31st December 2000

	Note	2000 Rs.	1999 Rs.
Revenue	3	4,102,281,787	3,628,871,276
Cost of Sales		<u>(2,666,786,755)</u>	<u>(2,368,706,571)</u>
Gross Profit		1,435,495,032	1,260,164,705
Other Operating Income	4	1,302,664	4,182,612
Administration and Selling Expenses		(961,388,460)	(833,153,900)
Other Operating Expenses		<u>(19,279,890)</u>	<u>(29,261,581)</u>
Profit from Operating Activities	5	456,129,346	401,931,836
Share of Profits of Associate Companies	6	<u>15,969,066</u>	<u>19,992,577</u>
		472,098,412	421,924,413
Finance Cost	7	<u>(222,009,144)</u>	<u>(186,211,287)</u>
Profit from Ordinary Activities before Tax		250,089,268	235,713,126
Income Tax Expenses	8	<u>(79,116,558)</u>	<u>(67,444,593)</u>
Net Profit for the year		<u>170,972,710</u>	<u>168,268,533</u>
Earnings per Share - Basic	9	5.33	5.25
Dividends per Share		4.00	4.00

The Accounting Policies and Notes on pages 34 through 57 form an integral part of the financial statements.

Colombo
4th April 2001

BALANCE SHEET

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

<i>As at 31st December 2000</i>		2000	1999
	Note	Rs.	Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment, Net - At Cost	10	368,685,769	369,994,506
Intangible Assets	11	50,000,000	-
Trade and Other Receivables	16	227,511,556	208,212,196
Deferred Taxation	23	4,550,564	5,609,022
Investments in Associates	13	83,685,422	101,415,669
Other Investments	14	38,065,374	37,620,000
		<u>772,498,685</u>	<u>722,851,393</u>
Current Assets			
Intangible Assets	11	5,000,000	-
Deferred Expenditure	12	-	813,814
Inventories	15	784,497,141	631,812,152
Trade and Other Receivables	16	1,384,619,527	1,203,630,645
Taxation		-	7,721,641
Amounts due from Related Parties	17	183,041	2,492,008
Cash & Cash Equivalents	18	28,092,784	4,343,983
		<u>2,202,392,493</u>	<u>1,850,814,243</u>
Total Assets		<u>2,974,891,178</u>	<u>2,573,665,636</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	19	320,536,600	267,113,840
Reserves	20	607,045,568	635,736,530
Accumulated Profits	21	55,145,316	59,595,470
Total Equity		<u>982,727,484</u>	<u>962,445,840</u>
Non-Current Liabilities and Deferred Income			
Interest Bearing Liabilities	22	650,000,000	-
Provision for Retiring Gratuity	24	38,195,257	38,475,200
Security Deposits		132,884,925	137,291,639
		<u>821,080,182</u>	<u>175,766,839</u>
Current Liabilities			
Trade and Other Payables	25	254,856,515	120,634,789
Dividends Payable	26	64,107,320	46,744,922
Income Tax Liabilities		3,332,932	-
Amounts due to Related Parties	28	53,786,745	38,073,246
Commerical Papers		545,000,000	1,130,000,000
Short-Term Loans		250,000,000	100,000,000
		<u>1,171,083,512</u>	<u>1,435,452,957</u>
Total Equity and Liabilities		<u>2,974,891,178</u>	<u>2,573,665,636</u>

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Signed for and on behalf of the Board by:

(Sgd.) **Neville Peiris**
Director

(Sgd.) **Hemaka Amarasuriya**
Director

The Accounting Policies and Notes on pages 34 through 57 form an integral part of the financial statements.

Colombo
4th April 2001

STATEMENT OF CHANGES IN EQUITY

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Year ended 31st December 2000

	Note	Share Capital Rs.	Share Premium Rs.	General Reserves Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 31st December 1998		267,113,840	16,366,150	559,370,380	65,804,139	908,654,509
Effects of Changes in Accounting Policy	29				(7,631,665)	(7,631,665)
Restated Balance		<u>267,113,840</u>	<u>16,366,150</u>	<u>559,370,380</u>	<u>58,172,474</u>	<u>901,022,844</u>
Net Gains and Losses not recognised in the Income Statement						
Net Profit for the year					168,268,533	168,268,533
Dividends	27				(106,845,537)	(106,845,537)
Transferred to/from during the year	20			60,000,000	(60,000,000)	-
Balance as at 31st December 1999		<u>267,113,840</u>	<u>16,366,150</u>	<u>619,370,380</u>	<u>59,595,470</u>	<u>962,445,840</u>
Effect of additional time based provision of Commercial Leasing Co. Limited	13				(22,208,224)	(22,208,224)
Bonus Issue	19	53,422,760				53,422,760
Net Gains and Losses not recognised in the Income Statement						
Net Profit for the year					170,972,710	170,972,710
Dividends	27				(128,214,640)	(128,214,640)
Share Issue Expenses	20		(268,202)			(268,202)
Utilised for Bonus Issue	20		(12,000,000)	(41,422,760)		(53,422,760)
Transferred to/from during the year	20			25,000,000	(25,000,000)	
Balance as at 31st December 2000		<u>320,536,600</u>	<u>4,097,948</u>	<u>602,947,620</u>	<u>55,145,316</u>	<u>982,727,484</u>

The Accounting Policies and Notes on pages 34 through 57 form an integral part of the financial statements.

Colombo
4th April 2001

CASH FLOW STATEMENT

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Year ended 31st December 2000	Note	2000 Rs.	1999 Rs.
Cash Flows from/(used in) Operating Activities			
Net Profit before Income Tax Expense		250,089,268	235,713,126
Adjustments for			
Depreciation		27,822,659	29,422,242
Deferred Expenditure Amortised		813,814	843,600
Share of Net Profit from Associate Companies		(15,969,066)	(19,992,577)
(Profit)/Loss on sales of Property, Plant & Equipment		618,353	(3,393,081)
Deferred Profit on Hire/Lease Debtors		1,824,877	2,661,468
Provision for Doubtful Debts		6,081,861	3,638,606
Provision for Define Benefit Plans - Gratuity		3,619,493	10,711,174
Operating Profit before Working Capital Changes		274,901,259	259,604,558
(Increase)/Decrease in Inventories		(152,684,989)	69,134,513
(Increase)/Decrease in Debtors falling due after one year		(13,239,307)	(22,785,613)
(Increase)/Decrease in Debtors falling due within one year		(194,955,673)	(141,378,913)
(Increase)/Decrease in Trade Dues from Related Parties		2,308,967	(14,222,467)
Increase/(Decrease) in Trade Dues to Related Parties		15,713,499	(25,261,485)
Increase/(Decrease) in Trade and Other Payables		134,221,726	10,771,406
Cash Generated from Operations		66,265,482	135,861,999
Defined Benefit Plan Costs Paid		(3,899,436)	(1,427,779)
Income Tax Paid		(63,012,438)	(106,131,632)
Net Cash from/(used in) Operating Activities		(646,392)	28,302,588
Cash Flows from/(used in) Investing Activities			
Acquisition of Property, Plant & Equipment		(30,293,712)	(92,577,352)
Proceeds from sale of Property, Plant & Equipment		3,161,437	3,393,081
Acquisition of other Investments		(445,374)	-
Acquisition of Brand Name		(55,000,000)	-
Dividends Received		7,500,000	7,700,000
Net Cash Flows from/(used in) Investing Activities		(75,077,649)	(81,484,271)
Cash Flows from/(used in) Financing Activities			
Share Issue Expenses		(268,202)	-
Proceeds from Interest Bearing Loans and Borrowings		650,000,000	-
Short-Term Loans		(435,000,000)	285,000,000
Long-Term Deposits		(4,406,714)	10,255,588
Dividends Paid		(110,852,242)	(133,556,921)
Net Cash Flows from/(used in) Financing Activities		99,472,842	161,698,667
Net Increase/(Decrease) in Cash & Cash Equivalents		23,748,801	108,516,984
Cash & Cash Equivalents at the beginning of the year	18	4,343,983	(104,173,001)
Cash & Cash Equivalents at the end of the year	18	28,092,784	4,343,983

The Accounting Policies and Notes on pages 34 through 57 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Year ended 31st December 2000

1. Corporate Information

1.1 General

Singer (Sri Lanka) Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The Registered Office of the Company is located at No. 320, Dr. Colvin R. De Silva Mawatha (Union Place), Colombo 2, and the principal place of business is situated at the above address.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were marketing domestic and industrial sewing machines, consumer electronics, home appliances, furniture, agricultural implements and personal computers and manufacturing furniture and agricultural equipment.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Singer Company N.V. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Singer Company N.V. which is incorporated in United States.

1.4 Number of Employees

The number of employees at the end of the year was 785 (1999 - 786).

2. Summary of Significant Accounting Policies

2.1 General Policies

2.1.1 Basis of Preparation

The Balance Sheet, Statements of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes ("Financial Statements") of the Company as at 31st December 2000 and for the year then ended, comply with the Sri Lanka Accounting Standards.

The following standards have been adopted in the financial statements before their effective dates:

- Sri Lanka Accounting Standard 3 - Presentation of Financial Statements.
- Sri Lanka Accounting Standard 28 - Segment Reporting.
- Sri Lanka Accounting Standard 34 - Earnings per Share.

2.1.2 Comparative Information

The Accounting Policies have been consistently applied by the Company and except for the changes in Accounting Policies discussed more fully 2.1.3; are consistent with those used in the previous year.

2.1.3 Changes in Accounting Policies

Effective 1st January 2000, the Company changed its Accounting Policies with respect to the Provisions for Bad & Doubtful Debts. This is more fully described in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

2.1.4 Foreign Currency Translation

All transactions with intra Singer Companies, have been recorded at the book rate. The book rate is usually based on the unified rate of exchange as advised by the bank, and is revised when the current rates change in excess of 5% of the existing book rate.

2.1.5 Post Balance Sheet Events

All material events occurring after the Balance Sheet date have been considered and where necessary adjustments made in these financial statements.

2.1.6 Taxation

a) Current Taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

b) Deferred Taxation

Deferred taxation is provided on the liability method. The tax effect of all timing differences which occur where items are allowed for income tax purposes in a period different from that when they are recognised in financial statements is included in the provision for deferred taxation at current rates of taxation.

Deferred tax assets are recognised for all deductible timing differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible timing differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred tax asset is reviewed at each Balance Sheet date and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

2.1.7 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.1.8 Deferred Expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as deferred expenditure. Such expenditure is written off over the period to which it relates, on a straight-line basis.

2.2 Valuation of Assets and their Measurement Bases

2.2.1 Inventories

Inventories, except general merchandise which is stated at purchase cost less issues for the period valued at a standard percentage of selling price, are valued at the lower of weighted average cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Re-possessed goods are valued at half of its cost.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

The cost incurred in bringing inventories to its present location and condition are accounted using the following cost formulae:

- Raw Materials - At actual cost on standards cost basis.
- Supplies and Parts - Purchase cost less issued for the period valued at a standard percentage of selling price.
- Finished Goods & Work-in-Progress - A system of standard costing is used to cost the production of the factory. The inventory at the year end is converted to actual from that year's standards.
- Goods-in-Transit - At actual cost.

Inventory Reserve

Specific provisions are made giving consideration to obsolescence and condition of inventory held by the Company.

General provisions are also made giving consideration to the age of inventory held as at the Balance Sheet date.

2.2.2 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of provisions for bad and doubtful debts.

Other receivables and dues from Related Parties are recognised at cost less provision for bad and doubtful receivables.

Assets sold to customers under fixed rate hire agreements which transfer all the risks and rewards as well as the legal title at the end of such contractual period are classified as hire purchase debtors. Hire purchase debtors receivable in the Balance Sheet represents the total hire value net of unearned finance charges and provision for doubtful recoveries.

The allowance for bad and doubtful debts are based on the collectibility of the receivables and a general provision is made for these amounts based on the period of arrears.

2.2.3 Cash & Cash Equivalents

Cash & cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, cash & cash equivalents consist of cash on hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

2.2.4 *Property, Plant & Equipment*

a) *Cost*

Property, Plant & Equipment are recorded at cost less accumulated depreciation.

b) *Restoration Costs*

Expenditure incurred on repairs and maintenance of Property, Plant & Equipment in order to restore or maintain the future economic benefits expected from originally assessed standards of performance is recognised as an expense when incurred.

c) *Depreciation*

The provision for depreciation is calculated by using a straight-line method on the cost of all Property, Plant & Equipment other than freehold land, in order to write off such amounts over the estimated useful lives by equal instalments. The principal rates used are as follows:

Freehold Buildings	2.5 %
Motor Vehicles	20 %
Furniture, Fittings & Equipment	10 %
Plant & Machinery	10 %
EDP Equipments	10 %
Leasehold Property	2.5 % - 5 %
Renovation to Leasehold Premises	2.5 % - 5 %

No depreciation has been provided on freehold land.

Full provision is made in the year of purchase and none in the year of sale.

2.2.5 *Leased Assets*

Property, Plant & Equipment on finance leases, which effectively transfer to the Company substantially all of the risk and benefits incidental to ownership of the leased item are capitalised at their cash price and depreciated over the period of the Company is expected to benefit from the use of the leased assets.

The interest element of the rental obligations applicable to each financial year is charged to the Profit & Loss Account over the period of the lease.

2.2.6 *Investments*

2.2.6.1 *Investment in Associate Companies*

The investments in Associate Companies are accounted under the equity method whereby the carrying amount of the investment is increased by the Company's share of profits and reduced by the distributions received from the investee.

2.2.6.2 *Other Investments*

Other Investments are stated at cost of acquisition. Provision is made for diminution in value of investments only if such diminution is expected to be other than temporary. Income is recognised only to the extent of distribution received from such investments.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

2.3 Liabilities and Provisions

2.3.1 Retirement Benefit Obligations

a) *Defined Benefit Plan - Gratuity*

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary, every year using accrued benefit valuation method. Actuarial gains and losses are recognised as income or expenses over the expected average remaining working lives of the participants of the plan.

The gratuity liability is not funded.

b) *Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund*

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Company contributes 12 % and 3 % of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.4 Income Statements

2.4.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) *Sale of Goods (Normal Trading Transactions)*

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyers, with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

b) *Sale of Goods (Hire Purchase Transactions)*

At the time of effecting hire sales, the cash sales value and the service charge are taken credit for immediately. The unearned finance charges are taken credit for on the basis of hire purchase instalments received on a sum of digits method.

c) *Interest*

Interest Income is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

d) *Dividends*

Dividend income is recognised on cash basis.

e) *Others*

Other income is recognised on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

2.4.2 Expenditure Recognition

- a) Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. 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.
- b) For the purpose of presentation of Income Statement the Directors are of the opinion that function of expenses method present fairly the elements of the Company's performance, and hence such presentation method is adopted.

	2000	1999
	Rs.	Rs.
3. Revenue		
3.1 Summary		
Gross Turnover	4,473,122,784	3,976,357,204
Less: Sales Taxes		
Goods and Services Tax	282,164,344	278,027,094
Turnover Tax	26,292,702	21,477,339
National Security Levy	62,383,951	47,981,495
Turnover Net of Sales Taxes	4,102,281,787	3,628,871,276

	Rs. '000	Rs. '000
3.2 Segmental Analysis of Net Turnover is as follows:		
Domestic Sewing Machines	679,154	675,350
Industrial Sewing Products	98,897	94,297
Home Appliances	2,776,963	2,278,610
Agro Products	246,958	287,799
Furniture	137,019	123,439
General Merchandise	79,498	87,130
Other	83,793	82,246
	4,102,282	3,628,871

3.3 Segmental Analysis of Operating Profits is as follows:

Domestic Sewing Machines	119,807	104,506
Industrial Sewing Products	2,442	2,787
Home Appliances	298,051	263,002
Agro Products	13,268	16,435
Furniture	5,067	2,556
General Merchandise	6,208	6,107
Other	11,286	6,539
	456,129	401,932

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

	2000	1999
	Rs.	Rs.
4. Other Operating Income		
Income from Investments - Quoted	5,500,000	7,700,000
- Unquoted	2,000,000	
Profit/(Loss) on disposal of Property, Plant & Equipment	(618,353)	3,393,081
Miscellaneous Income	1,921,017	789,531
	8,802,664	11,882,612
Less: Dividends Received from Associate Companies		
Transferred to Investment	(7,500,000)	(7,700,000)
	1,302,664	4,182,612
5. Profit from Operating Activities		
Stated after Charging		
Directors' Remuneration	9,637,287	10,177,122
Auditors' Remuneration (Fees and Expenses)	266,436	242,214
Bad Debts	9,113,832	9,843,795
Staff Costs:		
- Defined Benefit Plan Costs - Gratuity	3,619,493	10,711,174
- Defined Contribution Plan Costs - EPF & ETF and MSPS	43,741,255	40,301,850
Donations	196,250	143,200
Depreciation	27,822,659	29,422,242
Exchange (Gain)/Loss	(543,195)	6,953,169
6. Share of Profits of Associate Companies		
Net Profit/(Loss) before Tax		
Commercial Leasing Co. Limited	8,609,708	18,016,561
Commerical Fund Management (Pvt) Limited	(563,419)	(296,195)
First Capital Limited	7,922,777	2,272,211
	15,969,066	19,992,577
7. Finance Cost		
Interest Expense on Overdrafts and Term Loans	208,118,432	171,816,678
Security Deposits	14,318,089	13,358,794
Interest Expense on Loans & Borrowings Payable to Related Parties	(427,377)	1,035,815
	222,009,144	186,211,287

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

	2000 Rs.	1999 Rs.
8. Income Tax Expenses		
Current Income Tax		
Current Tax Expense on Ordinary Activities for the year - Singer (Sri Lanka) Limited	74,067,011	68,315,518
Deferred Income Tax		
Deferred Taxation Charge/(Reversal)	1,058,458	(2,126,291)
	<u>75,125,469</u>	<u>66,189,227</u>
Current Tax on Profit of Commercial Leasing Co. Limited	1,822,532	1,036,111
Current Tax on profit of First Capital Limited	2,168,557	181,470
Withholding Tax on Dividends Received from Commerical Leasing Co. Limited	-	37,785
	<u>79,116,558</u>	<u>67,444,593</u>

8.1 Reconciliation between Current Tax Expense and the product of Accounting Profit

Accounting Profit (Profit before Tax)	234,120,202	215,720,549
Aggregate Disallowed Items	59,533,411	67,806,361
Aggregate Allowable Expenses	(41,902,480)	(55,200,561)
Taxable Profit	<u>251,751,133</u>	<u>228,326,349</u>
Statutory Tax Rate 30%	75,525,340	68,497,905
Less: Excess Provisions	(1,458,329)	(182,387)
Current Income Tax Expense	<u>74,067,011</u>	<u>68,315,518</u>

8.2 Deferred Tax Expense/(Income)

Deferred Tax Expense/(Income) arising due to: Origination and Reversal of Timing Differences	1,058,458	(2,126,291)
	<u>1,058,458</u>	<u>(2,126,291)</u>

8.3 Deferred Tax has been computed using current effective tax rate.

9. Earnings per Share

9.1 Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

9.2 The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2000 Rs.	1999 Rs.
Amounts used as the Numerator:		
Net Profit	170,972,710	168,268,533
Net Profit Attributable to Ordinary Shareholders for basic and diluted Earnings per Share	170,972,710	168,268,533
	2000 Number	1999 Number
Numbers of Ordinary Shares used as the Denominator:		
Weighted average number of Ordinary Shares in issue applicable to basic Earnings per Share	32,053,660	26,711,384
Effects of Potential Ordinary Shares	-	-
Adjusted Weighted average number of Ordinary Shares applicable to diluted Earnings per Share	32,053,660	26,711,384

10. Property, Plant & Equipment

	Balance as at 01.01.2000 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2000 Rs.
10.1 Gross Carrying Amounts				
At Cost				
Land & Building	288,723,862	13,012,870	350,585	301,386,147
Motor Vehicles	77,469,463	3,128,181	4,565,000	76,032,644
Furniture & Equipment	48,335,083	3,129,385	110,778	51,353,690
Plant & Machinery	62,338,306	220,000	671,017	61,887,289
Culinary School Equipment	75,814	-	-	75,814
E.D.P. Equipment	23,745,674	10,803,276	4,352,686	30,196,264
	500,688,202	30,293,712	10,050,066	520,931,848
Assets on Finance Leases				
Leasehold Property	1,131,650	-	-	1,131,650
Renovation to Leasehold Premises	12,577,536	-	-	12,577,536
	13,709,186	-	-	13,709,186
Total Value of Depreciable Assets	514,397,388	30,293,712	10,050,066	534,641,034

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

	Balance as at 01.01.2000 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2000 Rs.
10.2 Depreciation				
Buildings	15,510,601	5,065,604	-	20,576,205
Motor Vehicles	58,235,703	8,496,272	3,607,000	63,124,975
Furniture & Equipment	20,062,132	4,510,347	11,077	24,561,402
Plant & Machinery	28,416,383	6,238,727	236,488	34,418,622
Culinary School Equipment	72,071	2,174	-	74,245
E.D.P. Equipment	10,372,145	2,867,120	2,415,711	10,823,554
	<u>132,669,035</u>	<u>27,180,244</u>	<u>6,270,276</u>	<u>153,579,003</u>
Assets on Finance Leases				
Leasehold Property	392,375	24,383	-	416,758
Renovation to Leasehold Premises	11,341,472	618,032	-	11,959,504
	<u>11,733,847</u>	<u>642,415</u>	<u>-</u>	<u>12,376,262</u>
Total Depreciation	<u>144,402,882</u>	<u>27,822,659</u>	<u>6,270,276</u>	<u>165,955,265</u>
			2000 Rs.	1999 Rs.

10.3 Net Book Values

At Cost	367,352,845	368,019,167
On Finance Leases	<u>1,332,924</u>	<u>1,975,339</u>
Total Carrying Amount of Property, Plant & Equipment	<u>368,685,769</u>	<u>369,994,506</u>

10.4 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 30,293,712/- (1999 - Rs. 92,577,352/-). Cash payments amounting to Rs. 30,293,712/- were paid during the year for purchases of Property, Plant & Equipment.

10.5 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 69,260,389/- (1999 - Rs. 43,575,511/-).

11. Intangible Assets

	Trade Marks Rs.	2000 Rs.	Total 1999 Rs.
11.1 Summary			
Cost			
As at the beginning of the year	-	-	-
Acquired/Incurred during the year	55,000,000	55,000,000	-
As at the end of the year	<u>55,000,000</u>	<u>55,000,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

	Trade Mark Rs.	2000 Rs.	Total 1999 Rs.
11.2 Current/Non-Current Distinction			
Amounts expected to be recovered:			
a) Before 12 months from the Balance Sheet date	5,000,000	5,000,000	-
b) After 12 months from the Balance Sheet date	50,000,000	50,000,000	-
Net Carrying Amount	55,000,000	55,000,000	-

11.3 The Company has acquired the "SISIL" Trade Mark in December 2000, amounting Rs. 55 Million and will be amortised over 11 years, commencing from financial year 2001. Since the purchase was made in December 2000, the amortisation should commence from the following financial year.

12. Deferred Expenditure

	2000 Rs.	1999 Rs.
12.1 Amortisation		
Cost		
As at beginning of the year	813,814	1,657,414
Provided during the year	(813,814)	(843,600)
As at the year end	-	813,814

12.2 Current/Non-Current Distinction

	Deferred Expenditure	
	2000 Rs.	1999 Rs.
Amounts expected to be recovered:		
a) Before 12 months from the Balance Sheet date	-	813,814
b) After 12 months from the Balance Sheet date	-	-
Net Carrying Amount	-	813,814

12.3 Deferred Expenditure includes Renovations - Warehouse and Preliminary Expenses - Layered Furniture Factory. These deferred expenditure are amortised over a period of 48 months based on a straight-line method, commencing financial year 1997.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

13. Investments in Associates

	Holding %		Carrying Value 2000 Rs.	Increase/ (Decrease) in Investments Rs.	Share of Profit Net of Dividends Received Rs.	Carrying Value 1999 Rs.
	2000	1999				
a) Quoted						
Commercial Leasing Co. Limited (Market value as at 31.12.2000 Rs. 59.4 Million, 1999 - Rs. 52.8 Million)	30	30	54,770,021	(22,208,224)	1,287,176	75,691,069
Total Quoted Investments in Associates			<u>54,770,021</u>	<u>22,208,224</u>	<u>1,287,176</u>	<u>75,691,069</u>
b) Non-Quoted						
Commercial Fund Management (Pvt) Limited (Directors' valuation as at 31.12.2000 Rs. 4.4 Million on Net Assets basis 1999 - Rs. 4.7 Million)	20	20	3,752,401	-	(563,419)	4,315,820
First Capital Limited (Directors' valuation as at 31.12.2000 Rs. 26 Million on Net Assets basis 1999 - Rs. 22.7 Million)	20	20	25,163,000	-	3,754,220	21,408,780
Total Non-Quoted Investments in Associates			<u>28,915,401</u>	<u>-</u>	<u>3,190,801</u>	<u>25,724,600</u>
Total Carrying Value of Investments in Associates			<u>83,685,422</u>			<u>101,415,669</u>

NOTES TO THE FINANCIAL STATEMENTS

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	Balance as at 31.12.2000 Rs.	Balance as at 31.12.2000 Rs.
13.2 Share of Associate Companies Retained Profits		
Commercial Leasing Company Limited		
Balance brought forward	55,691,069	46,448,404
Adjustment for additional time based provision (Note 13.3)	(22,208,224)	-
	33,482,485	46,448,404
Current year Share of Profit after Tax	6,787,176	16,980,450
Deduct : Dividends Received during the year - Gross	5,500,000	7,737,785
Current year's Retained Profits	1,287,176	9,242,665
	34,770,021	55,691,069
Commercial Fund Management (Pvt) Limited		
Balance brought forward	(684,180)	(387,985)
Current year Share of Loss after Tax	(563,419)	(296,195)
Current year's Retained Loss	(563,419)	(296,195)
	(1,247,599)	(684,180)
First Capital Limited		
Balance brought forward	1,408,780	(681,960)
Prior year Adjustment	-	-
	1,408,780	(681,960)
Current year Share of Profit after Tax	5,754,220	2,090,740
Deduct Dividends Received during the year	2,000,000	-
Current year's Retained Profit/(Loss)	3,754,220	2,090,740
	5,163,000	1,408,780
Total Share of Associate Companies Profits	38,685,422	56,415,669
Investment in Associate Companies at Carrying Value on Equity Basis	83,685,422	101,415,669

13.3 Effect of additional provision of Commercial Leasing Co. Limited

The Management of Commercial Leasing Co. Limited has made a provision for losses on lease receivables on a case by case basis amounting to Rs. 16,496,003/- as per the accounting policy of the Company. In addition to the above, the Management has arrived at an additional time based provision in accordance with proposed directives expected under new Leasing Act amounting to Rs. 74,027,412/- which has been charged against retained earnings as per SLAS 33 - Revenue Recognition and Disclosure in the Financial Statements of Finance Companies.

Thus the relevant proportion of the effect of the above provision against the brought forward profits of the Associate Company has been incorporated in the Company's accounts with retrospective effect.

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

14. Other Investments

	2000	1999
	Rs.	Rs.
Summary		
Non-Current		
Investments in Equity Securities (14.1)	38,065,374	37,620,000
	38,065,374	37,620,000

14.1 Investments in Equity Securities

	No. of Shares		Carrying	Market	Carrying	Market
	2000	1999	Value	Value	Value	Value
			2000	Rs.	Rs.	1999
a) Quoted						
Investments with Related Parties:						
Regnis Lanka Limited	16,300	-	445,374	427,875	-	-
Total Investments in Quoted Equity Securities			445,374	427,875	-	-
			Carrying	Directors'	Carrying	Directors'
	No. of Shares		Value	Valuation	Value	Valuation
	2000	1999	2000	Rs.	1999	Rs.
b) Non-Quoted						
Equity Investment Lanka Limited	1,665,000	1,665,000	17,020,000	15,651,000	17,020,600	19,200,000
Telshan Network (Pvt) Limited	2,000,000	2,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Commercial Fund Management (Pvt) Limited (6,000 Redeemable Preference Shares of Rs. 100/- each)	6,000	6,000	600,000	600,000	600,000	600,000
Total Investments in Non-Quoted Equity Securities			37,620,000	36,251,000	37,620,000	39,800,000
Total Net Carrying value of Other Investments			38,065,374		37,620,000	

14.2 As at the Balance Sheet date the Company's investment in the equity of Telshan Network (Pvt) Limited has resulted in the Company having a holding 23.76% stake in the issued share capital of the said Company.

However, the management consider this holding to be temporary. Accordingly, the investment is not accounted for under equity method of accounting.

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14.3 The effect on financial statements of adopting the equity method of accounting for the results of the Associate Company, Telshan Network (Pvt) Limited would be as follows:

	2000	1999
	Rs.	Rs.
(a) Balance Sheet		
Cost of the Investment in Associate Company	20,000,000	20,000,000
Share of Associate Company's Accumulated Losses:		
Balance brought forward	(18,634,217)	(16,381,336)
Current year share of Profit before Tax	(1,365,783)	(2,252,881)
Current year Tax	-	-
	<u>(20,000,000)</u>	<u>(18,634,217)</u>
Investment in Associate Company at carrying value on Equity Basis	<u>-</u>	<u>1,365,783</u>

The investment in the said Associate Company was made on 12th September 1995.

	2000	1999
	Rs.	Rs.
(b) Profit & Loss Account		
Profit/(Loss) of the Company brought forward	40,961,253	41,791,138
Adjustment for additional time based provision for Commercial Leasing Co. Limited	(22,208,224)	-
Profit of the Company before Dividend	170,972,710	168,268,533
Share of Associate Company's Loss	(1,365,783)	(2,252,881)
Total available for Appropriation	<u>188,359,956</u>	<u>207,806,790</u>
Less: Dividend	128,214,640	106,845,537
Transfer to Reserve	25,000,000	60,000,000
	<u>35,145,316</u>	<u>40,961,253</u>

14.4 The audited and the management financial statements of the Associate Companies were used for the purpose of above computations.

15. Inventories

	2000	1999
	Rs.	Rs.
Raw Materials	31,317,852	35,583,114
Supplies and Parts	94,224,364	73,764,401
Work-in-Progress	16,701,411	15,634,636
Finished Goods	625,945,555	497,134,557
Goods-in-Transit	28,318,551	21,349,232
	<u>796,507,733</u>	<u>643,465,940</u>
Less: Inventory Reserve	(11,680,386)	(10,156,692)
Consignment Inventory	(330,206)	(1,497,096)
Total Inventories at Lower of Cost of Net Realisable Value	<u>784,497,141</u>	<u>631,812,152</u>

NOTES TO THE FINANCIAL STATEMENTS

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16. Trade and Other Receivables

	2000	1999
	Rs.	Rs.
16.1 Non-Current		
Hire Debtors	267,259,893	256,026,514
Less: Deferred Profit on Hire Sales	(44,182,535)	(56,310,558)
	223,077,358	199,715,956
Lease Debtors	-	165,276
Less: Deferred Profit on Lease Sales	-	(13,891)
	-	151,385
Other Debtors	28,236,477	26,065,273
Less: Provision for Doubtful Debts	(23,802,279)	(17,720,418)
	4,434,198	8,344,855
	227,511,556	208,212,196
16.2 Current		
Hire Debtors	1,117,506,392	1,024,106,066
Less: Deferred Profit on Hire Sales	(184,742,516)	(170,519,936)
	932,763,876	853,586,130
Lease Debtors	3,791,808	5,130,405
Less: Deferred Profit on Lease Sales	(411,048)	(666,837)
	3,380,760	4,463,568
Other Debtors		
Trade Debtors	168,524,464	133,793,208
Shipping Guarantees	11,970,536	7,820,128
Advance and Other Receivables	41,316,660	25,935,431
Prepayments and Accrued Income	179,695,013	140,085,965
Loans to Company Officers (Note 16.3)	46,968,218	37,946,215
	448,474,891	345,580,947
	1,384,619,527	1,203,630,645
16.3 Loans to Company Officers		
Summary		
Balance as at the beginning of the year	37,946,215	26,507,209
Loans granted during the year	26,950,121	24,949,000
Less: Repayments	(17,928,117)	(13,509,994)
	46,968,219	37,946,215

NOTES TO THE FINANCIAL STATEMENTS

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17. Amounts due from Related Parties

	Relationship	2000 Rs.	1999 Rs.
Singer Furniture Co. Limited	Group Company	-	1,269,541
Singer Spezialnadelfabrik GmbH	Group Company	-	222,212
Singer Industries Ltd. Taiwan	Group Company	-	9,936
Singer Do Brazil Ind. E. Com Limited	Group Company	-	81,882
Singer Nikko Co. Limited Hong Kong	Group Company	-	908,437
Singer Sewing Machine Co. Taiwan	Group Company	18,082	-
Singer India Limited	Group Company	164,959	-
		183,041	2,492,008

18. Cash & Cash Equivalents

	2000 Rs.	1999 Rs.
Components of Cash & Cash Equivalents		
18.1 Favourable Cash & Cash Equivalent Balances		
Cash and Bank Balances	138,308,880	61,987,206
18.2 Unfavourable Cash & Cash Equivalent Balances		
Bank Overdrafts	110,216,096	57,643,223
Total Cash & Cash Equivalents for the purpose of Cash Flow Statements	28,092,784	4,343,983

19. Issued Capital

			Par Value Rs.	2000 Number	1999 Number
19.1 Authorised					
Number of Shares	Ordinary Shares	10/-	50,000,000	50,000,000	50,000,000
			50,000,000	50,000,000	50,000,000
			2000 Rs.	1999 Rs.	
Nominal Value	Ordinary Shares	10/-	500,000,000	500,000,000	500,000,000
			500,000,000	500,000,000	500,000,000

NOTES TO THE FINANCIAL STATEMENTS

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		Par Value	At the beginning of the year 01.01.2000 Number	Issued for Cash during the year Number	Issued for Non-cash Consideration Number	At the end of the year 31.12.2000 Number
19.2 Issued and Fully Paid						
Number of Shares	Ordinary Shares	Rs. 10/-	26,711,384	-	5,342,276	32,053,660
			<u>26,711,384</u>	<u>-</u>	<u>5,342,276</u>	<u>32,053,660</u>
			Rs.	Rs.	Rs.	Rs.
Nominal Value	Ordinary Shares	Rs. 10/-	267,113,840	-	53,422,760	320,536,600
			<u>267,113,840</u>	<u>-</u>	<u>53,422,760</u>	<u>320,536,600</u>

20. Reserves

	2000 Rs.	1999 Rs.
Summary		
(a) Capital Reserves		
Share Premium (20.1)	4,097,948	16,366,150
	<u>4,097,948</u>	<u>16,366,150</u>
(b) Revenue Reserves		
General Reserve (20.2)	602,947,620	619,370,380
	<u>602,947,620</u>	<u>619,370,380</u>
	<u>607,045,568</u>	<u>635,736,530</u>
20.1 Share Premium		
As at the beginning of the year	16,366,150	16,366,150
Received during the year	-	-
Share Issue Expenses Written Off	(268,202)	-
Utilized for Bonus Issue	(12,000,000)	-
As at the end of the year	<u>4,097,948</u>	<u>16,366,150</u>
20.2 General Reserve		
The movement of General Reserve is as follows:		
At the beginning of the year	619,370,380	559,370,380
Utilized for Bonus Issue	(41,422,760)	-
Transfer from Profit & Loss Account	25,000,000	60,000,000
At the end of the year	<u>602,947,620</u>	<u>619,370,380</u>

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

21. Retained Profits

	2000	1999
	Rs.	Rs.
Singer (Sri Lanka) Limited	16,459,894	3,179,801
Associate Companies	38,685,422	56,415,669
	55,145,316	59,595,470

22. Interest Bearing Liabilities

	2000		1999			
	Amount	Amount	Amount		Amount	
	Repayable	Repayable	2000	Repayable	Repayable	1999
	within 1 year	after 1 year	Total	within 1 year	after 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loans (22.1)	-	300,000,000	300,000,000	-	-	-
Promissory Notes	-	350,000,000	350,000,000	-	-	-
	-	650,000,000	650,000,000	-	-	-

22.1 Bank Loans

	As at 01.01.2000	Loans Obtained	Repayment	As at 31.12.2000
	Rs.	Rs.	Rs.	Rs.
National Savings Bank	-	300,000,000	-	300,000,000
	-	300,000,000	-	300,000,000

People's Bank has guaranteed the above facility on behalf of the Company.

23. Deferred Tax

	2000	1999
	Rs.	Rs.
Balance as at beginning of the year	5,609,022	3,482,731
(Provision)/Release made during the year	(1,058,458)	2,126,291
Balance as at the end of the year	4,550,564	5,609,022

NOTES TO THE FINANCIAL STATEMENTS

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23.1 In computing Deferred Tax Liability, the tax effect of timing differences where there is reasonable evidence that they will not reverse for a considerable period (at least 3 years) ahead, is excluded. The details of such timing differences arising due to adoption of partial provision are as follows:

	Timing Difference	Tax Effect	Timing Difference	Tax Effect
	2000 Rs.	2000 Rs.	1999 Rs.	1999 Rs.
Current Timing Differences unaccounted:				
Capital Allowances in excess of Depreciation	7,408,963	2,222,689	11,061,506	3,318,452
Other Timing Differences	(3,880,771)	(1,164,231)	(18,149,144)	(5,444,743)
	<u>3,528,192</u>	<u>1,058,458</u>	<u>(7,087,638)</u>	<u>(2,126,291)</u>

24. Provisions for Retiring Gratuity

	2000 Rs.	1999 Rs.
At the beginning of the year	38,475,200	29,191,805
Provision for the year	3,619,493	10,711,174
Gratuity payments	(3,899,436)	(1,427,779)
At the end of the year	<u>38,195,257</u>	<u>38,475,200</u>

25. Trade and Other Payables

	2000 Rs.	1999 Rs.
Trade Creditors	48,387,878	23,282,377
Other Creditors including Accrued Expenses	206,468,637	97,352,412
	<u>254,856,515</u>	<u>120,634,789</u>

26. Dividends Payable

	Final Proposed Dividends		Unclaimed Dividends		Total	
	2000 Rs.	1999 Rs.	2000 Rs.	1999 Rs.	2000 Rs.	1999 Rs.
Payable to - Related Parties	51,945,600	37,863,387	-	-	51,945,600	37,863,387
- Others	12,161,720	8,881,535	-	-	12,161,720	8,881,535
	<u>64,107,320</u>	<u>46,744,922</u>	<u>-</u>	<u>-</u>	<u>64,107,320</u>	<u>46,744,922</u>

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

27. Dividends

	2000	1999
	Rs.	Rs.
Ordinary Shares		
1st Interim 20% (1999 - 22.5%)	64,107,320	60,100,615
2nd Interim 7.5% (1999 - 0%)	24,040,245	-
Final Dividend 12.5% (1999 - 17.5%)	40,067,075	46,744,922
	128,214,640	106,845,537

28. Amounts due to Related Parties

	Relationship	2000	1999
		Rs.	Rs.
Singer Industries (Ceylon) Limited	Group Company	32,584,620	25,151,040
Regnis (Lanka) Limited	Group Company	19,216,922	8,016,590
Singer Sewing Machine Co. (Taiwan)	Group Company	-	1,691,158
Paff Singapore (Pvt) Limited	Group Company	-	353,721
Akai Electronic Co. Limited (Hong Kong)	Group Company	-	2,860,737
Singer Do Brazil Ind E. Com Limited	Group Company	1,985,203	-
		53,786,745	38,073,246

29. Effects of changes in Accounting Policies

Prior year Accumulated Profits after Adjustments	1999	1998
	Rs.	Rs.
At the beginning of the year as previously stated	70,881,813	65,804,139
Change in Accounting Policy	(11,286,343)	(7,631,665)
Adjusted Balance brought forward	59,595,470	58,172,474

The Management of the Company has changed the policy of provision for bad & doubtful debts in respect of hire purchase and trade debtors during the financial year. This change in Accounting Policy has been accounted for retrospectively. The comparative statements of 1999 have been restated to confirm to the changed policy.

The effect of the change in the financial statement is as follows:

	2000	1999	Operating
	Profit/Loss	Profit/Loss	Profits b/f 1999
	(current year)	(previous year)	(previous year)
	Rs.	Rs.	Rs.
(Increase)/Decrease in the Profit due to the change in Accounting Policy	(219,342)	3,654,678	7,631,665

NOTES TO THE FINANCIAL STATEMENTS

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

30. Commitments and Contingencies

30.1 Finance Commitments

Documentary Credits are effected for foreign purchases amounting to Rs. 86,362,470/- (1999 - Rs. 38,701,263/-).

30.2 Capital Commitments

There were no significant capital commitments which have been approved or contracted for by the Company as at the Balance Sheet date.

30.3 Contingencies

30.2.1 Guarantee given to banks and other lending institutions on behalf of Singer Industries (Ceylon) Limited and Regnis Lanka Limited, amounts to Rs. 258 Million and Rs. 267.5 Million respectively.

31. Events occurring after Balance Sheet date

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

32. Directors' Interests in Contracts and Related Party Disclosures

a) Transactions with companies in which the Directors hold other Directorships

Mr. H.D.S. Amarasuriya, Mr. G.C.B. Wijeyesinghe, Mr. K. Shah, Mr. N.C. Peiris who are Directors of the Company are also Directors of the following companies as set out below and with whom the mentioned transactions have been carried out:

Name of the Company & Relationship	Name of Director	Nature of Transaction	2000 Rs.	1999 Rs.
Singer Industries (Ceylon) Limited (Group Company)	Mr. H.D.S. Amarasuriya (Chairman)	Purchases	989.2 Million	856.6 Million
	Mr. G.C.B. Wijeyesinghe			
	Mr. K. Shah			
Regnis (Lanka) Limited (Group Company)	Mr. H.D.S. Amarasuriya (Chairman)	Purchases	511.7 Million	355.7 Million
	Mr. G.C.B. Wijeyesinghe	Loans given at prevailing interest rate	75 Million	-
	Mr. K. Shah	Investment in ordinary shares	445,374	-
	Mr. N.C. Peiris			

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Name of the Company & Relationship	Name of Director	Nature of Transaction	2000 Rs.	1999 Rs.
Commercial Fund Management (Pvt) Limited (Associate Company)	Mr. H.D.S. Amarasuriya	Normal business transactions	-	-
First Capital Limited (Associate Company)	Mr. H.D.S. Amarasuriya (Chairman) Mr. K. Shah Mr. N.C. Peiris	Borrowed money Dividend received	105 Million 2 Million	115 Million -
Telshan Network (Pvt) Limited (Associate Company)	Mr. H.D.S. Amarasuriya	Normal business transactions	-	-
Commercial Leasing Co. Limited (Associate Company)	Mr. H.D.S. Amarasuriya (Chairman) Mr. N.C. Peiris Mr. K. Shah	Commercial transaction Dividend received	56,992 5,500,000	40,476 7,700,000
National Development Bank	Mr. H.D.S. Amarasuriya	Obtained financial facilities	-	-
Infocom (Lanka) Limited	Mr. H.D.S. Amarasuriya	Normal business transactions	-	-
Singer Industries Indonesia Limited (Inter Company)	Mr. H.D.S. Amarasuriya	Purchase	0.7 Million	-
Singer N.V. (Parent Company)	Mr. K. Shah (Regional Vice-President) Mr. S. Goodman (Chief Executive Officer)	-	-	-

Mr. H.D.S. Amarasuriya is the Chairman of the Management Committee of the Mercantile Services Provident Society from where the Company has borrowed Rs. 350 Million in the normal course of business. The principal sum and the interest is guaranteed by People's Bank.

Mr. G.C.B. Wijeyesinghe is a Director of Reckitt & Benckiser Limited, Richard Pieris & Co. Limited, Industrial & Commercial Consultants Limited, Recruitments Consultants Limited, Consortium (Pvt) Limited, Management Aids Limited, Computer Systems Consultants Limited, FRT Holdings (Pvt) Limited, NDB Venture Investments (Pvt) Limited, Nations Trust Bank, Hapugastenne Plantations Limited, Udapussellawa Plantations Limited, with whom the Company have contracts covering normal business transactions.

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- b) The Company has made purchases from the following Companies within the International Singer Group and affiliates of the Group based on the prevailing market prices:

Singer Nikko Co. Limited	Rs. 22.3 Million	(1999 - Rs. 74.4 Million)
Singer Export Ltd. (Hong Kong)	Rs. 40,811	(1999 - Rs. 1 Million)
Singer Spezialnadelfabrik GmbH	Rs. 0.8 Million	(1999 - Rs. 8.9 Million)
Singer Do Brazil Ind. E. Com Limited	Rs. 16.7 Million	(1999 - Rs. 12.3 Million)
Singer Sewing Machine Co. (Taiwan) and Singer Industries Limited (Taiwan)	Rs. 18.6 Million	(1999 - Rs. 28.2 Million)
Singer Industries Indonesia Limited	Rs. 0.7 Million	1999 - Rs. 1.7 Million)
Pfaff Singapore (Pte) Limited	-	(1999 - Rs. 1.7 Million)
Pfaff Germany CP	Rs. 42,336	(1999 - Rs. 0.5 Million)
Akai Electronic Co. Limited (Hong Kong) and Akai Electronic Co. Limited (Japan)	Rs. 43,974	(1999 - Rs. 44.7 Million)
Thai Chung	Rs. 9,918	(1999 - Rs. 1.4 Million)
Singer India Limited	Rs. 85,815	(1999 - Rs. ... Million)
Singer Thailand Public Com Limited	Rs. 0.2 Million	(1999 - Rs. 0 Million)
Singer Maroc SA	Rs. 4.6 Million	(1999 - Rs. 0 Million)

- c) All related party transactions are carried out at arm's length basis.
- d) The amounts receivable from or payable by above related parties as at 31st December 2000, are disclosed in Notes 17 & 28 respectively.

A DECADE IN PERSPECTIVE

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Year ended December	2000 Rs.'000	1999 Rs.'000	1998 Rs.'000	1997 Rs.'000
GPD Growth - %	* 6.0	4.3	4.7	6.3
Market Capitalisation Growth - %	(21.2)	(3.3)	(9.9)	24.2
<i>* Forecasted</i>				
Trading Results				
Turnover-Net	4,102,282	3,628,871	3,428,814	3,001,196
Profit before Tax	250,089	235,713	324,605	266,880
Taxation	79,116	67,444	87,683	94,285
Profit after Tax	170,973	168,269	236,922	172,595
Property, Plant & Equipment	368,686	369,994	306,839	264,894
Investment in Associate Companies	83,685	101,416	90,378	89,145
Other Investments	38,065	37,620	37,620	37,620
Deferred Tax	4,551	5,609	213	1,500
Other Non-Current Assets	277,512	208,212	202,190	111,832
	772,499	722,851	637,240	504,991
Current Assets	2,202,393	1,850,814	1,789,887	1,603,176
Current Liabilities	1,171,084	1,435,453	1,362,244	1,121,102
Net Current Assets	1,031,309	415,361	427,643	482,074
TOTAL ASSETS LESS LIABILITIES	1,803,808	1,138,212	1,064,883	987,065
Security Deposit	132,885	137,292	127,036	125,740
Loans Re-payable after one year	650,000	-	-	-
Provision for Gratuity	38,195	38,475	29,192	22,130
NET ASSETS	982,728	962,445	908,655	839,195
Share Capital and Reserves				
Paid-up Capital	320,537	267,114	267,114	209,875
Capital Reserves	4,098	16,366	16,366	73,645
Revenue Reserves	658,093	678,965	625,175	555,675
SHAREHOLDERS' FUND	982,728	962,445	908,655	839,195
Ratio and Statistics				
Profitability				
Earnings per Share - Rs.	5.33	5.25	10.80	8.22
Net Assets per Share - Rs.	30.66	36.03	34.02	39.99
Return on Average Net Assets - %	17.58	17.99	27.11	21.95
Dividends				
Amount Rs.'000	128,215	106,846	167,423	78,703
Rate - %	40.0	40.0	67.5	37.5
Cover	1.3	1.6	1.4	2.2
Others				
Market Price per Share - Rs.	31.50	44.00	44.50	51.00
Price Earnings Ratio	5.91	8.38	4.12	6.20
Annual Sales Growth - %	13.0	5.8	14.2	14.1
Current Ratio	1.9	1.3	1.3	1.4
Average Annual Inflation - %	6.2	4.8	9.5	10.7
Net Income to Net Turnover - %	4.2	4.6	6.9	5.8

Note : For years 1991 to 2000 results of the related companies are accounted under the equity method as detailed in Accounting Policy 2.2.6 on page 37.

A DECADE IN PERSPECTIVE

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

1996 Rs.'000	1995 Rs.'000	1994 Rs.'000	1993 Rs.'000	1992 Rs.'000	1991 Rs.'000
3.8 (2.5)	5.5 (25.4)	5.6 15.7	6.9 87.0	4.3 (19.1)	4.8 121.9
2,629,831	2,412,077	2,035,541	1,937,439	1,696,311	1,452,356
241,902	255,064	212,423	180,805	170,425	143,491
83,882	88,319	86,080	83,708	90,783	80,920
158,020	166,745	126,343	97,097	79,642	62,571
208,096	126,677	98,597	77,616	58,625	38,153
90,788	65,364	51,333	43,344	35,083	25,595
37,620	57,020	14,800	14,800	14,800	9,790
1,664	3,519	2,932	3,564	-	-
124,602	66,772	98,850	93,620	123,523	96,667
462,770	319,352	266,512	232,944	232,031	170,205
1,215,757	981,480	697,509	632,839	608,001	481,100
809,422	621,651	411,543	395,741	492,914	365,446
406,335	359,829	285,966	237,098	115,087	115,654
869,105	679,181	552,478	470,042	347,118	285,859
117,265	105,450	88,887	78,005	67,235	52,919
-	3,269	7,246	11,539	16,606	19,376
18,580	14,536	12,378	11,218	9,359	7,402
733,260	555,926	443,967	369,280	253,918	206,162
209,875	156,533	156,533	130,444	115,950	92,760
74,213	17,345	17,345	43,434	-	-
449,172	382,048	270,089	195,402	137,968	113,402
733,260	555,926	443,967	369,280	253,918	206,162
8.13	8.75	6.63	5.09	4.18	3.28
34.94	35.52	28.36	28.31	21.90	22.23
24.51	33.35	31.07	31.16	34.62	33.89
73,456	54,786	51,656	43,046	31,886	23,190
35.0	35.0	33.0	33.0	27.5	25.0
2.2	3.0	2.4	2.3	2.5	2.7
46.00	69.00	101.00	78.00	60.00	96.00
5.66	7.89	15.23	15.32	14.35	29.27
9.0	18.5	5.1	14.2	16.8	12.7
1.5	1.6	1.7	1.6	1.2	1.3
15.9	11.5	8.5	11.7	11.4	12.2
6.0	6.9	6.2	5.0	4.7	4.3

INVESTOR INFORMATION

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

1. General

Authorised Share Capital	:	Rs. 500,000,000/-
Issued and Fully Paid Capital	:	Rs. 320,053,660/-
Class of Shares	:	Ordinary Shares of Rs. 10/- each
Voting Rights	:	One Vote per Ordinary Share

2. Stock Exchange Listing

The issued Ordinary Shares of Singer (Sri Lanka) Limited are listed with the Colombo Stock Exchange of Sri Lanka.

3. Distribution of Shareholding - 31st December 2000.

No. of Shareholders : 31st December 2000 - 2,012 (31st December 1999 - 2,038)

No. of Shares held	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Less than 500	878	142,044	0.44	5	1,028	0.00	883	143,072	0.44
501 - 5,000	899	1,387,823	4.33	15	38,503	0.12	914	1,426,326	4.45
5,001 - 10,000	117	807,010	2.52	2	14,407	0.04	119	821,417	2.56
10,001 - 20,000	62	829,345	2.59	1	15,272	0.05	63	844,617	2.64
20,001 - 30,000	16	386,919	1.21	0	0	0	16	386,919	1.21
30,001 - 40,000	1	32,340	0.10	0	0	0	1	32,340	0.10
40,001 - 50,000	2	86,817	0.27	0	0	0	2	86,817	0.27
50,001 - 100,000	7	501,999	1.57	0	0	0	7	501,999	1.57
100,001 - 1,000,000	6	1,837,353	5.73	0	0	0	6	1,837,353	5.73
Over - 1,000,000	0	0	0.00	1	25,972,800	81.03	1	25,972,800	81.03
Total	1,988	6,011,650	18.76	24	26,042,010	81.24	2,012	32,053,660	100.00

Categories of Shares	31st December 2000		31st December 1999	
	No. of Shares	No. of Shareholders	No. of Shares	No. of Shareholders
Individuals	4,498,940	1,844	3,711,141	1,855
Institutions	27,554,720	168	23,000,243	183
Total	32,053,660	2,012	26,711,384	2,038

4. Dividends

First Interim Dividend 20.0% paid on 20th September 2000.

Second Interim Dividend 7.5% paid on 26th April 2001.

Final Dividend 12.5% proposed for payment on 31st May 2001.

INVESTOR INFORMATION

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

5. Ten largest Shareholders as at 31st December 2000

Name	No. of Shares	Percentage
Singer N.V.	25,972,800	81.03
Dr. T. Senthilverl	716,434	2.24
Hongkong & Shanghai Banking Corporation Limited		
- National Equity Trust	421,287	1.31
Bank of Ceylon - CeyBank Unit Trust	303,595	0.95
Mr. S.E.W. Jayasuriya	162,254	0.51
Employees' Trust Fund Board	127,945	0.40
Mrs. M.V. Fernando	105,838	0.33
Hongkong & Shanghai Banking Corporation Limited		
- Com Trust Equity	92,934	0.29
Merchant Bank of Sri Lanka Limited - Union Investment	91,635	0.29
Mrs. Z.T.I. Jafferjee	84,708	0.26
Total	28,079,430	87.61

6. Market Value per Share

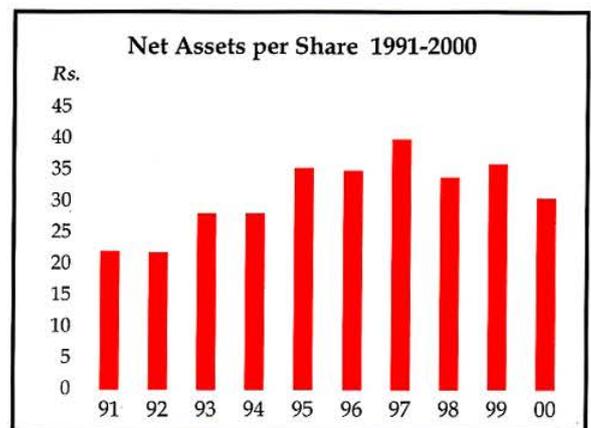
	2000 Rs.		1999 Rs.
Highest during the year	47.00 - 23rd June		51.00 - 24th May
Lowest during the year	30.00 - 16th August		40.50 - 16th September
31st December	31.50		44.00

7. Record of Scrip Issues

Year ended 31st December	Issue	Basis	No. of Shares	Share Capital Rs.'000
1981	Prior to Public Issue	-	927,600	9,276
1982	Public Issue	-	1,391,400	23,190
1984	Bonus	1:02	1,159,500	34,785
1985	Bonus	1:03	1,159,500	46,380
1989	Bonus	1:01	4,638,000	92,760
1992	Bonus	1:04	2,319,000	115,950
1992	Rights (at Rs. 40/-)	1:08	1,449,375	130,444
1994	Bonus	1:05	2,608,875	156,533
1996	Bonus	2:09	3,478,500	191,318
1996	Rights (at Rs. 50/-)	1:09	1,855,766	209,875
1998	Bonus	3:11	5,723,868	267,114
2000	Bonus	1:05	5,342,276	320,537
Total No. of Shares			32,053,660	

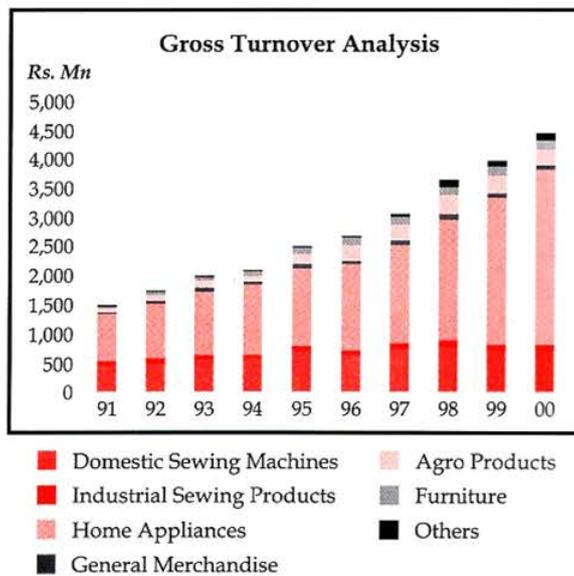
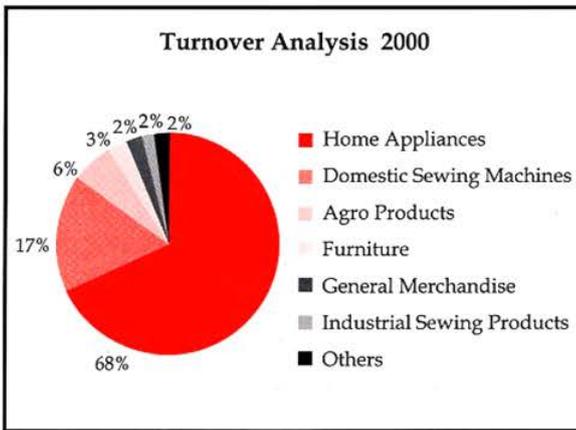
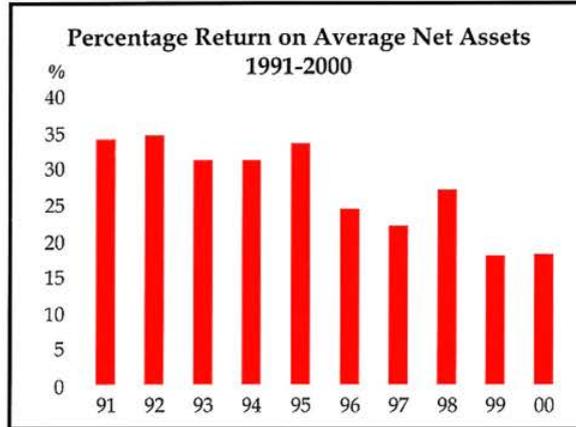
INVESTOR INFORMATION

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000



INVESTOR INFORMATION

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000



ASSOCIATE COMPANIES

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Commercial Leasing Co. Limited

Singer Interest 30%

Principal Activity

LEASING & FACTORING**Directors**

H.D.S. Amarasuriya - (Chairman), M.J.C. Amarasuriya, A.L. Gooneratne,
S. Ramanathan - Resigned 19th July 2001, K. Shah - Appointed 19th July 2001 (Alternate N.C. Peiris)

Commercial Fund Management (Pvt) Limited

Singer Interest 20%

Principal Activity

MANAGING UNIT TRUST**Directors**

M.J.C. Amarasuriya - (Chairman), H.D.S. Amarasuriya - (Alternate N.C. Peiris),
R.N. Hill - (Alternate E.A.D. Perera), R.C. Melville, A.L. Gooneratne

First Capital Limited

Singer Interest 20%

Principal Activity

MERCHANT BANKING**Directors**

Mrs. R.L. Nanayakkara - (Chairman), A.L. Devasurendra - (Managing Director),
H.D.S. Amarasuriya, K. Shah - (Alternate N.C. Peiris), M.T.L. Fernando,
V.P. Malalasekera, S.C.G. Guruge, A.P.G.P. Abeyesuriya - Resigned 7th March 2001

NOTICE OF MEETING

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

Notice is hereby given that the Twenty-Sixth Annual General Meeting of Singer (Sri Lanka) Limited, will be held at the Registered Office of the Company, No. 320, Dr. Colvin R. De Silva Mawatha, (Union Place), Colombo 2 on 31st May 2001 at 10.00 a.m.

For the following purposes :

1. To receive, consider and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st December 2000 with the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors.
3. To elect Directors.
Mr. S.H. Goodman was appointed a Director of the Company on 28th July 2000 to fill the casual vacancy and being eligible is recommended for re-election.
Mr. K. Shah retires by rotation, and being eligible is recommended for re-election.
4. To authorize Directors to determine contributions to charities.
5. To appoint Auditors for the ensuing year and authorize Directors to determine their remuneration.

By Order of the Board

Neville Peiris, F.C.A.

Secretary

Colombo

4th April 2001

Notes:

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 in his stead 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.
3. It is proposed to post the Dividend Warrants on 31st May 2001.



FORM OF PROXY
SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

I/We

of

being a member/members of Singer (Sri Lanka) Limited hereby appoint:

- | | |
|---|------------------|
| Hemaka Devapriya Senerath Amarasuriya | (or failing him) |
| Gamini Christopher Bernard Wijeyesinghe | (or failing him) |
| Neville Chrysoston Peiris | (or failing him) |
| Dodwell Joseph Anton Abeyesekera | (or failing him) |
| Paramsothy Shivaji | (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 31st May 2001 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

As witness my/our hands this day of

..... Two thousand One.

.....

Signature



FORM OF PROXY

SINGER (SRI LANKA) LIMITED ANNUAL REPORT 2000

INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy, after filling in legibly your full name and address by signing in the space provided and please fill in the date of signature.
2. No stamp is necessary as Stamp Duty payable in respect of this Proxy has been paid by the Company in terms of Section 13 of the Stamp Duty Act, No. 43 of 1982.
3. If the Proxy Form is signed by an Attorney-at-Law, the relative Power of Attorney should also accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
4. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 320, Dr. Colvin R. De Silva Mawatha (Union Place), Colombo 2, 48 hours before the time appointed for the holding of the meeting.

Directorate

H.D.S. Amarasuriya - *Chairman*
G.C.B. Wijeyesinghe
S.H. Goodman - *Appointed 28th July 2000*
- *Alternate A.P.G.P. Abeysuriya -*
Resigned 28th February 2001
- *Alternate P. Shivaji - Appointed 1st March 2001*
N.C. Peiris
K. Shah - *Alternate D.J.A. Abeyesekera*
S. Ramanathan - *Resigned 1st July 2000*

Senior Management

H.D.S. Amarasuriya - *Managing Director*
N.C. Peiris - *Finance Director*
D.J.A. Abeyesekera - *Purchasing Director*
P. Shivaji - *Credit Director*
A.I. Abayasekera - *Marketing Director*
V.G.K. Vidyaratne - *Group Manufacturing Director*
A.M.M. Perera - *Factory Manager - Piliyandala Factory*
H.A. Pieris - *Deputy Finance Director*
N.M. Prakash - *Deputy Credit Director*
A.S. Paranavitane - *Deputy Director -*
Information Technology
P.J.P. de Silva - *Sales Manager - Wholesale*
W.C.N Fernando - *Group Audit Manager*
R.N.R. Vijendra - *Operations Manager -*
Piliyandala Factory
R.C.De La Motte - *Sales Manager - Retail*
S. Ramanathan - *Customer Service & Inventory*
Control Manager
M.P.A. Salgado - *Finance Manager*
D.J. Nandasiri - *Group Human Resources*
Development Manager
A.N. Majeed - *Manager - Electronics & Export*
P.L.D.C. Perera - *Manager - Human Resources*
M.J.S.S. Perera - *Manager - Industrial Products Division*
R. Balraj - *Business Development Manager*
L.A.D.K. Perera - *Group Manager -*
Information Technology
D.B. Wijesundera - *Sales Manager - Sisil*
M.H. Wijewardene - *Commercial Manager*
- Piliyandala Factory

Corporate Information

Registered Office

No. 320, Dr. Colvin R. De Silva Mawatha
(Union Place), Colombo 2

Bankers

- American Express Bank Limited
- Seylan Bank Limited
- Sampath Bank Limited
- Commercial Bank of Ceylon Limited
- Standard Chartered Grindlays Bank Limited
- Bank of Ceylon
- Citibank N.A.
- Pan Asia Bank Limited
- Union Bank
- The Hongkong & Shanghai Banking Corporation Limited
- Hatton National Bank Limited
- People's Bank
- Nations Trust Bank

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place, Colombo 10

Registrars

Business Intelligence Limited
No. 201, De Saram Place, Colombo 10

Secretary

N.C. Peiris

Lawyers

Murugesu & Neelakandan
Attorney-at-Law
No. 75, 3/1D, Hemas Building, Colombo 1

