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# *Vision & Mission*

## *Vision*

To be the **Ideal** financial partner in creating wealth and enriching lives for our customers

## *Mission*

- Being the **Most credible Trustworthy** and **Professional finance institution with a heart,**
  - which will **deliver financial favours** to our customers
  - *enhancing*
    - **professionalism & lives** for our employees
    - *to be the **most sought** after employer*
  - **increasing shareholder wealth**
    - *Make them **proud to be a shareholder** of the Company.*

# Corporate Values

## Professionalism

We genuinely believe in our profession and take responsibility by saying "no" if saying "yes" would not do right by you. We create solutions that are simple, understandable and workable, and we strive to improve ourselves every day by working together and learning from one another – and from you.

We will work together as a team, supporting each other, respecting every individual and drawing strength from our diversity.

## Innovative

We are always stretching our boundaries and striving to achieve more for you. We make it our business to know what's going on in the market and to respond proactively, and we do everything possible to understand what you really need and to craft innovative solutions. Our optimism about the future drives our ambition to offer you more.

## Service

We provide simple and transparent financial services which are most needed for small businesses and always strive for excellence in serving our internal and external customers, through professionalism, innovation and creativity. We are open-minded and embrace change in a globalised world.

We want our clients to succeed and know they can count on IFL for the financial support they need.

## Supporting Enterprises and Individuals

We want to work with entrepreneurs who are striving to grow their businesses no matter how small the business may be IFL seeks to help in building vibrant business communities that will drive the Country's economy forward. We want to inspire our customers as well as help tomorrow's entrepreneurs to achieve their ambitions.

## Respected Corporate Citizen

Good citizenship is about doing business in a responsible way that recognizes our wider influence as a company. This contains information on how we manage our impacts on society, from our tax contributions, the way we govern our environmental, social and ethical risks and our environmental impacts.

We commit to becoming a Financial Institution known for outstanding ethics and high quality governance, management and staff. Being a good corporate citizen also means playing a positive role in society and contributing financial and volunteering support to the communities we operate in.

## Good Employer

Our people are uniting behind our purpose of serving our customers well. Our job is to make sure every aspect of what it means to work at IFL is geared towards helping them be successful in that. That kind of simplicity and focus is what drives employee engagement and what builds a really good company.

We work to attract and retain the best people, promote flexibility and diversity in the workplace and undertake comprehensive activity to understand and respond to our employee's feedback.

## Financial Highlights

Performance During the Year	2016 Rs.	2015 Rs.	Change	
Total Income	222,316,313	175,497,559	27%	↑
Total Expenses	171,291,350	135,508,268	26%	↑
Net Operating Income Before Taxes	51,024,963	39,989,291	28%	↑
Total Taxes	12,467,398	11,066,686	13%	↑
Profit/ (loss) After Taxation	38,557,565	28,922,605	33%	↑
<b>Financial Position</b>				
Stated Capital	603,247,125	603,247,125		
Customer Deposit Base	380,790,865	170,192,825	124%	↑
Total Due to Banks	484,704,388	158,347,533	206%	↑
Total Leases, Hire purchase and Loans	1,377,384,651	737,174,129	87%	↑
Total Assets	1,665,885,309	1,034,958,443	61%	↑
<b>Key Ratios</b>				
Return on Equity (%)	5.64%	4.46%	26%	↑
Return on Assets - After tax (%)	2.31%	2.83%	-18%	↓
Interest Cover (times)	2.11	2.40	-12%	↓
Debt to Equity (times)	1.12	0.45	150%	↑
<b>Statutory Ratios</b>				
Core Capital Ratio (Minimum Requirement - 5%)	40.00%	70.00%	-	
Total Risk Weighted Capital Ratio (Minimum Requirement - 5%)	40.00%	70.00%	-	
Non Performing Loan Ratio (%)	1.02%	0.97%	-	

# Chairman's Message



Dear Investors,

Far reaching changes marked the backdrop in which your Company operated in this year under review. The landscape, while fielding a number of game changers, also had to contend with investor confidence being significantly 'wait and see' although there was a sense of robustness that permeated the financial services industry. Transformations and policy changes came into being post a new Government taking office which did add fillip to the macro picture. In this landscape, your Company continued its relentless pursuit of excellence and I am privileged, to present to you, on behalf of the Board of Directors, the Annual Report and the Audited Financial Statements of Ideal Finance Limited for the Financial Year ended 31st March 2016.

## Sector Outlook

Robust growth in a vibrant milieu characterized the performance of the Licensed Finance Companies (LFCs)/Specialised Leasing Companies (SLCs) sector during 2015 with the expansion of business volumes showcasing impressive growth. This was primarily due to the economic performance and supportive regulatory measures that were introduced during the year.

Reflecting the positive attitudes, the sector's asset quality improved further, with the Non-Performing Ratio decreasing to 3.2 percent at the end of 2015 from 4.2 percent in 2014. Total assets showcased 22.3 percent growth to SLR 996 Bn due to improved assets seeing the NPL ratio falling to 5.7 percent from 6.9 percent in 2014. The sector operated with lower market risk exposure and a healthy level of liquidity. However, with the Central Bank of Sri Lanka imposing a

maximum of Loan To Value (LTV) ratio of 70% for loans and advances granted by banks and LFCs/SLCs for the purchase or utilization of motor vehicles, the sector was impacted negatively, evidenced by the downturn of business volumes overall. These and several other policy measures including changes to vehicle taxation policies and the reversal of the downward interest rate momentum continued to signal paradigm shifts in the operating milieus for finance companies.

From a regulatory perspective however, there were some positive decisions that permeated to add fillip to the sector. The introduction of new regulations for opening, closure and relocation of LFC and SLC branches was a measure that would eventually have far reaching impacts and strengthen risk management and public confidence in the financial sector is one. Strengthening liquidity risk and introducing measures that would restrain unauthorized entities from engaging in finance business are two more significant developments that were introduced during the year.

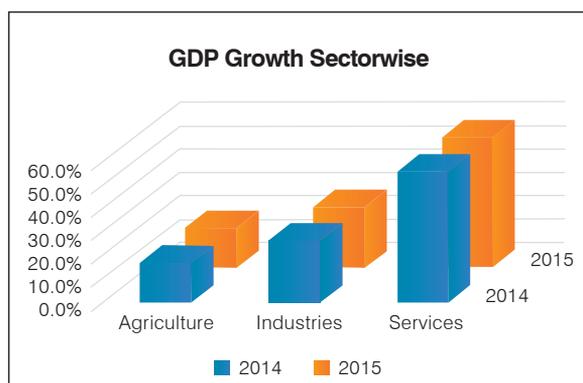
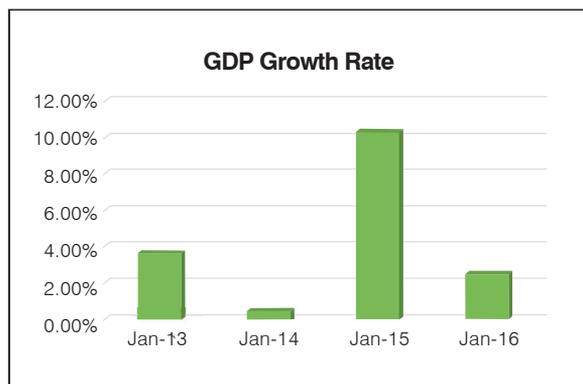
## Global Economic Outlook

Global economic activity remained subdued in 2015, with a decline in growth seen in emerging market and developing economies amidst modest recovery in advanced economies. As elaborated by the International Monetary Fund, global growth is expected to remain stagnant due to the larger emerging market economies showing lackluster performance and no positive changes being envisaged in declining commodity prices, a trend throughout 2015, presenting several challenges to the pace of recovery. India has been touted as one of the fastest growing economies, showcasing growth of 7.5 percent, higher than the forecast

of 6.5 percent for China. The forecast for developing Asia is 6.4%, while global growth will remain at 2.4 percent in 2016 as mentioned in the World Economic Outlook of the World Bank.

### Macro-Economic Outlook

Sri Lanka's new coalition Government, voted into office last year, aimed to bring political stability and set Sri Lanka on a path towards sustainable economic growth. It planned its economic development agenda on a far-sighted macro economic review and reform initiative, which saw sweeping changes across the country's governance milieu. This saw new targets and objectives being set. The primary contributors to the GDP growth which was revised to a realistic growth paradigm were the service sector at an impressive growth of 56.6 percent and industry sector at 26.2 percent. Although Sri Lanka's GDP is about US\$80 bn, the country's growth lags behind other South Asia countries according to the World Bank. Despite devaluation of Sri Lanka Rupee (LKR), inflation remains low due to depressed commodity prices and interest rates.



### Delivering Performance

It has been an interesting year for your Company. We have always been working on ambitious goals and this year was no different. Being just four years old, we realise that we must function in an intensely competitive environment which drives us to work harder and smarter in offering innovative financial solutions to our stakeholders.

While the macro milieu did bring with it some volatility and uncertainty, we successfully faced those challenges with our hallmark strength and confidence. We know that a robust year ahead is envisaged, as plans for development are being further accelerated and completed, all of which will cascade significant quantitative and qualitative advantages to the wider economy. This also means that these advantages will permeate to our business area, a facet we intend to capitalize on in the next year.

During the period under review, Ideal Finance Limited notched an Operating Profit before Taxes of LKR 50.4 Mn and a Net Profit of LKR 38.1 Mn.

The Company's lending portfolio comprising leasing, hire purchase, pawning, real estate and loans stands at a LKR 1.3 Bn, a significant milestone for IFL. Our total asset base is LKR 1.6 Bn, while shareholders' funds reached LKR 683.4 Mn. As a result of the 88% increase in our portfolio value, we generated an interest income of LKR 202 Mn, a growth rate of 21%. Other operating income is posted at LKR 16.1 Mn primarily encompassing our real estate operations which saw a momentous growth of 468%.

### Looking Ahead

Observing the macro environment including the global milieu, we do recognize emerging challenges that will ensue. Nevertheless, I am confident that your Company is aptly pragmatic and strongly founded to overcome these challenges and move ahead to continue offering the best returns to our stakeholders. We will continue focusing on the larger landscape seeking the opportunities that emerge while being astute in our management, transparent and accountable in our governance and building excellence in our people. Our customers will benefit from these initiatives as we will be attuned to the evolving environment which

naturally will enable us to identify emerging paradigms of opportunity.

Expanding our accessibility via a strategically located branch network and being a key player in uplifting the micro and SME sector in the country will be focused on in the coming year. Taking the responsibility of our role as a national development enabler, we believe that these two imperatives will add value to the country's vision of achieving sustainable growth.

### **Appreciations**

It has certainly been a privilege to helm this Company and I wish to express my sincere thanks to the Board of Directors for their guidance. They have fulfilled their advisory role with great aplomb. My appreciation is also extended to our stakeholders, especially our customers for the trust, loyalty and the confidence they continue to place in us.

The Governor of the Central Bank of Sri Lanka and the officials at the Department of Supervision of Non-Bank Financial Institutions are warmly appreciated for their support at all times, while our Team too gains my sincere appreciation for their hard work and commitment in ensuring that this Company is truly an 'Ideal' one.

I look forward to an exciting year ahead as together we scale new heights and achieve record milestones in the financial services annals in Sri Lanka.



**Nalin J. Welgama**  
*Chairman*

15<sup>th</sup> July 2016

# Chief Executive Officer's Message

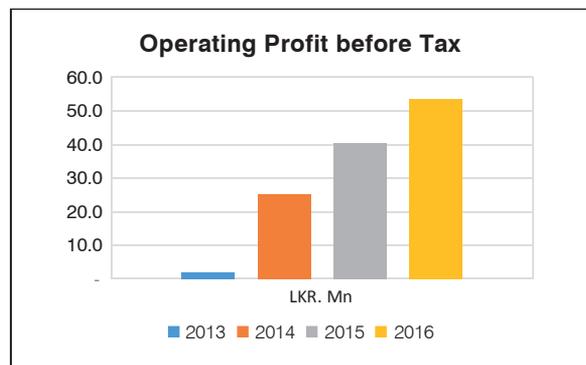
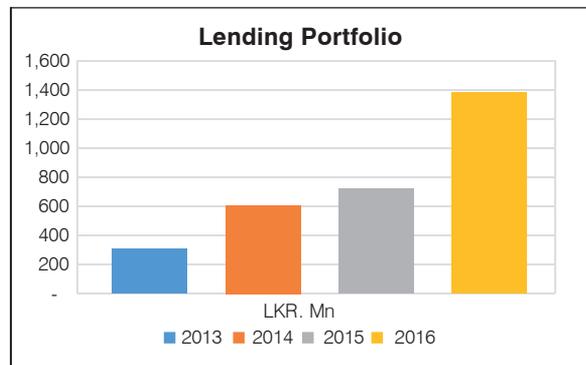


It gives me immense pleasure to look back on an year that has proved to be one of great promise and opportunity. Having steered this Company through these times, I'm pleased to present your Company's Review of Operations, which you will observe is posting an exceptional year with significant qualitative and quantitative results, while surpassing milestones and spurring innovative expansion

## Performance

For Ideal Finance, the year under review has reiterated that your Company is continuing its upward growth trajectory. With an incline of 27%, the Company's income grew from LKR 175 Mn to an impressive LKR 222 Mn. Other Operating Income attributed mainly to the burgeoning real estate industry, rose significantly by 21% to LKR 177 Mn. A milestone was achieved this year in our leasing and hire purchase segment, which surpassed the LKR 1 Bn milestone to end the year at LKR 1.3 Bn. This is undoubtedly most noteworthy as our last year's figure for this segment of business stood at LKR 737 Mn. The asset base also realized growth, showcased at LKR 1.6 Bn which is a substantial 61% increase.

One of our overarching priorities is in fortifying our asset quality, a vital component in ensuring that our business remains strong, vibrant and sustainable. By placing greater emphasis on astute credit and asset management, we are pleased to proclaim that our NPLs are at a remarkable 1.02%, which is well below the industry average of 5.7% . This denotes the Company's viability and consistency in a constantly transforming business landscape.



Forging and nurturing stakeholder relationships to ensure a win-win formula lies at the heart of our strategic priorities. Ensuring that customer service excellence is practiced in its totality is ingrained into the team's mindset, while infrastructure, systems and processes are continually upgraded to augment customer experiences. Our branch network therefore is built on a framework of accessibility and applicability to the various strategic locations we place ourselves in, which saw a Service Center upgraded to a branch to the existing network. This brings our branch network to a total of 170.9 Mn. Branch revenue thus increased by a notable 38% with Kurunegala proving to be

Chief Executive Officer's Message cont....

the best performing branch for the year, posting a profit of LKR 13.6 Mn, which is 16% growth over the LKR 11.8 Mn posted last year.

This unrelenting stakeholder focus also drove us to augment our Small and Medium Enterprises (SME) core target group. Being extremely enthusiastic of building the prowess of the SMEs of the country while buoying entrepreneurial spirit, your Company is most keen on boosting micro enterprises, which require proactive intervention and input. Building a healthy entrepreneurial backbone which will be a large contributor to national wealth and development is a strategic priority for us and hence, we have begun incisively looking at smaller individual customers with potential to grow. This has resulted in Ideal Finance now having a wider industry focus including in agriculture, manufacturing, tourism, transport and service sectors.

Another landmark initiative introduced this year was pawning, personal and business loans into our product and service portfolio. These areas of business performed exceptionally well during the year as can be seen by the volume of business generated. Our business mix was further amplified with the Company's entry into real estate development with the launch of Ideal Mega Park in Homagama which comes within the purview of the Western Province Megapolis development plans.

We are very cognizant of our responsibility as a custodian of public funds. We are tasked unequivocally with guaranteeing the safety of customer deposits and having the confidence of paying customer returns and investments accurately, accountably and on time. Being a responsible corporate entity working in the finance space of the country, we are constantly evaluating and assessing our operations against accredited benchmarks and ratings. In October 2015, we gained affirmation of being a sustainable on-going finance business from Fitch Ratings with a B+(lka) Stable rating, attesting to our strong balance sheet, risk management capabilities and potential for future growth.

In perusing the Statement of Account of this Company, it can be comprehensively deciphered that sustainable growth is a paradigm that is consistent within our fabric. There is a steady upward growth trajectory in business volumes as well as revenue and profitability. A professional

and highly motivated team fuels our strategic expansion plans, generating higher business volumes, greater innovation in our portfolio of products and services and better relationship building.

### **Towards the Future**

We see immense promise in our future journey. The opportunities we observe will formulate the blueprint for consistent growth which intertwines business and stakeholders on a solid foundation. We intend intensifying personal and business loan focus via expanding our lending portfolio, improving our cost to income ratio by augmenting productivity and leveraging profit through innovation in our product portfolio. Five more branches will be added to our network in the next two years, a tactical move in cementing our presence and accessibility around the country.

Our team remains committed to meeting our strategic priorities, working on objectives and targets that will enable us to remain focused on fueling our business plan, while delivering excellence on all fronts.

### **Appreciations**

I am privileged to helm a Company that continues to perform exceptionally well, stimulated by the fact that we have paved a pathway that can maximize on emerging opportunities. I am grateful to the Chairman and Board of Directors for having tasked me with driving our future plans and look forward to exceeding the expectations of our stakeholders galvanized by my dynamic team, to whom I am extremely thankful for. Our success is further endorsed due to the loyalty and confidence extended to us by our customers and valued business partners who are now firmly etched as partners in our journey.

We look forward to exciting chapters being opened to us and are buoyant of the prospects we observe on the horizon, all of which will surely form the pathway for sustained growth and exhilarating performance.



**Duminda M. Weerasekare**

*Chief Executive Officer*

15<sup>th</sup> July 2016

# Management Discussion & Analysis

## Global Economy

The world has faced many a catastrophe and uncertainty in the last year, all of which have permeated every industry and triggered manifold consequences. From downward spiraling oil and commodity prices to geo-political uncertainties, a sharp rise in targeted terrorism especially in Europe, fundamentalist religious groups triggering unrest in the Middle East and stagnating and low inflation in developed countries have all cascaded negativities across the globe. Global GDP growth for 2015 according to the World Bank fell short of expectations to 2.4 per cent, a similar paradigm for 2016 as well. The report states that emerging markets and developing economies are facing stronger headwinds including weaker growth, persistently low commodity prices and lackluster global trade and capital flows.

Any pick up is only expected albeit slowly to 3.0 per cent by 2018. This in the hope of stabilizing commodity prices although deteriorating conditions among key commodity exporters, softer-than expected activity in advanced economies, rising private sector debt in some large emerging markets, and heightened policy and geopolitical uncertainties are downsides that will have to be contended with. In tandem, policy space for monetary and fiscal stimulus is narrow, although structural reforms could boost growth both in the short and the long term.

The global economy continues to expand at a fairly modest pace, with ramifications of the financial crisis still visible in many countries. The recovery has been slow and prolonged, with many advanced economies still relying heavily on post-crisis adjustments and plagued by sluggish unemployment levels, below target inflation rates and geopolitical uncertainties.

Among the developed countries, US economic growth is expected to be robust, with factors such as low energy prices, strengthened balance sheets and a recovering housing market. The Euro area on the other hand has more problems to contend with in the form economic and political turmoil within the region, whilst Japan too has seen uneven recovery, with consumption yet to show sustained growth.

In developing countries, growth was estimated at a post-crisis low of 4.3 percent and in a paradigm unseen since the 1980s, most of the largest emerging economies in each region have been slowing simultaneously for three consecutive years. The economic rebalancing in China is continuing, prompting slower growth, while Brazil and Russia are encouraging severe adjustments. With emerging and developing commodity exporters stagnating, the entire panorama was one of a slowing global economy exacerbated by disappointments are concentrated in Latin America and, to a lesser degree, Sub-Saharan Africa.

South Asia on the converse, reflected reduced macroeconomic vulnerabilities and domestic policy reforms primarily seen in India and in some commodity-importing countries in East Asia. Growth in low-income countries generally remained robust in 2015, albeit slowing to 5.1 percent although some low income countries including Ethiopia, Rwanda, Tanzania strengthened, supported by largescale infrastructure investment, ongoing mine development, and consumer spending.

## Sri Lankan Economy

Sri Lanka continued on its consistent growth trajectory although, in a prudent measure relooked at its forecasts. According to the Central Bank of Sri Lanka Annual Report real economic growth therefore was 4.8 percent as at end 2015 as a slowdown of growth in demand for Sri Lanka's traditional export markets impacted the export sector and the strengthening of the US economy prompted short term capital outflows. Domestic consumption however rebounded as income grew. The agriculture and services related sectors saw growth of 5.5 per cent and 5.3 per cent respectively, while industry related activities grew by 3 per cent, although contribution from industry declined compared to the large services sector which was the main driver of growth. The higher outcome for services came from acceleration in financial activities and in transportation of goods and passengers.

The current account deficit heralded slight improvement and inflation, as measured by the YoY change in the Colombo Consumer's Price Index turned negative for the first time mid-year but by end of year saw inflation moderating at 2.8 per cent. Meanwhile, the budget deficit widened and foreign exchange reserves dropped sharply, which hence

should drive the government to realign its fiscal policy to meet the ambitious growth plans being envisaged.

Prospects for growth post war were expected to be high. However, while the momentum was rapid immediately after the war, the last three years has seen a marked slowing this post-conflict boom. Weak global demand and political change characterized the year, as did an expansive fiscal policy. The envisaged FDIs did not materialize as investment faltered due to the new government being inclined to prune capital spending and temporarily suspended some large investment projects approved by its predecessor. A surge in private and government consumption spending was meant to sustain growth during the year. The projections for private and government consumption expenditure indicate much higher growth in 2015 than in the previous year, although the decreasing trend continued in investment, exports and imports.

### The Non-Banking Financial Sector

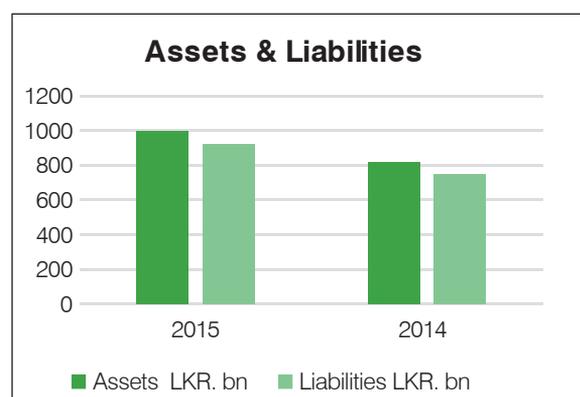
The performance of the Licensed Finance Company (LFC) and Specialised Leasing Company (SLC) sector remained robust during 2015 in terms of the expansion of the business volumes, extended economic activities, with supportive regulatory measures in place. With a high concentration on expanding touchpoints to trigger business prospects, the sector grew its accessibility network and now comprises 46 LFCs and 7 SLCs. The LFC and SLC sector branch network expanded by 84 to 1,216 branches, emphasizing growth outside the western province.

#### Asset growth

The total assets of the sector grew by 22.3% or LKR 181.6 Bn in 2015 compared to a growth of 19 per cent which was LKR 130 Bn in 2014. The growth of assets was largely supported by the increase in borrowings by 44.6 percent which notched LKR 96.9 Bn. Deposits too inclined to LKR 66.5 Bn, a growth of 16.1 per cent.

With the sector experiencing a strong demand for credit on vehicle leasing and other secure loans, the funds mobilized triggered a trend for being mostly utilized for the granting of loans and advances. Credit growth enhanced as a result, growing the loans and advances portfolio to LKR 795.8 Bn a percentage of 31.8 percent.

The investment portfolio encompassed investment in equities, capital market debt instruments, government securities and investment properties, which recorded a negative growth of 9.2 percent or LKR. 10.1 Bn. Other assets include cash, balances with banks and financial institutions, trading stocks and fixed assets which showed a marginal increase during the year.



#### Liabilities

The sector's concerted efforts in growing the deposit base were rewarded with a growth of 16.1 percent to LKR 480.6 Bn, albeit on a lesser scale compared to the 22.8% growth in 2014. The share of deposits in total funding decreased to 48.2 percent in 2015 from 50.8 per cent in 2014. However, there was steady growth in deposits as the sector continued to attract depositors due to relatively high deposit rates offered by LFCs compared to commercial banks.

Total borrowings too inclined by LKR 96.9 Bn, an upward movement of 44.6 percent to reach LKR 314.3 Bn. The comparative year in 2014 saw only an incline of 12.6 percent in 2014, with the share of borrowing increasing to 31.6 percent in 2015 from 26.7 percent in 2014.

#### Company Overview

Being an LFC operating in the country's financial services sector space, our business operations are focused on leasing, fixed deposits, pawning, real estate, personal and business loans. In operation for four years now, we employ an innovative mindset in pursuing our strategic priorities and accessibility. This prompted us to introduce pawning, personal and business loans into our product and service offerings, expanding our purview.

Another emphasis we have been pursuing is the potential observed in the country's micro and SME sector, believing strongly that it is the backbone that will drive economic growth. This sector hence must be strengthened and we believe that IFL can be tasked with that responsibility. We have begun introducing the necessary imperatives required to this sector, in order for it to be able to rise to the challenge of being a primary contributor to national development. We have now customized our micro and SME product portfolio to reflect our mindset of encouraging a consistent and sustainable SME sector that will add value to national economic drives.

Accessibility remains key in ensuring business sustainability. We have hence constructed our branch network on perusing the strategic advantages embedded within select locations in order to expand our branch network. Based on this blueprint, we upgraded a Service Centre into a branch bringing our total network to seven this year.

The need to continue evolving timely innovative products prompted us to introduce Ideal Swarnashakthi Ran Ganu Denu, a new pawning product into our product mix, which has been rolled out to two branches and will be the axis upon which our branch pawning business will revolve on.

### Strategy

Having always been mindful of our responsibility to our stakeholders, especially in the handling of funds accountably and transparently, our strategic priorities this year was to ensure building a culture that ensured compliance with regulatory requirements and strengthening of the balance sheet. This encouraged us to focus on efficiencies and effective resource management, maintaining asset quality and expanding the asset base. As is well evidenced in this Annual Report, our growth strategy generated tangible results, maintaining a positive outlook for our business operations.

### Lending

With innovation and competitiveness always at the forefront, we build our product mix to present the entire spectrum of financial services, while also yielding high returns. Our primary lending is in finance leasing, with personal loans, business loans and pawning supplementing it. We also

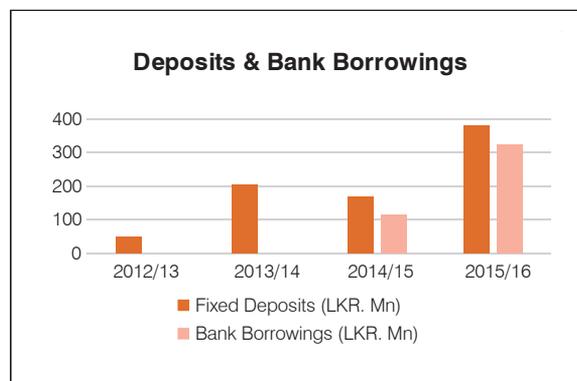
focused on leasing to the SME sector, which demonstrates impressive potential and proved to be the apt strategy to pursue, given that our branches attract large numbers of SME customers. Having employed a strategy of recruiting team members from within that locality, the relationships that are forged between the customers and the Company therefore are fueled by the personal understanding that emanates from these team members.

The Company's total lending portfolio is collated at LKR 1.3 Bn, a significant increase from last year's LKR 737 Mn showcasing a growth of an impressive 88 percent. Leasing amounted to LKR 1.2 Bn, Loans LKR 101 Mn and Pawning LKR 6.8 Mn.

### Deposits and Bank Borrowings

Having also turned our focus into growing a steady deposit base, we were rewarded with the positive results of posting a notable deposit base of LKR 380 Mn by end 2016.

We negotiated loans from Bank of Ceylon, Pan Asia Bank and Seylan Bank during the year. Total Bank borrowings increased by LKR 200 Mn, which is a growth of 160 per cent from LKR 125 Mn to stand at LKR 325 Mn by end 2016.

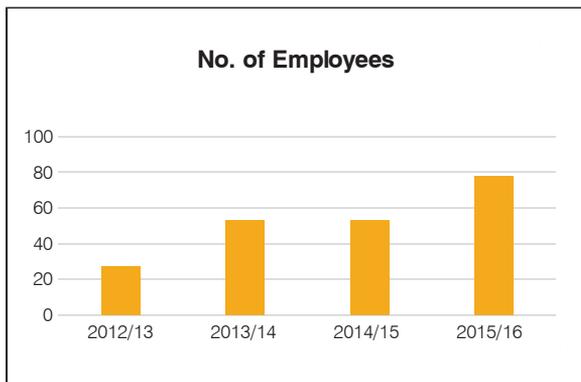


### Human Resources

Our team practices the ethos of customer excellence without compromise. This highly trained team of professionals are always in pursuit of raising the bar, instituting best practices and ensuring that quality excellence is the platform that retains confidence and loyalty in this intensely competitive industry.

Building a team that can overcome challenges, be unafraid of innovation and enjoy conquering new horizons is our aim in human resource development. The constant training and development initiatives and matching individual career aspirations with those of the Company has enabled us to build a strong team that thrives in our performance based culture, practicing the highest standards of ethics and principles. Succession planning and individual career development is planned in order to develop capabilities, competencies and talents, with rewards and remuneration instigated by a good work life balance that enables the Company and the team member to cultivate a happy and productive relationship.

In 2015, targeted training programmes included 'Lending against Pawn Broking' conducted by an external facilitator and training initiatives conducted by the Central Bank of Sri Lanka.



### Marketing

With an ethos that is constructed on being customer-centric, we do not compromise on customer service parameters which for us is a continually rising bar. Excellence is paramount and an imperative for sustainable growth, especially in a volatile industry like ours. Our marketing strategies are localized, to reflect our customer and customized to suit specific requirements in the localities we operate.

Some countrywide promotional campaigns which gained overwhelming response and translated into higher sales included a vehicle display campaign for Mahendra products, pawning and real estate leaflet campaigns and sticker and banner campaigns to promote company awareness. The overwhelming response garnered from these marketing initiatives did translate to higher sales which are tangibly observed in our profitability.



Vehicle promotion campaign



Pawning leaflet campaign

## Board of Directors



**Nalin J. Welgama**  
*Chairman*

A Chartered Accountant by profession, he functions as a Senior Consultant to Baker Tilly Meralli's, while also chairing Ideal Motors (Pvt) Limited, S A Welgam & Sons (Haulage) and S A Welgama Estates and Agencies.

A well respected industry captain in Sri Lanka, his three decade experience in the international automotive industry has made him a spearhead in the import and distribution of continental cars and commercial vehicles.

He hails from a pioneering family business S. A. Welgama & Sons Limited which was founded in 1931 and which continues in the forefront of road haulage and transportation and a portfolio of diversified businesses in large scale rubber cultivation and substantial free hold real estate.



**Mr. Duminda Weerasekare**  
*Director/CEO*

With an expansive knowledge, skill and experience garnered over three decades, he holds the distinction of being a Fellow of both the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants of UK.

He has functioned in directorial, CEO and COO positions in a number of leading corporate entities. His work experience ranges from negotiating and sourcing funding from international funding organisations and agencies, to introducing pioneering funding sources into the country and being commissioned by international agencies to develop strategic plans for development in various financial strata and sectors.

A recipient of a Fellowship by the Netherlands Development Bank, he is a visiting resource person for the Industrial & Business Management Post-Graduate Programme conducted by the University of Kelaniya.

## Board of Directors



**Aravinda De Silva**  
*Non-Executive Director*

A cricketing legend who has left an indelible presence in the annals of the world's sporting arena, a former Captain of the Sri Lankan cricket team, he continues to wear the crown as one of Sri Lanka's most revered sporting ambassadors and the architect behind many national cricketing triumphs.

Acclaimed internationally as one of the most stylish batsmen in the world, some of his record breaking feats remain unbroken, while his inherent enthusiasm in motor vehicles and motor sports coupled with his sporting prowess infuses immense expertise and knowledge into business strategy.



**Mr. Viraj Malawana**  
*Non-Executive Director*

Possessing first-hand experience garnered on the trading floors at both the Colombo and Brunei Stock Exchanges, his hands-on know how and participation in the Bourses' activities include that of Trading Floor Manager at the CSE and Manager Trade Processing of the Brunei Stock Exchange. He also expanded his knowledge via senior positions at HNB Stockbrokers, HSBC Premier and Standard Chartered Bank. He is credited for structuring and creating novel investment instruments customised specifically for foreign investors in Sri Lanka.

Currently the Chairman and Director of Bansei Securities Capital Pvt. Ltd, a Japanese owned Margin Provider operating in Sri Lanka and Managing Director of the NWS Holdings Group of Companies, he has also been the Chief Executive Officer of New World Securities (Pvt) Limited. He currently sits on the Board of Directors of Ideal Finance Limited, Bansei Royal Resorts Hikkaduwa PLC, Veritas Holdings Pvt. Ltd, and Prime Ocean Foods Pvt. Ltd.

As Advisor to the Ministry of Tourism, he serves on the Advisory Committee specializing in the Japanese tourist segment. He is also Consultant - International Markets for Wealth Trust Securities Ltd, a Central Bank appointed primary dealer.

## Board of Directors



**Dr. Suren Peter**

*Independent Non-Executive Director*

Conferred a doctorate from the Maastricht School of Management in the Netherlands, he is a Fulbright scholar, holding a Master of Science in Management from Georgia Institute of Technology USA and a Master of Philosophy. His first degree was in Industrial Management in which he graduated with first class honours from the University of Kelaniya, Sri Lanka.

As a university academic, he has over 20 years of teaching, research and consulting experience and has served as the Head of the Department of Industrial Management at the University of Kelaniya. He has been the National Consultant on a number of projects for UNIDO and UNDP and been involved in consulting for numerous international development organizations and state and private sector entities.



**Mr. Ajith Dias**

*Independent Non-Executive Director*

A Chartered Textile Technologist and a Fellow of the Textile Institute UK, he chairs Jewelex Trading (Pvt) Limited and Sri Lanka's national carrier, SriLankan Airlines. Regarded with eminence in the apparel industry, he has been a past Chairman of the Joint Apparel Associations Forum (JAAF) the apex body of all textile and apparel associations in Sri Lanka and the Free Trade Zone Manufacturers Association. He is also a Member of the Textile Quota Board.

He sits on the Board of Brandix Lanka Limited and was instrumental in the establishment of Jewelknit Limited, a merger between Phoenix and Jewelknit which resulted in the formation of Brandix Lanka Limited. Championing the Garments without Guilt global campaign to spur ethical apparel manufacturing and sourcing in Sri Lanka which has gained immense credence among global apparel industry stakeholders, his investments now extend to world renowned coffee house franchise Barista which sawa the establishment of Barista Lanka (Pvt) Limited, while also maintaining significant involvement in tourism, leisure, retail, trading and agriculture.

# Corporate Management

The Corporate Management of the Company is comprised of industry experts who combinedly count over 50 years of experience in both Finance & Banking sectors leads Ideal Finance Limited, whose profiles are given below.

**Mr. Duminda Weerasekare**  
**Chief Executive Officer**

With an expansive knowledge and skill experience garnered over three decades, he holds the distinction of being a Fellow of both the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants of UK.

He has functioned in directorial, CEO and COO positions in a number of leading corporate institutions.

His work experience ranges from negotiating and sourcing funding from international funding organisations and agencies to introducing pioneering funding sources into the country to being commissioned by international agencies to develop strategic plans for development in various financial strata and sectors.

A recipient of a Fellowship by the Netherlands Development Bank, he is a visiting resource person for the Industrial & Business Management Post-Graduate Programme conducted by the University of Kelaniya.

**Mr. Rohitha Bandusena**  
**Deputy General Manager – Credit & Risk Management**

Mr. Bandusena who counts over 16 years of experience in Finance, Operations, Treasury, Credit and Risk Management, holds a BSc (Hons) (Business Administration) special degree from the University of Sri Jayawardenapura.

Among the positions he has held are Senior Manager - Finance at Nations Leasing (Nations Trust Bank PLC), Assistant General Manager - Treasury and Operations at LB Finance PLC.

Prior to joining Ideal Finance Limited at the inception in April 2012 he served in the position of Head of Credit and Risk Management at Sampath Leasing and Factoring Limited.

**Mr. Gaman Kithsiri**  
**Head of ICT**

Prior to taking up the Head of ICT position at IFL, Mr. Kithsiri held the position of Head of ICT in the capacity of Assistant General Manager grade at New World Securities (Pvt) Limited. He has rendered his service and expertise to NWS Financial Services (Pvt) Ltd & NWS Management (Pvt) Ltd. Counting over 18 years of experience in the field of IT and over 6 years of ICT Management, Mr. Kithsiri was attached to Ceylinco Stock Brokers as Senior Manager IT, Assistant Manager IT, Senior Data Processing Executive where his contribution was rewarded as the best Y2K Project Co-ordinate from Ceylinco Stock Brokers.

He possesses the Chartered Information Technology Professional - MBCS-CITP (UK) from The Chartered Institute for IT, London, ACS from Australian Computer Society, High Diploma in Computer Software Engineering (HDCSE) from Londontec international, Sri Lanka and Network Design & maintenance from University of Colombo.

**Ms. Asoka Setunge**  
**Compliance Officer**

Ms. Setunge is an Associate Member of the Chartered Institute of Management Accountants of UK and a Chartered Global Management Accountant. She counts over 20 years of experience in the fields of finance and administration, shipping, manufacturing and professional education. She started her career as an audit trainee and reached the level of Senior Accountant at StonCor Middle East LLC., in Dubai.

Prior to taking up her role as Compliance Officer at Ideal Finance Limited she worked as the Regional Finance and Operations Manager Middle East, South Asia and North Africa at CIMA Sri Lanka.

Corporate Management cont....

She has undergone numerous training programmes in Sri Lanka and overseas, including training at National University of Singapore.

*Mr. Aloka Hewawasam*

**Accountant**

Mr. Hewawasam, a finalist of Association of Chartered Certified Accountants (ACCA) over 3 years of experience in the fields of Auditing and Finance including financial reporting, corporate taxation and compliance in both service and manufacturing sectors.

Mr. Hewawasam, completed his BSc Accounting (Special) from University of Sri Jayawardenepura.

Started his career at KPMG Sri Lanka as an Audit Trainee and reached the level of Senior In-Charge/Audit.

He has hands on experience in ERP systems.

# Corporate Governance Report

## Corporate Governance

Corporate Governance is defined as the system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers.

The Board of Directors is responsible for the governance of the Company and has placed significant prominence on developing rules, structures, policies and processes to ensure integrity and transparency in all of the Company's dealings and making the best effort in achieving performance and quality profits. We have continuously refined our structure and systems to ensure governance on the lines as defined, aware at all times that we are accountable to our stakeholders and the general public.

This statement describes the application of the Corporate Governance practices carried out within the Company during the year under review.

## Board of Directors

The Board is the apex body of Ideal Finance Limited that carries the responsibilities of directing the Company. The responsibilities of the Board includes making an accurate assessment of the Company's position, taking strategic decisions, holding regular meetings of the Board and Board Sub Committees, ensuring good governance and overseeing the risk management of the Company.

## Composition and Independence

The Board comprises of six (06) members, five (05) of whom, including the Chairman, are Non-Executive Directors with the balance of skills and experience appropriate for the business carried out by the Company.

The Board has determined that two (02) Non-Executive Directors, namely, Mr. Ajith Dias and Dr. Suren Peter are 'Independent' as per the criteria set out in the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

## Chairman and Chief Executive Officer

The functions of the Chairman and the Chief Executive Officer are separated, with a clear distinction drawn between responsibilities, which ensure a balance of power and authority.

Mr. Nalin J Welgama is the Chairman of the Board of Directors and Mr. Duminda M Weerasekare serves as the Chief Executive Officer of the Company.

## Tenure, Retirement and Re-election of Directors

There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board.

If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka with the reasons for such removal or resignation.

The provisions of the Company's Articles of Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at such a meeting.

## Board Meetings

The results of the Company are regularly considered and monitored against the budgets at Board meetings at which a standard agenda is discussed together with any other matter which requires the attention of the Board.

The Board meets once a month and wherever necessary, special meetings of the Board are held.

During the year ended 31st March 2016, twelve (12) meetings of the Board were held. The attendance at the meetings was:

## Board of Directors

Name of Director	Executive/ Non-Executive/ Independent Non-Executive	Attendance
Mr. N J Welgama	Non-Executive	11/12
Mr. Kiyoshi Matsui (resigned on 24/07/2015)	Non-Executive	3/4
Mr. D M Weerasekare	Independent Non-Executive	12/12
Mr. P A De Silva	Non-Executive	12/12
Mr. J V W Malawana	Non-Executive	10/12
Mr. H M C De Alwis (resigned on 31/12/2015)	Independent Non-Executive	9/9
Mr. Ajith N. Dias	Independent Non-Executive	9/12
Dr. L. Suren Peter	Independent Non-Executive	12/12
Mr. Norihiro Yoshino (resigned on 24/07/2015)	Non-Executive	4/4

## Board Sub-Committees

An Audit Committee, Integrated Risk Management Committee, Remuneration Committee, Nomination Committee and an IT Steering Committee function as Sub-Committees of the Board. The names of the Directors who serve on the said Committees are mentioned below.

### Audit Committee

The Audit Committee is currently comprised of Mr. J.V.W. Malawana & Dr. Suren Peter and is chaired by Mr. Nalin Welgama.

In compliance with the Finance Companies (Corporate Governance) Direction No.3 of 2008 and in the absence of a Head of Internal Audit, Company Secretary acts as the Secretary to the Audit Committee.

### Integrated Risk Management Committee (IRMC)

In compliance with the Finance Companies (Corporate Governance) Direction No.3 of 2008 an Integrated Risk

Management Committee was set up in May 2012.

The Committee is chaired by Dr. P.L. Peter, an Independent Non-Executive Director and Mr. Aravinda De Silva & Mr. Viraj Malawana are members of the IRMC which also consists of key management personnel supervising broad risk categories.

### Remuneration Committee

The Remuneration Committee is currently comprised of Mr. Aravinda De Silva & Mr. Ajith Dias and is chaired by Mr. Nalin Welgama.

### Nomination Committee

Nomination Committee was formed in March 2014 and is comprised of Mr. Ajith Dias & Dr. P.L. Suren while Mr. P.A. De Silva chairs the committee.

### IT Steering Committee

IT Steering Committee was formed in March 2014 and is chaired by Dr. Suren Peter. Mr. Viraj Malawana and Mr. Aravinda De Silva are members of the committee.

### Compliance Officer

Company has appointed a Compliance Officer at the inception to ensure compliance with the Regulatory and Statutory requirements and the laws and regulations governing Finance Companies, Public Listed Companies and business activities undertaken by the Company in general.

### The Management

The day-to-day operations of the Company are entrusted to the Corporate and Senior Management headed by the Chief Executive Officer. They ensure that risks, uncertainties and opportunities are identified and necessary actions are taken to mitigate the risk exposure thus ensuring the achievement of targets within defined time frames and budgets.

### Financial Disclosures and Transparency

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, International Financial Reporting Standards, the Companies Act, the Finance

Corporate Governance cont....

Companies Act and the directions and rules issued there under.

Messrs. Ernst & Young, Chartered Accountants acts as External Auditors of the Company. The Auditors are allowed to act independently and without intervention from the Management or the Board of the Company to express an opinion on the financial statements of the Company. The Auditors are provided with all required information for examinations.

### **Ethical Standards**

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company.

The Company focuses on the training and career development of employees for the creation of an empowered and committed group of employees.

### **Statutory Payments**

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for.

Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards No.16, Employee Benefits (Revised 2006).

### **Compliance with Central Bank Regulations**

As both a Registered Finance Company and a Registered Finance Leasing establishment, the Company is governed by the Non-Bank Financial Institutions Directions & Rules issued by the Monetary Board of the Central Bank of Sri Lanka.

Accordingly the Company is required to carry out and maintain business activities in compliance with the Directions from time to time issued by the Central Bank of Sri Lanka.

### **Accountability and Disclosure**

The members of the Board of Directors have reviewed in detail the Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs.

### **Outlook**

Corporate governance plays a vital role in business and future emphasis is to further satisfy the Company's stakeholders whilst sustaining the growth of the Company. Therefore we believe in implementing a broad operating structure, monitoring internal control review, benchmark, feedback effective and transparent communication



**Nalin J Welgama**

*Chairman*

28<sup>th</sup> June 2016

Corporate Governance cont....

As the prudential regulator, the CBSL has issued a set of Directions on Corporate Governance – The Finance Companies ( Corporate Governance) Direction, No. 3 of 2008 to promote prudent business behavior and risk management on the part of Regulated Financial Institutions such as banks and finance companies and insurance companies, so that these institutions are poised to meet their financial promises.

The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) covers the key aspects such as Directors, Directors’ remuneration, Relations with Shareholders, Accountability and Audit and Shareholders. These rules are indispensable in ensuring the creation and maintenance the confidence of the General Public of the country.

The Company’s compliance with relevant directions, rules, notices, guidelines and codes are shown below.

Section	Agreed Upon Procedure	Status	Result of Procedure
2(1)	Procedures to be carried out to ensure the board have strengthened the safety and soundness of the Finance company.		
a)	Approving and overseeing the Company’s objectives and corporate values and ensure that these are communicated throughout the Company.	Complied	<p>Vision, Mission and Corporate Values of the company are included in the procedure manual which is approved by the Board.</p> <p>Board approved Business plan for the next three years is in place for the period 2016-2018 along with the budget. Annually reviewed Strategic objectives and corporate values are communicated throughout the company at Management &amp; Staff meetings in order to enhance their understanding regarding the future goals and objectives of the company.</p>
b)	Approving the overall business strategy of the Company, including the overall risk policy and risk management procedures and mechanisms with measurable goals , for at least the next three years	Complied	<p>The Board has an approved Business Plan for the three years 2016-2018.</p> <p>Company has a Board approved Risk Manual which includes different types of risks faced by the company, responsible staff, Risk mitigation strategies and Risk Reporting formats to be used by the staff .</p> <p>Board approved Treasury and Liquidity Risk Management Policy is in place, defining identifying, measuring and monitoring the said risks.</p>

Section	Agreed Upon Procedure	Status	Result of Procedure
			<p>The Integrated Risk Management (IRM) report defines the risk management strategies along with the key risk factors, related risk and risk mitigation action.</p> <p>Company's overall business strategy for the three years commencing from 2016-2018 is included with the measurable goals of the company.</p>
c)	Identify the risk and ensuring implementation of appropriate system to manage the risk prudently.	Complied	<p>Board has formed an Integrated Risk Management Committee (IRMC) and delegated the function to manage the risks identified to the Committee.</p> <p>Findings of the IRMC are reported to the Board at the subsequent Board meeting.</p>
d)	Approving a policy of communication with all stake holders, including depositors, creditors, share-holders and borrowers;	Complied	Company has two board approved communication policies for shareholders and other internal and external stakeholders.
e)	Reviewing the adequacy and the integrity of the finance Company's internal control system and management information system; entail	Complied	<p>Board reviews the adequacy and the integrity of the Company's internal control system by way of internal audit reports submitted to the board through the Board Audit Committee.</p> <p>A Board approved procedure manual is in place defining the decision flow and responsibility of each functional area of the company.</p> <p>Procedures for ICT controls are included in the procedure manual.</p> <p>Company has a Board approved Information Technology Policies and Procedures and an IT Steering Committee established by Board.</p>
		Not Complied	Company is in the process of evaluating adequacy and integrity of the company's Management Information System and has planned to carry out an IS Audit for 2016/17.

Section	Agreed Upon Procedure	Status	Result of Procedure
f)	Identifying the designating key management personnel, who are in a position to (i) significantly influence policy (ii) Direct activities and (iii) exercise control over business activities, operations and risk management;	Complied	Key Management Personnel (KMP) have been defined in the Feasibility Report as "Board of Directors (BOD), Chief Executive Officer (CEO), Head of Marketing & Credit, Head of Operations, Head of Risk Management and Compliance Officer".
g)	Defining the areas of authority and key responsibilities for the board and the key management personnel;	Complied	<p>Corporate Governance policy approved by the Board of Directors includes an area specifying the responsibilities of the board of directors.</p> <p>Company has a Board approved schedule of matters specifically reserved to the Board of Directors.</p> <p>Further, Articles of Association briefly describes on the powers and duties of the Board of Directors.</p> <p>Key responsibilities of other Key Management Personnel have been defined briefly in Feasibility Report which is approved by the Board.</p>
		Complied	Company has completed the key responsibilities (job descriptions) of KMPs.
h)	Ensuring that there is appropriate oversight of affairs of the finance Company by key management personnel , that is consistent with the finance Company's policy;	Complied	Key management personnel were invited to the Board meetings to make presentations on overall performance, collections and progress of the Company.
i)	Periodically assessing the effectiveness of its governance practice including	Complied	As per Articles of Association, Board has the power to make decisions on selection, nomination and election of directors.
(i)	selection, nomination and election of directors and key management personnel;	Complied	Further Articles of Association addresses the provisions on management of conflicts of interest of Directors.
(ii)	management of conflicts of interests; and	Complied	A self-evaluation process of the board members is in place to ensure the own performance, better governance and determination of weaknesses.

Section	Agreed Upon Procedure	Status	Result of Procedure
(iii)	The determination of weaknesses and implementation of changes where necessary.	Not Complied	Self-performance evaluation of the Board of Directors for the year 2015/16 has not been done. This will be done for the year 2016/17
j)	Ensuring the finance Company has an appropriate succession plan for key management personal.	Not Complied	Board approved Succession Plan guideline is in place. One to One Succession Plan should be implemented.
k)	Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	Complied	CEO is represented at the Board, IRMC and IT Steering Committees. CEO attends the Audit Committee upon invitation. Key Management Personnel are invited as and when the need arises by the Board or the Committee to explain matters relating to their areas of functions.
l)	Understand the regulatory environment.	Complied	All new CBSL directions issued by the Central Bank have been submitted to the Board by the Compliance Officer and approved thereof.  A summary of returns are presented to the Board by the Compliance Officer.
m)	Exercising due diligence in the hiring and oversight of external auditors.	Complied	Company's Articles of Association reveals that there is a process for hiring of external auditors at their AGM.  Oversight of external auditors is carried out by the Board Audit Committee. The process on engaging with external auditors is included in the Audit Committee Charter under Authority & Responsibility.
2(2)	The board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer.	Complied	Board has appointed a Chairman and a CEO. Functions and responsibilities of the Chairman have been defined in the Corporate Governance Policy.  Company has completed defining the functions and responsibilities of the CEO.

Section	Agreed Upon Procedure	Status	Result of Procedure
2(3)	There shall be a procedure determined by the Board to enable directors, upon reasonable request to seek independent professional advice in appropriate circumstances at the finance Company's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance Company.	Complied	Procedure manual of the company contains with a section providing the procedures on seeking independent professional advice by directors at company expense.
2(4)	Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relatives or a concern, in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied	Articles of the Association give evidences on the procedure for "Restrictions on Voting" by Board of Directors when they have a substantial interest on any matter and not to count for the quorum.  No such transaction has taken place during the year.
2(5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Company is firmly under its authority.	Complied	Company has a Board approved schedule of matters specifically reserved to the board for decision making.
2(6)	The Board shall, if it considers that the finance Company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Non-Bank Supervision of Non-Bank Financial Institution of the situation of the Company prior to taking any decision or action.	Complied	Such a situation has not been arisen during the year 2015/16.
2(7)	The Board shall publish in the Company's Annual Report, an Annual Corporate Governance Report setting out the compliance with Direction 3 of these Directions.	Complied	This has been disclosed in the Annual Report on page 22 to 44.
2(8)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Not Complied	Company has a process of evaluating the self-performance of the Board of Directors.  Self-performance evaluation of the Board of Directors for the year 2015/16 has not been done. This will be done for the year 2016/17
<b>(3)</b>	<b>Meetings of the Board</b>		
3(1)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible	Complied	Board has met 12 times during the year.

Section	Agreed Upon Procedure	Status	Result of Procedure
			There were instances where the Board's consent has been obtained through the circulation of written resolutions /papers for loan agreements, changes to Articles of Association, final dividend 2014/15, report of the directors on the state of affairs of the company and resignation of directors which were tabled at the subsequent Board meeting.
3(2)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance Company.	Complied	<p>Agenda is circulated by the Company Secretary, among the Board members by electronic mail prior to the meeting, which enables Directors to communicate any matters which they wish to be discussed at the meeting to be included in the Agenda.</p> <p>Procedure Manual of the company includes the procedure on enabling all the directors to include matters and proposals in the agenda.</p>
3(3)	The Board procedures shall ensure that notice of at least 7 days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice shall be given.	Complied	<p>The date of the next meeting is decided at the end of the current meeting of the Board.</p> <p>Further, as a practice, Directors are given a notice of at least 7 days for regular Board Meetings. Agenda letters and previous month board meeting minutes are sent to the board members by the company secretary via e-mail.</p>
3(4)	A Director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the Directors' meetings through an alternate Director shall, however, be acceptable as attendance.	Complied	Such a situation has not been arisen during the year in concern.
3(5)	Board shall appoint a Company Secretary, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied	SSP Corporate Services (Private) Limited was appointed by the Board as their company secretary.

Section	Agreed Upon Procedure	Status	Result of Procedure
3(6)	If the chairman has delegated to the Company secretary the function of preparing the agenda for a Board meeting, the Company secretary shall be responsible for carrying out such function.	Complied	<p>Agenda is prepared by the company secretary under the instructions of the Chairman and circulated to the Board members.</p> <p>Corporate Governance Policy of the company states the above fact that the Chairman should delegate the function of preparing the agenda to the company secretary.</p>
3(7)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions rules and regulations are followed.	Complied	All directors have access to advice and services of the Company Secretary. Company has drafted a procedure in this regard.
3(8)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied	Company Secretary maintains the minutes of Board Meetings. Procedure Manual of the company includes a chapter; "Maintaining Minutes of the Board Meetings" in this regard.
3(9)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:</p> <p>a) a summary of data and information used by the Board in its deliberations;</p> <p>b) the matters considered by the Board;</p> <p>c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence;</p> <p>d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations;</p> <p>e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted; and</p> <p>f) the decisions and Board resolutions.</p>	Complied	Detailed minutes are kept covering the given criteria. Board minutes contain the required details as specified.

Section	Agreed Upon Procedure	Status	Result of Procedure
<b>(4)</b>	<b>Composition of the Board</b>		
4(1)	The number of Directors on the Board shall not be less than 5 and not more than 13. A transitional provision will apply if the number of Directors on the Board of the finance Company is either less than 5 or exceed 13 such Companies may continue for a maximum of three years commencing 01.01.2009.	Complied	Board comprised of 6 members.
4(2)	The total period of service of a Director other than a Director who holds the position of Chief Executive Officer or executive director shall not exceed nine years, and such period in office of a non-executive director shall be inclusive of the total period of service served by such Director up to January 1, 2009.	Complied	None of the Directors have exceeded 9 years of service since the company was incorporated in January 2012.
4(3)	An employee of a finance Company may be appointed, elected or nominated as a Director of the finance Company (hereinafter referred to as an 'Executive Director') provided that the number of Executive Directors shall not exceed one-half of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive of the Company.	Complied	There are 6 members in the Board out of which one is an Executive Director thus complies with the requirement.
4(4)	From January 1 ,2012 , the total number of independent non-executive Directors, of the board shall be at least one fourth of the total number of directors . A Non-Executive Director shall not be considered independent if he/she:	Complied	The Board comprised of 6 members which consists of Two Independent Non-Executive Directors.
	a) Holds shares exceeding 2% of the paid up capital of the finance company or more than 10% of paid up capital of any other finance company;		
	b) has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding at a particular time exceeding 10 per cent of the capital funds of the finance company as shown in its last audited B/S.		
	c) has been employed by the finance company during the two year period immediately preceding the appointment as director.		
	d) has a relative; who is a director, CEO, key management personnel, or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5 % of the paid up capital of the another finance company.		

Section	Agreed Upon Procedure	Status	Result of Procedure
e)	represents a shareholder , debtor, or such other similar stakeholder of the finance company		
f)	is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization: <ul style="list-style-type: none"> <li>(i) which has a transaction with the finance company as defined in paragraph 9 , aggregate value outstanding of which at any particular time exceeds 10% of the capital funds (regulatory capital )as shown in its last audited B/s of the finance company, or</li> <li>(ii) in which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10% of the capital funds (material share holding ) as shown in its last audited B/s of the finance company, or</li> <li>(iii) in which any of the other directors of the finance company have a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds (regulatory capital )as shown in its last audited B/s of the finance company.</li> </ul>		
4(5)	In the event an alternate Director is appointed to represent an Independent non – executive Director, the person so appointed shall also meet the criteria that apply to the Independent nonexecutive Director.	Complied	Such an incident has not taken place during the year.
4(6)	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied	Articles of Association address the appointment and removal of Directors. Company has drafted a procedure on appointing NEDs.
4(7)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless at least one-half of the number of Directors present at such meeting are Non-Executive.	Complied	During the financial year 2015/16 more than 50% of the directors participated for board meetings are non-executive.  Company shall initiate action to make the quorum to read as more than 50% of the existing members and out of them more than 50% to be Non- Executive Directors.

Section	Agreed Upon Procedure	Status	Result of Procedure
4(8)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Finance Company. The Finance Company shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non- Executive Directors in the Annual Corporate Governance Report.	Complied	Company has disclosed the composition of the Board as required in the direction on page 49 of the Annual Report.
4(9)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied	Company's Articles of Association addresses a general procedure for appointment of new Directors. Company has drafted a procedure on appointing new members to the Board.
4(10)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Not Complied	Three Non-Executive Directors have resigned and vacancies were not filled.
4(11)	If a Director resigns or is removed from office , the board shall announce to the Shareholders and notify the Director of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka ,regarding the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the Company, if any	Complied	Three Directors have resigned during the year and the Company has notified the Director of supervision of Non-Bank Financial Institutions of the Central Bank.
<b>(5) Criteria to assess the fitness and propriety of directors</b>			
5(1)	The age of a person who serves as Director shall not exceed 70 years.	Complied	None of the Directors exceeded 70 years of age.
5(2)	A person shall not hold office as a Director or any other equivalent position in more than 20 companies/ societies/ bodies corporate including Subsidiaries or Associate Companies of the Finance Companies Provided that such 20 companies/entities/ institutions, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.	Complied	No director holds directorships of more than 20 companies /entities/ institutions inclusive of subsidiaries or associate companies during the year 2015/16
<b>(6) Management functions delegated by the board</b>			
6(1)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied	The Board is empowered by the Articles of Association to delegate its powers to a committee of directors or to a director or employee upon such terms and conditions and with such restrictions as the Board may think fit.

Section	Agreed Upon Procedure	Status	Result of Procedure
6(2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Finance Company.	Complied	The delegated powers are reviewed by the Board to ensure that they remain relevant to the needs of the company.
<b>(7)</b>	<b>The Chairman and CEO</b>		
7(1)	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual	Complied	Roles of Chairman and CEO are separate and held by two individuals appointed by the Board.
7(2)	The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Non – Executive Director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the Finance Company Annual Report.	Complied	Chairman is a non- executive director of the Company.  Company has designated an Independent Non-Executive Director as the Senior Director of the Company.  (This is disclosed in the Annual Report page 16.)
7(3)	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business family or other material/ relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied	Company has a process to identify the relationship between Chairman, CEO and the Board members and the nature of any relationship amongst the members of the Board.  The Board is aware that there are no material relationships whatsoever, including financial, business, family and any other material relationship between the Chairman and the CEO and other members of the Board as per the annual declarations made by the Directors and regular updates provided at monthly Board meetings.
7(4)	The Chairman shall: (a) provides leadership to the board; (b) ensures that the board works effectively and discharges its responsibilities; and (c) Ensures that all key and appropriate issues are discussed by the board in a timely manner	Complied	Company has a Board Approved Corporate Governance Policy which defines the Functions and Responsibilities of Chairman.  The Company expanded the format of annual assessment by including an area to measure the effective discharge of Board functions." All key and appropriate issues are discussed by the Board on a timely basis.
7(5)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied	Agenda is prepared by the company secretary and circulated to the Board members under the instructions of the Chairman.

Section	Agreed Upon Procedure	Status	Result of Procedure
7(6)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	Complied	<p>The Chairman ensures, that all Directors are properly briefed on issues arising at Board Meetings by submission of the agenda and board papers with sufficient time prior to the meetings.</p> <p>Agenda and the minutes of the previous board meeting are sent to the directors at least 7 days prior to the next meeting for their review.</p> <p>Further, minutes of previous month's board meeting are distributed to the Board members and tabled at the next board meeting for review and approval.</p>
7(7)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Finance Company.	Not Complied	Self-performance evaluation of the Board of Directors for the year 2015/16 has not been done. This will be done for the year 2016/17.
7(8)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between executive and Non-Executive Directors.	Not Complied	Self-performance evaluation of the Board of Directors for the year 2015/16 has not been done. This will be done for the year 2016/17.
7(9)	Subject to the transitional provisions contained herein, the Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied	<p>Chairman is a non-executive director.</p> <p>The Chairman does not directly get involved in the supervision of key management personnel or any other executive duties.</p>
7(10)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied	AGM of the company is the main forum where the Board maintains effective communication with shareholders. Further a Board approved Communication Policy for shareholders, is in place.
7(11)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the Finance Company's operations and business.	Complied	As per the functions and responsibilities of the CEO, he is the apex executive-in charge of the day-to-day management of the company's operations and business as mentioned in the Corporate Governance Policy.

Section	Agreed Upon Procedure	Status	Result of Procedure
<b>(8) Board appointed committees</b>			
8(1)	Every Finance Company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The board shall present a report on the performance, duties and functions of each committee, at a annual general meeting of the Company.	Complied	<p>At present company has established 05 board committees including Audit Committee (AC) and Integrated Risk Management Committee (IRMC) as set out in paragraphs 8(2) and 8(3) of the direction.</p> <p>Both committees submit their reports to the main board for their review and approved thereon.</p> <p>A report on each committee on its performance, duties and functions has been disclosed in the Annual Report on pages 45 to 48.</p>
<b>8(2) Audit Committee:</b>			
a)	The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy) and/or audit.	Complied	Chairman of the Audit Committee is a non-executive director and possesses qualifications and related experience.
b)	Check that all members of the committee are non-executive directors.	Complied	All other members of the committee are non-executive directors.
c)	The Committee shall make recommendations on matters in connection with:	Complied	<p>Committee has discussed the issues in Corporate Governance Factual Finding Report issued by the External Auditors.</p> <p>Audit partner has not exceeded five years of service.</p> <p>Board approved the re-appointment of Auditors and the audit fee with regard to the current financial year.</p>
	i. the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;		
	ii. the implementation of the Central Bank guidelines issued to auditors from time to time;		
	iii. the application of the relevant accounting standards; and		
	iv. the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term		

Section	Agreed Upon Procedure	Status	Result of Procedure
d)	The committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied	External Auditor is independent since they directly report to the Board Audit Committee and their Report on the financial statements of the company for the year 2014/15 indicates that the audit is carried out in accordance with SLAuS.
e)	The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non- audit services, the Committee shall consider: <ul style="list-style-type: none"> <li>(i) Whether the skills and experience of the audit firm make it a suitable provider of the non audit services</li> <li>(ii) Whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and</li> <li>(iii) Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the External Auditor</li> </ul>	Complied	Board approved the policy on engagement of an external auditor to provide non-audit services.
f)	The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit,including: <ul style="list-style-type: none"> <li>(i) An assessment of the Finance Company's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting;</li> </ul>	Complied	Committee has developed a mechanism to meet the auditors before commencing the audit to inquire about the nature and scope of the audit, with the external auditors in accordance with SLAuS.

Section	Agreed Upon Procedure	Status	Result of Procedure
	<ul style="list-style-type: none"> <li>(ii) The preparation of financial statements for external purposes in accordance with relevant accounting principles and reporting obligations; and</li> <li>(iii) The co-ordination between firms where more than one audit firm is involved.</li> </ul>		
g)	<p>The Committee shall review the financial information of the Finance Company, in order to monitor the integrity of the financial statements of the Finance Company, its Annual Report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the Finance Company's Annual Report and accounts and quarterly reports before submission to the Board, the Committee shall focus particularly on:</p> <ul style="list-style-type: none"> <li>(i) Major judgemental areas;</li> <li>(ii) Any changes in accounting policies and practices;</li> <li>(iii) Significant adjustments arising from the audit;</li> <li>(iv) The going concern assumption; and</li> <li>(v) The compliance with relevant accounting standards and other legal requirements.</li> </ul>	Complied	Committee has a process to review the financial information of the company.
h)	The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.	Complied	Committee has met the external auditors during the year at committee meeting in the absence of the executive management.
i)	The Committee shall review the External Auditor's management letter and the management's response thereto.	Complied	Committee has reviewed the external auditor's management letter for the year ended 31 March 2015 and the management's response thereto. Management letter for the year ended 31 March 2016 will be reviewed upon receipt of the same.
j)	<p>Committee shall take the following steps with regard to the internal audit function of the Finance Company</p> <ul style="list-style-type: none"> <li>(i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work.</li> </ul>	Complied	Internal audit function of the company has been outsourced to a firm of Chartered Accountants and their scope of the audit has been included in their audit reports. Internal Audit Reports have been submitted to the Audit Committee for their review.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department.	Complied	Audit Committee has reviewed the internal audit program and the audit reports were reviewed and discussed thereon.
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	N/A	Not relevant as Internal audit function of the company has been outsourced to a firm of Chartered Accountants.
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function	N/A	Not relevant as Internal audit function of the company has been outsourced to a firm of Chartered Accountants.
	(v) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	N/A	Not relevant as Internal audit function of the company has been outsourced to a firm of Chartered Accountants
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	Complied	Internal audit function is independent since Internal audit function is outsourced and report directly to the Board Audit Committee and also performed with impartiality, proficiency and due professional care.
	k) The Committee shall consider the major findings of internal investigations and management's responses thereto;	Complied	No such major findings have been reported to the committee during the year.
	l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board Members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at once in six months, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied	Audit Committee has met the external auditors without the executive directors being present.
	m) The Committee shall have;	Complied	An Audit Committee Charter is in place included with terms of reference of the committee which is approved by the board.
	(i) explicit authority to investigate into any matter within its terms of reference;		

Section	Agreed Upon Procedure	Status	Result of Procedure
	(ii) the resources which it needs to do so;		
	(iii) full access to information; and		
	(iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.		
n)	The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	During the year the committee has met 4 times and has maintained the minutes appropriately.
o)	The Board shall, in the Annual Report, disclose in an informative way,	Complied	Company has disclosed the required details in the Annual Report on pages 45 to 46.
	(i) details of the activities of the audit committee		
	(ii) the number of audit committee meetings held during the year; and		
	(iii) details of attendance of each individual director at such meetings		
p)	The Secretary of the Committee (who may be the Company Secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied	Company Secretary has been appointed as the secretary to the Audit Committee.
q)	Company shall have a "whistle blower" policy which covers the process of dealing with;	Complied	Company has developed a whistle blower policy to deal with matters mentioned.
	(i) The improprieties in financial reporting, internal control or other matters.		
	(ii) In relation to (i) the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and		
	(iii) Appropriate follow-up action.		
<b>8(3)</b>	<b>Integrated Risk Management Committee (IRMC):</b>		
a)	The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	Complied	Committee consists of three non-executive directors. CEO, Head of Credit & Risk Management, Compliance Officer and other executive management personnel participate to the committee meetings whenever necessary.

Section	Agreed Upon Procedure	Status	Result of Procedure
b)	<p>The Committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the Finance Company on a monthly basis through appropriate risk indicators and management information.</p> <p>In the case of Subsidiary Companies and Associate Companies, risk management shall be done, both on the finance Company basis and group basis.</p>	Complied	<p>IRMC assesses the risks such as credit/default risk, interest rate risk, currency risk, collateral risk, strategic risk, regulatory risk, operational risk and reputational risk on a quarterly basis through risk indicators and management information.</p> <p>Company has identified more risk indicators and risk limits and the procedure manual has been updated.</p> <p>There are no subsidiaries or associates under this Company.</p>
c)	The Committee shall review the adequacy and effectiveness of all management level Committees such as the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	Complied	<p>The committee is in the process of setting qualitative and quantitative risk limits for all management level committees. However all committee decisions (Credit committee and the Asset-liability committee) are forwarded to the Board through Integrated Risk Management Committee.</p> <p>It is being reviewed and the procedure manual has been updated.</p>
d)	The Committee shall take prompt corrective action to mitigate the effects of Complied with specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Finance Company's policies and regulatory and supervisory requirements.	Complied	Committee has reviewed and considered all risk indicators. Company has strengthened risk indicators by introducing more quantitative and qualitative risk limits and the procedure manual has been updated.
e)	The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied	IRMC has met 04 times during the financial year.
f)	The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/ or as directed by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied	At the company specific risks and the limits are identified collectively by the risk committee.
g)	The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied	IRMC findings are submitted to the main board immediately after the IRMC meeting.

Section	Agreed Upon Procedure	Status	Result of Procedure
	<p>h) The Committee shall establish a compliance function to assess the Finance Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.</p>	Complied	<p>A dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically.</p> <p>The appointment of the Compliance officer has been approved by the Board at the meeting and CBSL approval on this regard has been obtained.</p>
<b>9. Related party transactions</b>			
9(2)	<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Finance Company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:</p> <p>a) A subsidiary of the finance company;</p> <p>b) Any associate company of the finance company;</p> <p>c) A director of the finance company;</p> <p>d) A key management personnel of the finance company;</p> <p>e) A relative of a director or a key management personnel of the finance company;</p> <p>f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company;</p> <p>g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest.</p>	Complied	<p>Corporate Governance Policy of the company includes a section regarding the related parties.</p> <p>In the procedure manual decision flow regarding the related party transactions has been included.</p>
9(3)	<p>The transactions with a related party that are covered in this Direction shall be the following: Type of transactions are as follows:</p> <p>a) The grant of any type of accommodation</p> <p>b) The creation of any liabilities of the finance company in the form of deposits, borrowings and investments.</p>	Complied	<p>In the Corporate Governance Policy, the company has identified the types of related party transactions as mentioned in the direction. Through the procedure manual the responsibility on identification of related party transactions have been delegated to the Accountant/ DGM.</p>

Section	Agreed Upon Procedure	Status	Result of Procedure
c)	The providing financial or non-financial services to the finance company or received the same from the finance company		
d)	The creation or maintenance of reporting lines and information flows between the finance company and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.		
9(4)	The Board shall ensure that the finance Company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the finance Company. For the purpose of this paragraph, "more favourable treatment" shall mean:	Complied	Company has defined the related party transactions and more favourable treatment in its' Corporate Governance Policy.
		Not Complied	Company will strengthen the existing system to input the RPT data to the system and extract a report with required data/ details of such transactions with the said related parties and to monitor such reports to ensure that no such "More favorable treatment" is offered to related parties than that accorded to other constituents of the finance company carrying on the same business.  The system developer is developing the programme and presently it is Work-In-Progress.
a)	Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the Finance Company's regulatory capital, as determined by the board. For purposes of this sub-direction: The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Finance Company's share capital and debt instruments with a maturity of 5 years or more.	N/A	Such a situation has not arisen.
b)	Charging of a lower rate of interest than the Finance Company's best lending rate or paying more than the Finance Company's deposit rate for a comparable transaction with an unrelated comparable counter party.		

Section	Agreed Upon Procedure	Status	Result of Procedure
	c) Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;		
	d) Providing services to or receiving services from a related-party without a proper evaluation procedure;		
	e) Maintaining reporting lines and information flows between the finance company and any related party that may lead to sharing potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.		
<b>10</b>	<b>Disclosures</b>		
10(1)	The Board shall ensure that:		
	a) Annual audited financial statements and periodical financial statements (6 months ended end Sept.) are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English.(RFC guideline No. 2 of 2006)	Complied	Annual and periodic Financial statements are prepared and published in accordance with the defined standards.  Company has published its' Interim financial statements in the Newspapers in all three languages.
	<b>Disclosures</b>		
10(2)	The Board shall ensure that at least the following disclosures are made in the Annual Report :		
	a) The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied	Company has disclosed the relevant statement in the Annual Report on page 55.
	b) The report by the board on the Finance Company's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements	Complied	A report by the board on the company's internal control mechanism is disclosed in the Annual Report on page 56.

Section	Agreed Upon Procedure	Status	Result of Procedure
c)	Check that the board has obtained the external auditor's report on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31,2010	Complied	The company has obtained the said report.
d)	Details of directors, including names, transactions with the finance company.	Complied	The required information has been disclosed in the Annual Report on pages 91-92.
e)	Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after January 1, 2010.	Complied	The required information has been disclosed in the Annual Report on page 75.
f)	Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Finance Company's capital funds.	Complied	The required information has been disclosed in the Annual Report on pages 91-92.
g)	The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied	Please refer note 37.1 of the audited financial statements for the aggregate value of remuneration paid to the Board of Directors and MD/CEO. Total value of short term employee benefits paid to KMPs (as per CBSL Direction No. 3 of 2011) during the year is LKR. 24.9Million.
h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance	Complied	The required information regarding the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance has been disclosed in the Annual Report on page 23.
i)	A statement of the regulatory and supervisory concerns on lapses in the Finance Company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Complied	Such a situation has not arisen.

<b>Section</b>	<b>Agreed Upon Procedure</b>	<b>Status</b>	<b>Result of Procedure</b>
j)	Check that the board has obtained the external auditor's certification of the compliance with the Corporate Governance directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2011	Complied	External auditors have issued the Corporate Governance Factual Finding report in this regard.

# Report of the Audit Committee

## Composition

The composition of the Audit Committee during the year was as follows.

Mr. Nalin J. Welgama	- Chairman - Non-Executive Director
Mr. Kiyoshi Matsui	- Non-Executive Director (Resigned on 24.07.2015)
Dr. Suren Peter	- Independent Non-Executive Director
Mr. J.V.W. Malawana	- Non-Executive Director (Appointed on 29.03.16)

The Chairman Mr. Nalin J. Welgama, is a Member of the Association of Chartered Certified Accountants of the United Kingdom with over 30 years of experience in auditing, accounting, and international automotive.

## Meetings

The Committee met four times during the year under review.

The Chief Executive Officer and the Senior Management attended the meetings by invitation. Internal audit consultants and the external auditors were invited to participate at the meetings as and when required.

The Company Secretaries, S S P Corporate Service (Pvt) Ltd. acted as Secretaries to the Audit Committee.

The attendance of the members of the Committee are as follows.

Name	Description	Attendance
Mr. Nalin Welgama	Chairman – Audit Committee	3/4
Mr. Kiyoshi Matsui	Member	1/1
Dr. Suren Peter	Member	4/4

The proceedings of the Audit Committee were reported to the Board of Directors on a regular basis.

## Role of the Committee

The main objective of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in the financial reporting process, the system of internal controls and risk management, the independence and audit process of the external auditors, and the process for monitoring compliance with laws and regulations.

## Summary of activities

The Committee carried out the following activities during the year.

Reviewed the consistency and appropriateness of the accounting policies adopted by the Company to ensure compliance with the Sri Lanka Accounting Standards.

Reviewed the effectiveness of the internal financial controls to ensure reasonable assurance that the financial reporting system adopted by the Company can be relied upon in the preparation and presentation of the quarterly and annual financial statements

Considered the internal and external audit reports and identified the control weaknesses and accounting issues highlighted and directed management to take appropriate and relevant follow up action.

Held a special meeting with the external auditors without the presence of management to discuss the matters relating to management co-operation, quality, timeliness and accuracy of the accounting and management information provided.

## Internal Audit

The Internal Audit function is outsourced to T & D Chartered Accountants (formerly known as Messrs. Baker Tilly LKA, a firm of Chartered Accountants).

The scope of work covers the head office functions and all branches and Service centres. The scope of work of the internal audit consultants includes the review of the efficacy of the internal controls and the actions taken to mitigate operational and business risks. In addition they monitor and report on compliance with statutory requirements and the

Company's accounting and operational policies. Internal audit representatives are present at all Audit Committee meetings during discussion of the respective internal audit reports.

### **External Audit**

The Committee ensured that the Auditors have not carried out any non-audit services that would have impaired their independence.

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young be reappointed as Auditors for the financial year ending 31st March 2016 subject to the approval of the shareholders at the Annual General Meeting. The Committee has also made its recommendations in regard to the remuneration of the Auditors.

### **Risk Management**

In terms of the Central Bank's Direction No 3 of 2008 under the Finance Companies Act, the Company has appointed an Integrated Risk Management Committee during the year. The Committee's decree is to identify the business and operational risks the Company is exposed to and develop appropriate strategies to manage and monitor these risks and thereby eliminate /mitigate its adverse impacts.

### **Conclusion**

The Audit Committee is satisfied that the internal controls and the procedure in place for assessing and managing risk are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded, and that the financial statements are reliable.



**Nalin J. Welgama**

*Chairman*

**Audit Committee**

28<sup>th</sup> June 2016

# Report of the Integrated Risk Management Committee

## Composition

The Integrated Risk Management Committee for the financial year ended 31st March 2016 comprised the following members.

- Mr. Hiran De Alwis (Director/ Chairman – IRMC)-  
(resigned on 31.12.2015)  
Dr. P.L. Suren Peter (Director/Chairman-  
IRMC – appointed on 29.03.16)  
Mr. Aravinda De Silva (Director)  
Mr. Viraj Malawana (Director)  
Mr. Duminda Weerasekare (CEO/Director)  
Mr. Rohitha Bandusena – DGM – Credit & Risk Management  
Ms. Nilu Imalka Wijekanthi (Senior Executive -Treasury  
& Operations)  
Mr. Gaman Kithsiri (Head of ICT)  
Ms. Asoka Setunge (Compliance Officer)  
Mr. Aloka Hewawasam (Accountant)  
Mr. T.M.M.B. Tennakoon (Manager – Real Estate)

Dr. Suren Peter was appointed after the resignation of Mr. Hiran De Alwis.

## Meetings

The Committee met on a quarterly basis of which attendance of the members of the board are as follows.

Name	Description	IRMC
Mr. Hiran De Alwis	Director/ Chairman – IRMC	2/2
Mr. Aravinda De Silva	Director	4/4
Mr. Viraj Malawana	Director	1/4
Dr. P.L. Peter	Director/ Chairman – IRMC	2/2
Mr. Duminda Weerasekare	CEO/Director	4/4

## Role of the Committee

Assessing all risks, i.e., credit, market, liquidity, operational, interest rate, foreign currency, strategic and reputational risks to the finance company on a quarterly basis through appropriate risk indicators and management information.

Reviewing the adequacy and effectiveness of all management level committees such as credit committee and the asset-liability committee decisions to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.

Taking prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.

Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations.

## Conclusion

The Integrated Risk Management Committee is satisfied about comprehensive risk management strategies and procedures that are in place in order to mitigate IFL risk exposure



**Dr. P.L. Suren Peter**

*Chairman*

**Integrated Risk Management Committee**

# Report of the Remuneration Committee

The Remuneration Committee, appointed by the Board of Directors comprised two Non-Executive Directors and an Independent non-executive director.

## Composition

Mr. N. J. Welgama (Chairman) / (Non-Executive Director)  
Mr. P. A. De Silva (Non-Executive Director)  
Mr. A. N. Dias (Independent Non - Executive Director)

## Meetings

The Committee met three times during the period under review to make recommendations on salaries, bonuses and increments, and also on matters relating to recruitment of key management personnel to ensure that the management and staff at all levels are adequately rewarded for their performance and commitment. The Chief Executive Officer shall attend meetings of the Committee by invitation and provide relevant information and his view to the Committee for its considerations except when his own remuneration package and other matters relating to him are discussed.

## Functions

The primary objective of the committee is to attract, motivate and retain talent with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Company.

The Company remuneration framework for the Executive Directors and Corporate Management Team is designed to ensure alignment between short and long term interests of the Company and thereby create and enhance value for all stakeholders of the Company.

## Directors' remuneration

The total of Directors' remuneration paid during the year under review is set out in note 9 to the Financial Statements.



**N. J. Welgama**  
*Chairman*  
**Remuneration Committee**

28<sup>th</sup> June 2016

# Report of the Directors on the State of Affairs of the Company

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2016. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007 and are guided by recommended best accounting practices.

## 1. Principal Activities

The principal activity of the Company is to carry on finance business in conformity with the provisions of the Finance Business Act, No. 42 of 2011 as amended or superseded from time to time and in conformity with provisions of all written laws for the time being in force and all regulations, directions, determinations, rules, orders or requires the manufacture and sale of aluminium extrusions.

## 2. Financial Statements

The financial statements of the Company are given on pages 58 to 100.

## 3. Auditor's Report

The Auditor's report on the financial statements is given on page 57.

## 4. Accounting Policies

The accounting policies adopted in preparation of Financial Statements and the other explanatory notes are given on pages 62 to 100. There were no material changes in the Accounting Policies adopted.

## 5. Interest Register

The Company maintains an Interest Register and the particulars of those Directors who were directly or indirectly interested in a contract of the Company are stated therein.

## 6. Directors' Interest

None of the directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 37, related party transactions to the financial statements.

## 7. Directors Remuneration and Other Benefits

Directors' remuneration in respect of the Company for the year ended 31st March 2016 is given in Note 37.1 to the financial statements.

## 8. Corporate Donations

There were no donations made by the Company for the year ended 31st March 2016.

## 9. Directors

The Directors of the Company as at 31st March 2016.

Mr. N.J. Welgama	- Non Executive Chairman
Mr. D.M. Weerasekare	- Executive Director/CEO
Mr. P.A. De Silva	- Non Executive Director
Mr. J.V.W. Malawana	- Non Executive Director
Dr. P.L.S. Peter	- Non Executive Independent Director
Mr. A.N. Dias	- Non Executive Independent Director

Messrs K. Matsui and N. Yoshino, Directors resigned from the Board with effect from 24th July 2015.

Mr. H.M.C. de Alwis, Director resigned from the Board with effect from 31st December 2015.

The Board wished to place on record the Company's sincere appreciation to Messrs K. Matsui, N. Yoshino and Hiran M.C. De Alwis for their valuable contribution extended to the Company during their tenure on the Board.

In terms of Article 24(6) of the Articles of Association of the Company Messrs N.J. Welgama and P.A. De Silva retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election.

## 10. Board Sub-Committees

The following Board Sub-Committees are functional.

### • Audit Committee

- Mr. N.J. Welgama  
- Chairman/Non Executive Director
- Dr. P.L. Suren Peter  
- Member/Non Executive Independent Director

Mr. J.V.W. Malawana

- Member/Non Executive Director

- **Integrated Risk Management Committee**

Mr. P.A. De Silva

- Member/Non Executive Director

Mr. J.V.W. Malawana

- Member/Non Executive Director

Dr. P.L. Suren Peter

- Member/Non Executive Independent Director

- **Remuneration Committee**

Mr. N.J. Welgama

- Chairman/Non Executive Director

Mr. P.A. De Silva

- Member/Non Executive Director

Mr. A.N. Dias

- Member/Non Executive Independent Director

- **Nomination Committee**

Mr. A.N. Dias

- Member/Non Executive Independent Director

Dr. P.L. Suren Peter

- Member/Non Executive Independent Director

Mr. P.A. De Silva

- Member/Non Executive Director

- **IT Steering Committee**

Dr. P.L. Suren Peter

- Member/Non Executive Independent Director

Mr. J.V.W. Malawana

- Member/Non Executive Director

Mr. P.A. De Silva

- Member/Non Executive Director

## 11. Directors Shareholding

The shareholding of the Directors of the Company as at 31st March 2016.

Mr. N.J. Welgama	-	Nil
Mr. P.A. De Silva	-	Nil
Mr. D.M. Weerasekare	-	1,600,000
Mr. J.V.W. Malawana	-	8,800,000
Dr. P.L. Suren Peter	-	Nil
Mr. A.N. Dias	-	Nil

## 12. Auditors

The financial statements for the year ended 31st March 2016 have been audited by Messrs Ernst & Young, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No.07 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The fees paid to the Auditors are disclosed in Note 9.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

## 13. Dividends

The directors has not recommend the payment of a dividend for the year ended 31st March 2016.

## 14. Investments

Details of investments held by the Company are disclosed in Note 12 and 13 to the financial statements.

## 15. Intangible Assets

There were no intangible assets, other than Computer System Software, which is disclosed in Note 22 to the financial statements.

## 16. Property, Plant and Equipment

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 21 to the financial statements.

## 17. Capital Commitments

There were no capital commitments outstanding as at the Balance Sheet date.

## 18. Stated Capital

The Stated Capital of the Company is Rs.603,247,125/-

### 19. Taxation

The tax position of the Company is given in Note 26 and 28 to the Financial Statements.

### 20. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made on time.

### 21. Corporate Social Responsibility

Our Company specializes in maintaining high standards of Corporate Social Responsibilities such as carrying out management practices and decisions which have no negative impact on the environment and on the community around which we operate.

Our products go a long way towards minimizing the felling of trees and are completely recyclable without any negative impact on the environment. Schemes are in place to collect off-cuts and waste which are recycled in-house for special applications.

### 22. Contingent Liabilities

There were no material contingent liabilities outstandings as at 31st March 2016.

### 23. Post Balance Sheet Events

Subsequent to the date of the Balance Sheet no circumstances have arisen which would require adjustments to the accounts. There are also no significant post balance sheet events which in the opinion of the Directors require disclosure.

For and on behalf of the Board of Directors of  
IDEAL FINANCE LIMITED

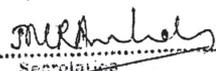


Director



Director

S S P CORPORATE  
SERVICES (PRIVATE) LIMITED

  
.....  
Secretary

S S P Corporate Services (Private )Limited,  
Secretaries

28<sup>th</sup> July 2016.

# Risk Management Report

## Introduction

As a financial service provider Ideal Finance Limited (IFL) currently offers various ranges of financial products such as leases, loans, hire purchases, fixed deposits, real estate, pawning and mortgage loans. The Company also planning to expand its operations by opening new branches in potential areas.

The Board of directors of the company is very keen on active risk management practices. Therefore all possible risk mitigation strategies are introduced and implemented in order to make sure that company operates at its best while minimising it's financial and business risks.

The Integrated Risk Management Committee (IRMC) is a board appointed committee which meets quarterly to discuss and evaluate the present risk management procedures, the risk levels that the company is currently facing and the risks that company will have to face in the future. Integrated Risk Management report will be presented to the committee and the directors will analyse the report to evaluate whether the risk mitigation strategies are adequate for the business.

An effective risk management strategy will ensure that all applicable risks to the company will be identified and evaluated at an early stage and necessary measures will be taken in order to avoid and reduce the impact of the risk.

## Risk Management Process

Managing the risk within the company takes place in different stages. This involves



Under Risk Identification, all risk categories and the sub categories that the business is exposed are identified. If the business environment is changing or new products are going to be introduced, all risks involved have to be identified. Whenever IFL is planning to introduce a new product to the market, the inherent risks shall be identified in order to avoid facing unexpected and adverse outcomes.

Once the risk is identified it will be analysed and measured by using both quantitative and qualitative techniques. Thereafter necessary actions shall be taken in order to manage the risks and reduce the impact of risk occurrence. These will then be monitored to avoid the accumulation of risks. Subsequently all findings shall be reported to the Board.

## Key Risks Faced by the Company

The Company is exposed to the following risks due to the nature of the business we are into and as a result of the macro economic conditions of which majority are inherent.

- Credit risk / Default risk
- Liquidity risk
- Interest rate risk
- Currency risk
- Collateral risk
- Strategic risk
- Operational risk
- Regulatory risk
- Reputational risk

### **Credit Risk**

Credit risk is the largest risk that the company is exposed which can be mainly categorised in to two parts namely default risk and concentration risk.

### **Default risk**

Default risk is the risk that arises due to customers being unable to meet their debt obligation. The company has a well-defined credit procedure in place to mitigate the credit risk that arises when doing day to day business activities. This includes credit appraisal, credit operations, credit approval and monitoring and recovering debt. IFL obtains sufficient collateral as security in case of a default of payment by borrower as all non performing facilities are analysed periodically to make sure that the company maintains a very low non-performing loan ratio (NPL ratio).

The Company had a NPL ratio of 1.02% where average industry NPL ratio is approximately 5.7%.

### **Concentration Risk**

Concentration risk occurs when the facilities are given to a single counterparty, Industry or geographical area. The company has set prudential limits on maximum exposure which is being reviewed periodically as well as single borrower limits defined by the Finance Companies Direction No 4 of 2006 issued by Central Bank of Sri Lanka.

### **Liquidity Risk**

Liquidity risk is the risk that arises when the company does not have enough funds to meet its obligations which arises due to unmatched maturities of assets and liabilities. Company has a liquidity management policy where the primary objective is to ensure adequate funding for its day to day business activities. Furthermore, the company maintains the statutory liquid assets ratio at its required level as a method of measure and control of liquidity risk.

Company takes following precautionary measures in order to maintain a healthy liquidity position.

- Prepares an annual budget and identifies the average amount of money needed to finance facilities.
- Identify the cumulative gap of current year assets and liabilities.
- Identify the amount of unpredicted cash requirements that arose during the past 6 months.
- Identify the cash flow arising from interest earning assets.

### **Interest Rate Risk**

Interest rate risk arises due to adverse and unanticipated movements in future interest rate which arises due to granting of credit facilities and accepting deposits. Out of the several factors that gives rise to interest rate risk the main two types of risks that IFL is exposed to includes,

- Term structure risk - which arises due to mismatches in the maturities of assets and liabilities
- Basis risk which arises due to differences in the bases of interest rates.

Company perform periodic reviews of the interest rates by

- Analysing the past fluctuation of interest rate patterns and forecasting the Interest rate movements based on past trends.
- Monitoring other market factors. E.g. liquidity of the market, T Bill rate, etc.
- Identifying the gap analysis of Interest earning assets & Interest Paying Liabilities.
- Identifying the effect on Net Interest Income.

### **Currency risk**

Currency risk is a form of financial risk that arises from the potential change in the exchange rate of one currency against another. IFL is exposed to Currency Risk provided the Exchange Rate Risk is not transferred at the time of transacting. Company monitors the fluctuation of USD/LKR and USD/JPY exchange rates and forecast Exchange rate trends based on the past behaviour of the two currencies.

### **Collateral risk**

Collateral risk is the risk of the value of security held, being not sufficient to meet the capital outstanding of a facility in the event of a default of payment by the customer. When IFL grants credit facility to its customers, company ensures that the value of the collateral held as security is sufficient to meet the facility amount in case of a default of payment by borrower. In order to mitigate the collateral risk the company takes the following measures.

- Physically verify the asset before granting facilities.
- Checks the absolute ownership of the asset.
- Obtain a valuation report from a CBSL approved valuer.
- Obtain a full Insurance policy for the asset.

### **Strategic risk**

Strategic risk can be seen as the impact on the company's earnings or equity due to the business decisions taken by the Company, improper implementation of business strategies or lack of responsiveness to industry changes. All strategic decisions are taken at board level where the Board obtains professional expertise advice as and when required. IFL has appropriately addressed the Strategic Risk exposure of the Company throughout the period thus minimizing the level of risk exposure.

### **Operational risk**

Operational risk is the risk of financial losses due to the failure or inadequacy of internal processes or systems, human error or external events. The sources of Operational Risk includes People, Internal Processes, Systems and

External events. Operational risk can be mainly analysed under fraud risk and technological risk. IFL manages operational risks by maintaining a comprehensive system of internal controls and using technology to automate processes and reduce manual errors. The company has in place a process of continuous internal audit utilizing the services of T & D Chartered Accountants (formerly known as Baker Tilly LKA Chartered Accountants).

### **Regulatory risk**

Regulatory risk is the financial loss and damage to the reputation of the company that arises from failing to comply with the laws and regulations applicable. As the financial industry is highly regulated and is continuously monitored for compliance by the regulatory bodies. Company has set internal deadlines and monitor whether CBSL reports are submitted on time. Also company make sure all statutory payments are paid before the due date.

### **Reputational risk**

Reputation risk exposure of IFL is minimal given the implementation of comprehensive risk management strategies and procedure. Reputation risk cannot be managed in isolation from other forms of Risks, since all risks can have an impact on reputation, which in turn can impact the IFL brand, earnings and capital. Credit, liquidity, interest rate, operational, and regulatory risks of IFL are managed effectively in order to safeguard the company's reputation as IFL has identified company's reputation is a valuable business asset in its own right, essential to optimize shareholder value.

# Statement of Directors' Responsibilities for Financial Reporting

The Directors are required by the Companies Act, No. 7 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statement of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year.

The Directors are also responsible to ensure that the financial statements comply with any regulations made under the Companies Act which specifies the form and content of financial statements and any other requirements which apply to the Company's financial statements under any other law.

The Directors consider that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the Sri Lanka Accounting Standards, Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and Finance Business Act No. 42 of 2011 and the relevant Directions issued in respect of Registered Finance Companies.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2015/16, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation. By Order of the Board

## IDEAL FINANCE LIMITED



**D. M. Weerasekare**  
Chief Executive Officer

28<sup>th</sup> July 2016



**REGISTERED OFFICE**

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Colombo 02, Sri Lanka.

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## DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

### RESPONSIBILITY

In line with the section 10(2)(b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013, the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Ideal Finance Ltd. ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management is continuously in the process of enhancing the documentation of the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

The Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013. The processes and procedures initially applied to adopt the aforementioned Accounting Standards were further strengthened during the years 2014 and 2015 based on the feedback received from the external auditors, regulators and the Board Audit Committee. The Company is in the process of updating relevant procedure manuals pertaining to these new requirements. The Company has also recognized the need to introduce an automated financial reporting process in order to comply with the requirements of recognition, measurement, classification and disclosures of the financial instruments more effectively and efficiently.

Progressive improvements on processes to comply with new Sri Lanka Accounting Standards requirements of recognition measurement, classification and disclosure are being made whilst some processes were not fully completed at the reporting date. In particular, due to time constraints, areas with respect to the related party transactions, monthly impairment computation, commitment and contingencies, taxation, real estates, loan granting monitoring and recovering, treasury, compliance with regulation, deposit acceptance and withdrawals, financial statements disclosures related to financial risk management, fair value and IT controls were being implemented as at the reporting date.

### CONFIRMATION

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.

**Aravinda De Silva**  
Director



**D.M. Weerasekare**  
Chief Executive Officer

**IDEAL Finance Ltd.**

PB 4963

NALIN WEERASAMA (CHAIRMAN) | ARAVINDA DE SILVA | AJITH DIAS | VIRAJ MALAWANA  
SUREN PETER | DOMINDA WEERASEKARE (CEO)

Licensed under Finance Business Act No. 42 of 2011 - Reg No (042)



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APAG/PATR/DM

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IDEAL FINANCE LIMITED

### Report on the financial statements

We have audited the accompanying financial statements of Ideal Finance Limited, ("the Company"), which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, set out on pages 07 to 42.

### Board's Responsibility for the Financial Statement

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

### Report on other legal and regulatory requirements

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

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
  - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and
  - The financial Statements of the Company, comply with the requirements of the section 151 of the companies Act No 07 of 2007

15<sup>th</sup> July 2016

Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A De Silva FCA W R H Fernando FCA FCMA  
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

A member firm of Ernst & Young Global Limited

# Statement of Comprehensive Income

Year ended 31 March 2016

	Notes	2016 Rs.	2015 Rs.
Income	3	222,316,313	175,497,559
Interest Income	4.1	202,564,337	167,630,354
Interest Expenses	4.2	(45,259,962)	(28,817,761)
<b>Net Interest Income</b>		157,304,375	138,812,593
Fees and Commission Income	5	3,625,563	2,214,672
<b>Net Fee and Commission Income</b>		3,625,563	2,214,672
Other Operating Income	6	16,126,413	5,652,533
<b>Total Operating Income</b>		177,056,351	146,679,798
Impairment Charges for loans and other losses	7	(2,400,000)	(2,100,000)
<b>Net Operating Income</b>		174,656,351	144,579,798
<b>Operating Expenses</b>			
Personnel Expenses	8	(68,308,980)	(53,907,452)
Depreciation of Property Plant & Equipment		(13,745,534)	(12,204,905)
Amortization of Intangible Assets		(4,353,460)	(4,129,444)
Other Operating Expenses	9	(37,822,833)	(33,971,856)
<b>Operating Profit before Value Added Tax on Financial Services</b>		50,425,543	40,366,141
Value Added Tax & NBT on Financial Services		(6,256,568)	(3,086,059)
<b>Profit / (Loss) before Taxation</b>		44,168,975	37,280,082
Income Tax Expenses	10	(6,042,993)	(8,086,145)
<b>Profit for the year</b>		38,125,982	29,193,936
<b>Other Comprehensive Income</b>			
Actuarial Gain/ (Loss) on defined benefit obligations		599,419	(376,850)
Deferred Tax (Charge)/Reversal on Other Comprehensive Income		(167,837)	105,518
<b>Other Comprehensive Income for the year, Net of Tax</b>		431,582	(271,332)
<b>Total Comprehensive Income for the year, Net of Tax</b>		38,557,564	28,922,604
Basic Earnings Per Share (Rs)	11	0.48	0.36

The Accounting Policies and Notes on pages 62 through 100 form an integral part of the Financial Statements.

# Statement of Financial Position

As at 31 March 2016

	Notes	2016 Rs.	2015 Rs.
<b>ASSETS</b>			
Cash and Bank Balances	12	22,025,138	3,207,505
Investment In Government Securities	12.1	22,292,541	10,942,112
Placements with Banks and Other Financial Institutions	13	15,661,885	165,144,113
Lease Rentals Receivable and Stock out on Hire	14	1,276,304,949	708,725,937
Loans Stock	15	101,079,702	28,448,192
Gold Advances	16	6,825,383	-
Other Financial Assets	17	7,793,316	2,887,009
Other Non Financial Assets	18	24,240,073	26,222,917
Financial Investments-Available for Sale	19	457,700	457,700
Inventories	20	125,781,458	22,872,858
Property, Plant and Equipment	21	34,275,833	35,671,537
Intangible Assets	22	29,147,331	30,378,562
<b>TOTAL ASSETS</b>		<b>1,665,885,309</b>	<b>1,034,958,443</b>
<b>LIABILITIES</b>			
Due to Banks	23	484,704,388	158,347,533
Due to the Customers	24	380,790,865	170,192,825
Other Financial Liabilities	25	74,910,542	40,130,976
Other Non Financial Liabilities	26	24,921,248	4,672,235
Retirement Benefit Liability	27	3,477,563	2,681,532
Deferred Tax Liabilities	28	13,643,567	10,773,769
<b>TOTAL LIABILITIES</b>		<b>982,448,173</b>	<b>386,798,870</b>
<b>EQUITY</b>			
Stated Capital	29	603,247,125	603,247,125
Retained Earnings		75,924,400	42,574,715
Reserves	30	4,265,611	2,337,733
<b>TOTAL EQUITY</b>		<b>683,437,136</b>	<b>648,159,573</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,665,885,309</b>	<b>1,034,958,443</b>

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.



Accountant

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board of by;



Director



Chief Executive Officer

The Accounting Policies and Notes on pages 62 through 100 form an integral part of the Financial Statements.

15<sup>th</sup> July 2015

Colombo

## Statement of Changes in Equity

Year ended 31 March 2016

	Stated Capital	Retained Earnings	Statutory Reserve Fund	Investment Fund	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance As at 1 April 2014</b>	603,247,125	13,238,438	891,603	1,859,802	619,236,968
Profit for the year	-	29,193,936	-	-	29,193,936
Other Comprehensive Income (Net of Tax)	-	(271,332)	-	-	(271,332)
Transfer to Investment Fund	-	(52,126)	-	52,126	-
Transfer from Investment Fund	-	1,911,928	-	(1,911,928)	-
Transfer to Statutory Reserve Fund	-	(1,446,130)	1,446,130	-	-
<b>Balance As at 31 March 2015</b>	603,247,125	42,574,714	2,337,733	-	648,159,573
<b>Balance As at 1 April 2015</b>	603,247,125	42,574,714	2,337,733	-	648,159,572
Profit for the year	-	38,125,982	-	-	38,125,982
Dividend Paid during the Period	-	(3,280,000)	-	-	(3,280,000)
Other Comprehensive Income (Net of Tax)	-	431,582	-	-	431,582
Transfer to Statutory Reserve Fund	-	(1,927,878)	1,927,878	-	-
<b>Balance As at 31 March 2016</b>	603,247,125	75,924,400	4,265,611	-	683,437,136

The Accounting Policies and Notes on pages 62 through 100 form an integral part of the Financial Statements.

# Statement of Cash Flows

Year ended 31 March 2015

Cash Flows From / (Used in) Operating Activities	Notes	2016 Rs.	2015 Rs.
Profit before Income Tax Expense		44,168,975	37,280,082
<b>Adjustment for Other Non Cash Items Included in Profit Before Tax</b>			
Depreciation of Property, Plant and Equipment	21	13,745,534	12,204,905
Amortization of Intangible Assets	22	4,353,460	4,129,444
Provision for Impairment		2,400,000	2,100,000
Interest expenses on Bank Borrowings		23,606,687	4,914,531
Defined Benefit Obligation		1,395,450	1,023,168
<b>Operating Profit before Working Capital Changes</b>		<b>89,670,106</b>	<b>61,652,130</b>
(Increase)/Decrease in Lease Rentals Receivable & Stock out on Hire		(569,524,617)	(136,449,947)
(Increase)/Decrease in Loan Stock		(73,085,905)	3,728,948
(Increase)/Decrease in Gold Advance		(6,825,383)	-
(Increase)/Decrease in Other Financial Assets		(4,906,307)	3,083,117
(Increase)/Decrease in Other Non Financial Assets		1,982,844	9,000,920
(Increase)/Decrease in Inventories		(102,908,600)	11,651,730
Increase/(Decrease) in Amounts Due to Customers		210,598,040	(35,252,875)
Increase/(Decrease) in Other Financial Liabilities		31,499,566	11,939,755
Increase/(Decrease) in Other Non Financial Liabilities		16,907,981	(739,280)
<b>Cash Generated from Operations</b>		<b>(406,592,275)</b>	<b>(71,385,502)</b>
Retirement Benefit Liabilities Paid		-	-
Income Tax Paid		-	-
<b>Net Cash Flows from/(Used in) Operating Activities</b>		<b>(406,592,275)</b>	<b>(71,385,502)</b>
<b>Cash Flows from / (Used in) Investing Activities</b>			
Purchase of Property, Plant and Equipment	21	(12,349,830)	(1,788,497)
Purchase of Intangible Assets	22	(3,122,229)	(1,366,648)
<b>Net Cash Flows from/(Used in) Investment Activities</b>		<b>(15,472,058)</b>	<b>(3,155,145)</b>
<b>Cash Flows from / (Used in) Financing Activities</b>			
Net Proceeds from the Issue of Ordinary Shares		-	-
Net Proceeds from Bank Borrowings		325,000,000	125,000,000
Repayment of Bank Borrowings Fund		(83,699,000)	(14,810,366)
Repayment of Other Borrowed Fund		(1,634,340)	(996,890)
<b>Net Cash Flows from/(Used in) Financing Activities</b>		<b>239,666,660</b>	<b>109,192,744</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(182,397,673)</b>	<b>34,652,097</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		<b>139,997,920</b>	<b>105,345,823</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	31	<b>(42,399,754)</b>	<b>139,997,920</b>

The Accounting Policies and Notes on pages 62 through 100 form an integral part of the Financial Statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

IDEAL Investment Limited is a limited liability company, incorporated on 24 January 2012 under companies Act No.7 of 2007 and then changed the name as IDEAL Finance Limited on 12 March 2012 and domiciled in Sri Lanka. The registered office of the company is situated at No.299, Dr. Colvin R De. Silva Mawatha (Union Place), Colombo 02.

IDEAL Finance Limited is licensed by Monetary Board of The Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011, and also registered under the Finance Leasing Act No.56 of 2000.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were Acceptance of Deposits, Granting Lease, Hire Purchase, Micro Credit Facilities and Gold Advances.

### 1.3 Parent Entity and Ultimate Parent Entity

Ideal Holding (Private) Limited is the parent of Ideal Finance Limited. Further the company does not have any investments in the form of subsidiary, joint venture or associate.

### 1.4 Date of Authorization for Issue

The financial statements of IDEAL Finance Limited for the period ended 31 March 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 15 July 2016.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

#### 2.1.1 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement, together

with Accounting Policies and Notes, ('Financial Statements'), as at 31 March 2016 and for the period then ended, have been prepared in accordance with Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards & Lanka Accounting Standards (hereafter referred as "SLFRS"), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto.

#### 2.1.2 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments.

#### 2.1.3 Presentation of Financial Statements

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

The company presents its Statements of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 34.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of the Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the company.

**2.1.4 Functional and presentation currency**

The financial statements are presented in Sri Lanka Rupees, except when otherwise is indicated. No adjustments have been made for inflationary factors.

**2.1.5 Comparative Information**

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year.

**2.2 Use of significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires the application of certain critical accounting and assumptions relating to the future. Further, it requires the management of the company to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

**Judgments**

In the process of applying the Company's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based these assumptions and estimates on parameters available at the time financial statements were prepared. Existing circumstances and assumptions about future developments, these may change due to market changes or circumstances arising beyond the control of the company. Such changes are taken

into consideration in the assumptions when they occur.

The most significant uses of judgments and estimates are as follows:

**i. Taxation**

The company is subject to income taxes and other tax. The company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is deferent from the amounts that were initially recorded, such difference will impact the income, deferred tax amounts in the period in which the determination is made.

**ii. Useful life-time of the Property and equipment**

The company reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

**iii. Going Concern**

The board has made an assessment of the company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Therefore, the financial statements continue to be prepared on the going concern basis.

**iv. Impairment losses on loans and advances**

The company review their individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment of the management is required in estimation of the amount and timing of future cash flows when

determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Loan and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilization etc), and judgments on the effect of concentrations of risks and economic data (including level of unemployment, inflation, interest rates, exchange rates.)

**v. Deferred tax assets**

Deferred tax assets are recognized in respect of tax losses to the extent it is possible that future taxable profits will be available against which such tax losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

**vi. Defined Benefit Plan Obligation**

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are disclosed in Note 27.

**2.3 Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of these financial Statements are set out below.

**2.3.1 Financial Instruments**

**2.3.1.1 Initial recognition and subsequent measurement**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. The Company's financial assets include cash and bank balances, placement with banks and other financial institutions, lease rentals receivable and stock out on hire, loan stock and other financial assets.

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities include, due to bank, due to the other customers and other financial liabilities

**a) Date of Recognition**

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the company becomes a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

**b) Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction

costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

c) *Subsequent measurement of financial instruments*

*I. The subsequent measurement of financial assets depends on their classification as described below:*

*Available-for-sale financial investments*

Available-for-sale investments include unquoted equity. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. The company has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity (Other comprehensive income) in the available-for-sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of comprehensive income in (Net Gain/ (Loss) From Financial Investments'. Where the company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Dividends earned whilst holding available-for-sale financial investments are recognized in the statement of comprehensive income as (Net Gain/ (Loss) from Financial Investments when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the statement of comprehensive income in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve.

Available - for - sale financial instrument which fair value is not reliably measurable are stated at cost.

**Financial Assets Classified as Lease Rental Receivables, Stock out on Hire, Placement with Banks & Other Financial Institutions and Other Financial Assets**

This includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the company intends to sell immediately or in the near term and those that the company, upon initial recognition, designates as at fair value through profit or loss
- Those that the company, upon initial recognition, designates as available-for-sale
- Those for which the company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, Financial Assets Classified as Lease Rental Receivables, Stock out on Hire, Placement with Banks & Other Financial Institutions and Other Financial Assets are subsequently measured at amortized cost using the Effective Interest Rate, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the Effective Interest Rate. The amortization is included in Interest and similar income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in 'Impairment for Loans and Other Losses' and Detailed under Note 14 and 15.

*II. The subsequent measurement of financial liabilities depends on their classification as described below: Loans and borrowings:*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

### 2.3.1.2 *Derecognition of Financial Assets and Liabilities*

#### (i) *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

The rights to receive cash flows from the asset have expired

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:

The company has transferred substantially all the risks and rewards of the asset

Or

The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

#### (ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or

cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

### 2.3.1.3 *Determination of Fair Value*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations without any deduction for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exists, pricing models and other relevant valuation models.

### 2.3.1.4 *Impairment of Financial Assets*

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

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the

estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*(i) Financial assets carried at amortised cost*

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held to maturity investments), the company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Interest income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event

occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Other Operating Income'.

The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current Effective Interest Rate. If the Company has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new Effective Interest Rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the company's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the

group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) *Available-for-sale financial investments*

For available-for-sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Interest and similar income. If, in a subsequent period, the fair value of an equity instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The company treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment

loss on that investment previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in the fair value after impairment are recognised in other comprehensive income.

2.3.1.5 *Offsetting Financial Instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of Financial Position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.3.2 *Lease*

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.3.2.1 *Operating Lease*

*Company as a lessee*

Leases that do not transfer to the company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

*Company as a lessor*

Leases where the company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the

Notes to the Financial Statements cont. ....

same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.2.2 *Finance Lease*

*Company as a lessor*

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as 'Finance Lease'. Amount receivables under finance lease are included under 'Lease Rentals Receivable and Stock Out on Hire' in the Statement of Financial Position after deduction of unearned lease income and accumulated impairment losses. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognized as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognized as unearned finance income, which is allocated to accounting periods reflect a constant periodic rate of return.

2.3.3 *Cash and cash equivalents*

Cash and cash equivalents as referred to in the cash flow statement comprises cash in hand, and amounts due from banks on demand or with an original maturity of three months or less.

2.3.4 *Property, Plant and equipment*

Property, plant and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

<i>Category</i>	<i>Years</i>
Furniture & Fittings	05
Office Equipment	05
Motor Vehicles	05
Computer System	05

The depreciation method and residual values of assets are reviewed at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern.

Property plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the assets) is recognized in 'Other Operating Income' in the Statement of Comprehensive Income (Profit or Loss) in the year the asset is recognized.

2.3.5 *Intangible assets*

The company's other intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the company. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits

embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statement of comprehensive income.

Computer System software is amortised over : 10 years

#### 2.3.6 *Other Assets*

All other assets are stated at cost less accumulated impairment losses.

#### 2.3.7 *Inventories*

Inventories are valued at the lower of cost and net realizable value.

#### 2.3.8 *Impairment of non-financial assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

#### 2.3.9 *Employee Retirement Benefits*

##### *Defined Contribution Plan Costs*

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognized as a Personnel Expenses in the Statement of comprehensive income in the periods during which services are rendered by employees. Employees are eligible for employees' Provident Fund and Employees Trust Fund Contributions in line with the respective Statutes and regulations. Accordingly, the company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employee Trust Fund respectively and is recognized as an expense under "Personnel Expenses".

##### *Defined Benefit Plan Costs*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is

calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rate that are denominated in the currency in which the benefit will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the Financial Statements for retiring gratuities from the first year of service for all employees, in conformity with LKAS 19-“Employee Benefits”.

However, according to the payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services. The liability is not externally funded.

#### 2.3.10 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

#### 2.3.11 Other Liabilities

Other liabilities are recorded at the cash value to be realized when settled.

#### 2.3.12 Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. All differences arising on non-trading activities are taken to ‘Other operating income’ in the income statement.

#### 2.3.13 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### (i) Interest income and interest expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate. Effective Interest Rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original Effective Interest Rate and the change in carrying amount is recorded as ‘Interest Income’ for financial assets and Interest Expense for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the Effective Interest Rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

*(ii) Fee and commission income*

The company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time.
- Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and service charges.

*Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

*(iii) Dividend income*

Dividend income is recognised when the company's right to receive the payment is established.

*(iv) Expenditure Recognition*

Expenses are recognized in profit or loss in the statement of comprehensive Income 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 and equipment in a state of efficiency has been charged to the statement of Comprehensive Income (Profit or loss). For the purpose of presentation of the statement of comprehensive Income, the "function

of expenses" method has been adopted, on the basis that it presents fairly the element of the company's performance.

*2.3.14 Taxes*

*a. Current Tax*

The provision for the income tax is based on the elements of the income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 as amended subsequently.

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

*b. Deferred Tax*

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credit and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax

assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*c. Value Added Tax on Financial Services*

Value Added Tax on Financial Services is calculated at the rate of 11% in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

*2.3.15 Related Party Transactions*

Disclosure has been made in respect of the transactions in which one party has the liability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is being charged.

*2.3.16 Event Occurring After the Reporting Date*

All the material events after the reporting date of the statement of Financial Position have been considered and appropriate adjustments/ disclosures have been made in Note 33 to the Financial Statements.

*2.3.17 STANDARD ISSUED BUT NOT YET EFFECTIVE*

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

SLFRS 9 -Financial Instruments: Classification and Measurement

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the Financial Instruments project and replaces LKAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Sri Lanka Accounting Standard (SLFRS 15) –“Revenue from Contracts with Customers”

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard (LKAS 18) – “Revenue”, Sri Lanka Accounting Standard (LKAS 11) – “Construction Contracts” and IFRIC 13 – “Customer Loyalty Programmes”. This standard is effective for the annual periods beginning on or after 01 January 2017.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

# Notes to the Financial Statements

Year ended 31 March 2016

3. INCOME	2016 Rs.	2015 Rs.
Interest Income (4.1)	202,564,337	167,630,354
Fee and Commission Income (5)	3,625,563	2,214,672
Other Operating Income (6)	16,126,413	5,652,533
<b>Total Income</b>	<b>222,316,313</b>	<b>175,497,559</b>
<b>4. NET INTEREST INCOME</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>4.1 Interest Income</b>		
From Placements with Banks and Other Financial Institutions	5,271,172	7,022,753
From Lease Rental Receivable & Stock Out on Hire	189,257,779	153,626,099
From Loans and Advances	7,762,301	6,672,272
From Other Receivables	273,085	309,230
<b>Total Interest Income</b>	<b>202,564,337</b>	<b>167,630,354</b>
Interest Income from Other Receivables purely comprise of imputed notional interest on "Refundable Deposits".		
<b>4.2 Interest Expense</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Due to Banks	23,606,687	5,193,888
Due to Customers	21,653,275	23,623,873
<b>Total Interest Expenses</b>	<b>45,259,962</b>	<b>28,817,761</b>
<b>Net Interest Income</b>	<b>157,304,375</b>	<b>138,812,593</b>
<b>5. FEE AND COMMISSION INCOME</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Commission Income	3,625,563	2,214,672
<b>Net Fee and Commission Income</b>	<b>3,625,563</b>	<b>2,214,672</b>
<b>6. OTHER OPERATING INCOME</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Dealership Commission	2,770,357	1,661,929
Dividend Income	54,000	40,000
Income from Real Estate Operations	11,717,215	2,906,951
Other Operating Income*	1,584,841	1,043,653
<b>Total Other Operating Income</b>	<b>16,126,413</b>	<b>5,652,533</b>

\*Other Operating Income includes 87,500 from Cheque Return charges and 1,497,341 from Early Settlements.

Notes to the Financial Statements cont. ...

**Year ended 31 March 2016**

<b>7. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Lease Rental's Receivable, Stock Out on Hire, and Loans and Receivables	2,400,000	2,100,000
	<b>2,400,000</b>	<b>2,100,000</b>
<b>8. PERSONNEL EXPENSES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Salaries	42,894,658	32,706,527
Employers' Contribution to Employee's Provident Fund	5,153,306	3,924,783
Employers' Contribution to Employee's Trust Fund	1,288,327	981,196
Gratuity Charge for the year	1,395,450	1,023,168
Other Staff Related Expenses	17,577,239	15,271,778
	<b>68,308,980</b>	<b>53,907,452</b>
<b>9. OTHER OPERATING EXPENSES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Directors' Emoluments	2,391,500	2,827,029
Auditors' Remuneration	1,500,000	837,500
Professional and Legal Expenses	2,759,739	3,037,346
Office Administration and Establishment Expenses	20,194,430	16,752,901
Advertising and Promotional Expenses	4,541,961	2,567,889
Other Expenses*	6,435,203	7,949,191
	<b>37,822,833</b>	<b>33,971,856</b>
*Other Expenses includes 3,608,735 of Fuel & Travelling expenses, 2,546,300 of Printing & stationery cost and Rs. 216,255 of VAT on Other income sources.		
<b>10. INCOME TAX EXPENSES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>10.1 The major component of income tax for the year ended 31 March 2016 as follows;</b>		
<b>Income Statement</b>		
<b>Current Income Tax</b>		
Income Tax for the year	3,341,026	1,743,953
<b>Deferred Tax</b>		
Deferred Tax Charge (Note 28)	2,701,967	6,342,192
<b>Income Tax Expenses reported in the Income Statement</b>	<b>6,042,993</b>	<b>8,086,145</b>
<b>Statement of Other Comprehensive Income</b>		
Deferred Tax related to items recognized in OCI during the year		
Net Gain/(Loss) on Actuarial Gains/Losses during the year	167,837	(105,518)
<b>Income Tax Expenses reported in the Other Comprehensive Income</b>	<b>167,837</b>	<b>(105,518)</b>
<b>Total Income Tax Expense for the year</b>	<b>6,210,830</b>	<b>7,980,627</b>

**Year ended 31 March 2016****10.2 Reconciliation of Accounting Profit and Taxable Income**

A reconciliation between the tax expense and the accounting profit multiplied by Income tax rate for the year ended 31 March 2016 as follows.

	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Accounting Profit / (Loss) Before Income Taxation	50,425,543	40,366,141
Aggregate allowable expenditure	(62,840,077)	(49,710,750)
Aggregate disallowable expenditure	24,346,770	20,874,319
Tax loss utilised	-	(2,876,976)
	11,932,236	8,652,734
Tax at applicable rate of 28%	3,341,026	2,422,765
Prior year adjustments	-	(678,813)
	3,341,026	1,743,953
Deferred taxation charged	2,701,967	6,236,674
	2,701,967	6,236,674
	<b>6,042,993</b>	<b>7,980,627</b>

**11. BASIC EARNING PER ORDINARY SHARES**

**11.1** Basic earning per share is calculated by dividing net profit for the period attributable to ordinary share holders by weighted average number of ordinary shares outstanding during the period, as per LKAS-33-Earning Per Share.

**11.2** The following reflect the income and shares detail used in Basic Earning Per Share computation;

	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>Amount Used as Numerators</b>		
Profit attributable to Ordinary Share Holders for	38,557,564	28,922,604
<b>Number of Ordinary shares used as Denominators for Basic Earning Per Share</b>		
Weighted Average Number of Ordinary Shares	80,000,000	80,000,000
<b>Basic Earning Per Ordinary Shares</b>	0.48	0.36

Notes to the Financial Statements cont. ...

**Year ended 31 March 2016**

<b>12. CASH AND BANK BALANCES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Cash In Hand	9,662,263	272,828
Bank Balances	12,362,875	2,934,677
	<b>22,025,138</b>	<b>3,207,505</b>
<b>12.1 GOVERNMENT SECURITIES</b>		
Treasury Bills - at amortized cost	22,292,541	10,942,112
	22,292,541	10,942,112
<b>13 PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Placement With Banks (Fixed Deposit)	15,661,885	115,144,113
Placement With Other Financial Institutions (Fixed Deposit)	-	50,000,000
	<b>15,661,885</b>	<b>165,144,113</b>
<b>14. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Rental Receivable on Lease	1,601,634,276	761,176,186
Rental Receivable on Hire Purchase	109,854,139	213,902,861
Gross Rentals Receivables	1,711,488,415	975,079,047
Less: Unearned Income	(399,480,187)	(247,662,661)
	1,312,008,228	727,416,386
Less : Rentals Received in Advance	(27,903,527)	(12,836,302)
Net Rentals Receivables before charging Allowance for Impairment Losses	1,284,104,701	714,580,084
Less : Allowance for Impairment Losses (Note 14.1)	(7,799,752)	(5,854,147)
<b>Total Net Rentals Receivable</b>	<b>1,276,304,949</b>	<b>708,725,937</b>
<b>14.1 Allowance for Impairment Losses</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
As at 01 April	5,854,147	3,754,147
Charge / (Reversal) for the year	1,945,605	2,100,000
As at 31 March	<b>7,799,752</b>	<b>5,854,147</b>
Individual Impairment	3,321,774	1,275,356
Collective Impairment	4,477,978	4,578,791
	<b>7,799,752</b>	<b>5,854,147</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2016**

<b>14.2 RENTAL RECEIVABLE ON LEASE</b>	<b>Within One Year Rs.</b>	<b>1 to 5 Years Rs.</b>	<b>Over 5 Years Rs.</b>	<b>Total Rs.</b>
Gross Rentals Receivables	564,021,541	1,037,612,735	-	1,601,634,276
Less: Unearned Income	(176,498,371)	(201,730,677)	-	(378,229,048)
	387,523,170	835,882,058	-	1,223,405,228
				(27,190,494)
Less : Rentals Received in Advance				-
<b>Net Rentals Receivable before charging Allowance for Impairment Losses</b>				<b>1,196,214,734</b>

<b>14.3 RENTAL RECEIVABLE ON HIRE PURCHASE</b>	<b>Within One Year Rs.</b>	<b>1 to 5 Years Rs.</b>	<b>Over 5 Years Rs.</b>	<b>Total Rs.</b>
Gross Rentals Receivables	50,027,728	59,826,411		109,854,139
Less: Unearned Income	(12,526,199)	(8,724,940)		(21,251,140)
	37,501,529	51,101,471	-	88,602,999
				(713,033)
Less : Rentals Received in Advance				(713,033)
<b>Net Rentals Receivable before charging Allowance for Impairment Losses</b>				<b>87,889,966</b>

**Total Net Rentals Receivables before charging Allowance for Impairment Losses** **1,284,104,701**

<b>15 LOANS AND ADVANCES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Loan Rental Receivable	151,621,643	39,676,844
Less : Unearned Interest Income	(44,661,977)	(9,586,052)
Net Receivable	106,959,666	30,090,792
Less : Rental Received In Advance	(5,294,878)	(1,511,909)
Net Rentals Receivables before charging Allowance for Impairment Losses	101,664,788	28,578,883
Less : Allowance for Impairment Losses (Note 16.1)	(585,086)	(130,691)
<b>Total Net Rentals Receivable</b>	<b>101,079,702</b>	<b>28,448,192</b>

<b>15.1 ALLOWANCE FOR IMPAIRMENT LOSSES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
As at 01 April	130,691	130,691
Charge / (Reversal) for the Period	454,395	-
As at 31 March	<b>585,086</b>	<b>130,691</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2016**

<b>15.2 RENTAL RECEIVABLE ON LOAN STOCK</b>	<b>Within One Year Rs.</b>	<b>1 to 5 Years Rs.</b>	<b>Over 5 Years Rs.</b>	<b>Total Rs.</b>
Gross Rentals Receivables	63,203,606	88,418,037	-	151,621,643
Less: Unearned Income	(10,031,416)	(34,630,561)	-	(44,661,977)
	53,172,190	53,787,476	-	106,959,666
Less : Rentals Received in Advance				(5,294,878)
<b>Net Rentals Receivable before charging Allowance for Impairment Losses</b>				<b>101,664,788</b>

<b>16. GOLD ADVANCES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Gold Advances	6,825,383	-
	<b>6,825,383</b>	<b>-</b>

<b>17. OTHER FINANCIAL ASSETS</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Refundable Deposit	3,092,156	2,043,582
Sundry Debtors	4,701,160	843,427
	<b>7,793,316</b>	<b>2,887,009</b>

<b>18. OTHER NON FINANCIAL ASSETS</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>Value Added Tax</b>	-	13,703,811
With Holding Tax	515,020	657,750
Income Tax Refundable	-	2,803,806
Advances and Prepayment	15,818,730	5,012,551
Other Receivable*	7,906,323	4,044,999
	<b>24,240,073</b>	<b>26,222,917</b>

Other Receivables include Recoverable Insurance of 6,075,973 from customers.

**Year ended 31 March 2016**

19. FINANCIAL INVESTMENT-AVAILABLE FOR SALE	2016		2015	
	Rs.	No. of Shares	Rs.	No. of Shares
<b>Equities-Unquoted</b>				
Credit Information Bureau of Sri Lanka	457,700	100	457,700	100
	<b>457,700</b>	<b>100</b>	<b>457,700</b>	<b>100</b>

All unquoted available for sales equities are recorded at cost since its fair value cannot be reliably estimated. There is no market for these investments and company intend to hold these for long term.

20. INVENTORIES	2016 Rs.	2015 Rs.
Stationeries	157,025	401,906
Land stock (Note 20.1)	125,624,433	22,470,952
	<b>125,781,458</b>	<b>22,872,858</b>

20.1 LAND STOCK	2016 Rs.	2015 Rs.
Cost	151,623,797	22,470,952
Less : Development Expenses Payable	(25,999,364)	-
	<b>125,624,433</b>	<b>22,470,952</b>

**21. PROPERTY, PLANT & EQUIPMENT**

21.1 GROSS CARRYING AMOUNTS	Balance As at 01.04.2015 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2016 Rs.
<b>At Cost</b>				
<b>Freehold Assets</b>				
Furniture & Fittings	25,822,413	4,719,131	-	30,541,544
Office Equipment	10,848,822	3,375,799	-	14,224,621
Computer System	18,620,282	1,130,250	-	19,750,532
Motor Vehicles	424,540	129,650	-	554,190
	55,716,057	9,354,830	-	65,070,887
<b>Assets on Finance Leases</b>				
Motor Vehicles	5,988,303	2,995,000	-	8,983,303
<b>Total Value of Depreciable Assets</b>	<b>61,704,360</b>	<b>12,349,830</b>	<b>-</b>	<b>74,054,190</b>

Notes to the Financial Statements cont. ...

**Year ended 31 March 2016**

<b>21.2 Depreciation</b>	<b>Balance As at 01.04.2015 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Disposals Rs.</b>	<b>Balance As at 31.03.2016 Rs.</b>
<b>At Cost</b>				
<b>Freehold Assets</b>				
Furniture & Fittings	9,914,637	5,794,082	-	15,708,719
Office Equipment	3,753,324	2,569,096	-	6,322,420
Computer System	9,570,187	3,865,454	-	13,435,641
Motor Vehicles	199,332	97,945	-	297,277
	23,437,480	12,326,577	-	35,764,057
<b>Assets On Finance Leases</b>				
Motor Vehicles	2,595,343	1,418,957	-	4,014,300
<b>Total Depreciation</b>	<b>26,032,823</b>	<b>13,745,534</b>	<b>-</b>	<b>39,778,357</b>
<b>21.3 NET BOOK VALUES</b>			<b>2016</b>	<b>2015</b>
<b>At Cost</b>			<b>Rs.</b>	<b>Rs.</b>
Furniture & Fittings			14,832,825	15,907,776
Office Equipment			7,902,201	7,095,498
Computer System			6,314,891	9,050,095
Motor Vehicles			256,913	225,208
			<b>29,306,830</b>	<b>32,278,577</b>
<b>Assets on Finance Leases</b>				
Motor Vehicles			4,969,003	3,392,960
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>			<b>34,275,833</b>	<b>35,671,537</b>
<b>22. INTANGIBLE ASSETS</b>			<b>2016</b>	<b>2015</b>
			<b>Rs.</b>	<b>Rs.</b>
<b>Computer System Software</b>				
<i>Cost:</i>				
Balance As At 1 April			41,891,257	40,524,609
Addition			3,122,229	1,366,648
Disposal			-	-
<b>Balance As At 31 March</b>			<b>45,013,486</b>	<b>41,891,257</b>
<b>Less: Amortization &amp; Impairment</b>				
Balance As At 1 April			11,512,695	7,383,251
Amortization Charge for the year			4,353,460	4,129,444
<b>Balance As At 31 March</b>			<b>15,866,155</b>	<b>11,512,695</b>
<b>Net Book Value As At 31 March</b>			<b>29,147,331</b>	<b>30,378,562</b>

**Year ended 31 March 2016**

<b>23. DUE TO BANKS</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Finance Lease (23.1)	5,299,605	3,947,558
Bank Over Draft	102,379,318	39,295,810
Bank Borrowings	377,025,465	115,104,165
	<b>484,704,388</b>	<b>158,347,533</b>
<b>23.1 FINANCE LEASE</b>		
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Gross liability	6,009,302	4,991,922
Less: Finance Charge Allocated to Future Period	(709,697)	(1,044,364)
<b>Net Liability</b>	<b>5,299,605</b>	<b>3,947,558</b>
<b>Repayable within one year</b>		
Gross Liability	3,383,062	1,732,896
Less: Finance Charge Allocated to Future Period	(531,859)	(560,198)
<b>Net Liability</b>	<b>2,851,203</b>	<b>1,172,698</b>
<b>Repayable after one year</b>		
Gross Liability	2,626,240	3,259,026
Less: Finance Charge Allocated to Future Period	(177,838)	(484,166)
Net Liability	2,448,402	2,774,860
<b>Total Net Liability</b>	<b>5,299,605</b>	<b>3,947,558</b>
<b>23.2 BANK BORROWINGS</b>		
Gross liability	442,743,811	139,021,470
Less: Finance Charge Allocated to Future Period	(65,718,346)	(23,917,305)
<b>Net Liability</b>	<b>377,025,465</b>	<b>115,104,165</b>
<b>Repayable within one year</b>		
Gross Liability	158,517,396	42,371,807
Less: Finance Charge Allocated to Future Period	(32,909,208)	(11,121,803)
<b>Net Liability</b>	<b>125,608,188</b>	<b>31,250,004</b>
<b>Repayable after one year</b>		
Gross Liability	284,226,415	96,649,663
Less: Finance Charge Allocated to Future Period	(32,809,138)	(12,795,502)
Net Liability	251,417,277	83,854,161
<b>Total Net Liability</b>	<b>377,025,465</b>	<b>115,104,165</b>

Notes to the Financial Statements cont. ...

**Year ended 31 March 2016**

23.2.1 BANK LOAN FACILITIES	As at 01.04.2015 Rs.	As at 31.03.2016 Rs.	Interest Rate	Period (Months)	Security
BOC LOAN 1	44,791,665	32,372,116	11.00%	48	Mortgage over Lease and Loan receivables
BOC LOAN 2	70,312,500	51,594,615	11.00%	48	Mortgage over Lease and Loan receivables
BOC LOAN 3	-	7,126,811	10.00%	24	Mortgage over Lease and Loan receivables
BOC LOAN 4	-	9,201,798	10.00%	36	Mortgage over Lease and Loan receivables
BOC LOAN 5	-	1,409,928	10.00%	12	Mortgage over Lease and Loan receivables
BOC LOAN 6	-	20,057,630	10.00%	24	Mortgage over Lease and Loan receivables
BOC LOAN 7	-	17,554,482	10.00%	36	Mortgage over Lease and Loan receivables
BOC LOAN 8	-	6,138,977	10.00%	48	Mortgage over Lease and Loan receivables
PABC LOAN	-	90,727,272	10.50%	47	Mortgage over Lease and Loan receivables
SEYLAN BANK LOAN 1	-	45,898,122	10.22%	48	Mortgage over Lease and Loan receivables
SEYLAN BANK LOAN 2	-	46,948,574	11.00%	48	Mortgage over Lease and Loan receivables
SEYLAN BANK LOAN 3	-	47,995,140	11.70%	48	Mortgage over Lease and Loan receivables
	<b>115,104,165</b>	<b>377,025,465</b>			

24. DUE TO CUSTOMERS	2016 Rs.	2015 Rs.
Fixed Deposit	380,790,865	170,192,825
	<b>380,790,865</b>	<b>170,192,825</b>

25. OTHER FINANCIAL LIABILITIES	2016 Rs.	2015 Rs.
Trade Payable	60,729,495	27,803,157
Accrued Expense	5,232,478	4,608,284
Sundry Creditors	8,948,569	7,719,535
	<b>74,910,542</b>	<b>40,130,976</b>

26. OTHER NON-FINANCIAL LIABILITIES	2016 Rs.	2015 Rs.
WHT Payable	265,309	27,658
Stamp Duty Payable	1,166,560	382,820
VAT Payable	6,113,998	-
Income Tax Payable	2,306,235	2,422,765
Dividend Payable	2,959,991	-
Other Liabilities*	12,109,155	1,838,992
	<b>24,921,248</b>	<b>4,672,235</b>

\*Other Liabilities includes Rs. 6,098,370 of advances collected from lease customers.

**Year ended 31 March 2016**

<b>27 POST EMPLOYMENT BENEFIT</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>27.1 Defined Benefit Liability</b>		
Defined Benefit Liability (27.2)	3,477,563	2,681,532
	<b>3,477,563</b>	<b>2,681,532</b>
<b>27.2 Changes in the Defined benefit obligation are as follows</b>		
Opening Liability	2,681,532	1,281,514
Net Benefit expense (27.3)	796,031	1,400,018
Benefit paid	-	-
Defined Benefit Liability as of 31 March	<b>3,477,563</b>	<b>2,681,532</b>
<b>27.3 Net Benefit Expense</b>		
Interest Cost	261,449	134,558
Current Service Cost	1,134,001	888,610
Actuarial Loss on obligations	(599,419)	376,850
	<b>796,031</b>	<b>1,400,018</b>

**27.4 The principal financial assumptions used are as follows**

Messrs. Piyal S Goonetilleke Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2016. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Discount Rate	12.00%	9.75%
Future Salary Increment Rate	9.00%	9.00%
Retirement Age	55 Years	55 Years
Mortality - GA 1983 Mortality Table issued by the institute of Actuaries London		

**27.5 Sensitivity Analysis**

+/- 1% change on Discount Rate and Salary Increase- present value of defined benefit obligation as at 31 March 2016.

	<b>Present Value of Defined Benefit Obligation</b>		
	31-Mar-16	31-Mar-16	31-Mar-16
Discount Rate	11.0%	12.0%	13.0%
Basic Salary Scale	9.0%	9.0%	9.0%
Census at	31-Mar-16	31-Mar-16	31-Mar-16
Total PVDBO	3,647,705	3,477,563	3,325,304

Notes to the Financial Statements cont....

**Year ended 31 March 2016**

	<b>Present Value of Defined Benefit Obligation</b>		
	31-Mar-16	31-Mar-16	31-Mar-16
Discount Rate	12.0%	12.0%	12.0%
Basic Salary Scale	8.0%	9.0%	10.0%
Census at	31-Mar-16	31-Mar-16	31-Mar-16
Total PVDBO	3,322,268	3,477,563	3,648,160

28. DEFERRED TAX LIABILITY	Statement of Financial Position		Statement of Comprehensive Income		Statement of Other Comprehensive Income	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Deferred Tax Liability</b>						
Property Plant & Equipment	3,620,409	2,942,235	678,176	689,275	-	-
Intangible Assets	7,842,877	5,991,980	1,850,898	1,706,140	-	-
Lease Rental	48,238,262	21,010,675	27,227,588	5,204,402	-	-
	59,701,548	29,944,890	29,756,662	7,599,817	-	-
<b>Deferred Tax Assets</b>						
Lease Creditor	291,285	-	(291,285)	-	-	-
Defined Benefit Plan Obligation	973,718	750,829	(390,726)	(286,487)	167,837	(105,518)
Impairment of Loans and Receivables	2,347,755	1,675,754	(672,000)	(1,675,755)	-	-
Brought Forward Tax Loss	42,445,224	16,744,538	(25,700,685)	704,617	-	-
	46,057,981	19,171,121	(27,054,696)	(1,257,625)	167,837	(105,518)
<b>Deferred Income Tax Income/(Expense)</b>			2,701,967	6,342,192	167,837	(105,518)
<b>Net Deferred Tax (Asset)/Liabilities</b>	13,643,567	10,773,769				

**29. STATED CAPITAL**

Issued and Fully Paid-Ordinary Shares	No of Shares	Rs.
<b>Balance as of 1 April 2014</b>	80,000,000	603,247,125
Issued during the year	-	-
<b>Balance as of 31 March 2015</b>	80,000,000	603,247,125
<b>Balance as of 1 April 2015</b>	80,000,000	603,247,125
Issued during the year	-	-
<b>Balance as of 31 March 2016</b>	80,000,000	603,247,125
Transaction cost on share issued is deducted from the equity		

**Year ended 31 March 2016**

<b>30. RESERVES</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<p>'Statutory Reserve Fund' has been created during the year 2007 in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund during the financial year.</p>		
Statutory Reserve Fund	4,265,611	2,337,733
Closing Balance	<b>4,265,611</b>	<b>2,337,733</b>
<b>31. CASH AND CASH EQUIVALENTS FOR THE PURPOSE OF CASH FLOW STATEMENT</b>		
<b>Components of cash and cash Equivalents</b>		
<b>Favorable Cash &amp; Cash Equivalents Balance</b>		
Cash and Bank Balance (Note 12)	22,025,138	3,207,505
Investment in government securities	22,292,541	10,942,112
Investment in FD with short Term Maturities (Note 13)	15,661,885	165,144,113
	<b>59,979,564</b>	<b>179,293,730</b>
<b>Un-Favorable Cash &amp; Cash Equivalents Balance</b>		
Bank Over Draft (Note 23)	102,379,318	39,295,810
	102,379,318	39,295,810
<b>Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>	<b>(42,399,754)</b>	<b>139,997,920</b>

**32. ANALYSIS OF FINANCIAL ASSETS & LIABILITIES BY MEASUREMENT BASIS**

<b>As at 31 March 2016</b>	<b>Available for Sale Financial Assets at Fair Value Rs.</b>	<b>Financial Assets and Liabilities at Amortizes Cost Rs.</b>	<b>Total  Rs.</b>
<b>Financial Assets</b>			
Cash & Bank Balances	-	22,025,138	22,025,138
Investment in government Securities	-	22,292,541	22,292,541
Placements with Other Banks & Financial Institutions	-	15,661,885	15,661,885
Lease Rentals Receivable and Stock out on Hire	-	1,276,304,949	1,276,304,949
Loans Stock	-	101,079,702	101,079,702
Gold Advances	-	6,825,383	6,825,383
Financial Investments-Available for Sale	457,700	-	457,700
Other Financial Assets	-	7,793,316	7,793,316
<b>Total Financial Assets</b>	<b>457,700</b>	<b>1,451,982,914</b>	<b>1,452,440,614</b>
<b>Financial Liabilities</b>			
Due to Bank	-	484,704,388	484,704,388
Due to the Customers	-	380,790,865	380,790,865
Other Financial Liabilities	-	74,910,542	74,910,542
<b>Total Financial Liabilities</b>	<b>-</b>	<b>940,405,795</b>	<b>940,405,795</b>

**Year ended 31 March 2016**

<b>As at 31 March 2015</b>	<b>Available for Sale Financial Assets at Fair Value Rs.</b>	<b>Financial Assets and Liabilities at Amortizes Cost Rs.</b>	<b>Total Rs.</b>
<b>Financial Assets</b>			
Cash & Bank Balances	-	3,207,505	3,207,505
Investment in government Securities	-	10,942,112	10,942,112
Placements with Other Banks & Financial Institutions	-	165,144,113	165,144,113
Lease Rentals Receivable and Stock out on Hire	-	708,725,937	708,725,937
Loans Stock	-	28,448,192	28,448,192
Gold Advances	-	-	-
Financial Investments-Available for Sale	457,700	-	457,700
Other Financial Assets	-	2,887,009	2,887,009
<b>Total Financial Assets</b>	<b>457,700</b>	<b>919,354,868</b>	<b>919,812,568</b>
<b>Financial Liabilities</b>			
Due to Bank	-	158,347,533	158,347,533
Due to the Customers	-	170,192,825	170,192,825
Other Financial Liabilities	-	40,130,976	40,130,976
<b>Total Financial Liabilities</b>	<b>-</b>	<b>368,671,334</b>	<b>368,671,334</b>

**33. FAIR VALUE OF FINANCIAL INSTRUMENTS****33.1 Determination of Fair Value and Fair Value Hierarchy**

The company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1 : Quoted prices in active markets for identical assets and liabilities.

Level 2 : Other technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

**Year ended 31 March 2016****33.2 Fair Value of the Financial Instrument Carried at Amortized Cost**

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial Statements. This table does not include the fair values of non financial assets and liabilities.

<b>As at 31 March 2016</b>	<b>Level</b>	<b>Carrying Amount Rs.</b>	<b>Fair Value Rs.</b>
<b>Financial Assets</b>			
Lease Rentals Receivable and Stock out on Hire	Level 02	1,276,304,949	1,178,529,704
Loans Stock	Level 02	101,079,702	67,038,083
<b>Financial Liabilities</b>			
Bank Borrowings	Level 02	346,673,295	281,059,687
Finance Lease	Level 02	6,009,302	5,730,638
<b>As at 31 March 2015</b>			
<b>Financial Assets</b>			
Lease Rentals Receivable and Stock out on Hire	Level 02	708,725,937	725,243,392
Loans Stock	Level 02	28,448,192	28,605,589
<b>Financial Liabilities</b>			
Bank Borrowings	Level 02	115,104,167	93,465,484
Finance Lease	Level 02	3,947,558	4,515,484
For the following list of Financial Instrument whose carrying amount is a reasonable approximation of fair value because, for example, they are short-term in nature or reprise to current market rates frequently.			
<b>Assets</b>			
Cash and Bank Balances			
Investment in government Securities			
Placements with Banks and Other Financial Institutions			
Other Financial Assets			
<b>Financial Liabilities</b>			
Bank Overdraft			
Due to the Customers			
Other Financial Liabilities			

**Year ended 31 March 2016****34. CURRENT AND NON CURRENT ANALYSIS OF ASSETS & LIABILITIES**

Table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

	<b>2016 - within 12 Months Rs.</b>	<b>2016 - after 12 Months Rs.</b>	<b>Total as at 31.03.2016 Rs.</b>
<b>ASSETS</b>			
Cash and Bank Balances	22,025,138	-	22,025,138
Placements with Banks and Other Financial Institutions	37,954,426	-	37,954,426
Lease Rentals Receivable and Stock out on Hire	444,817,799	940,951,690	1,385,769,489
Gold Advances	6,825,383	-	6,825,383
Other Financial Assets	4,701,160	3,092,156	7,793,316
Other Non Financial Assets	15,818,730	8,421,343	24,240,073
Financial Investments-Available for Sale	-	457,700	457,700
Inventories	125,781,458	-	125,781,458
Property, Plant and Equipment	-	34,275,833	34,275,833
Intangible Assets	-	29,147,331	29,147,331
<b>TOTAL ASSETS</b>	<b>657,924,094</b>	<b>1,016,346,053</b>	<b>1,674,270,147</b>
<b>LIABILITIES</b>			
Due to Bank	230,838,709	253,865,679	484,704,388
Due to the Customers	369,960,745	10,829,006	380,789,751
Other Financial Liabilities	74,910,542	-	74,910,542
Other Non Financial Liabilities	24,921,248	-	24,921,248
Retirement Benefit Liability	-	3,477,563	3,477,563
Deferred Tax Liabilities	-	13,643,567	13,643,567
<b>Total Liabilities</b>	<b>700,631,244</b>	<b>281,815,815</b>	<b>982,447,059</b>
<b>Net Assets / (Liability)</b>	<b>(42,707,150)</b>	<b>734,530,238</b>	<b>691,823,088</b>
<b>As at 31 March 2015</b>			
	<b>2015 - within 12 Months Rs.</b>	<b>2015 - after 12 Months Rs.</b>	<b>Total as at 31.03.2015 Rs.</b>
<b>ASSETS</b>			
Cash and Bank Balances	3,207,505	-	3,207,505
Investment In Government Securities	10,942,112	-	10,942,112
Placements with Banks and Other Financial Institutions	165,144,113	-	165,144,113
Lease Rentals Receivable, Stock out on Hire and Loans	259,538,172	477,635,957	737,174,130
Other Financial Assets	843,427	2,043,582	2,887,009
Other Non Financial Assets	21,378,852	4,844,065	26,222,917
Financial Investments-Available for Sale	-	457,700	457,700
Inventories	22,872,858	-	22,872,858
Property, Plant and Equipment	-	35,671,537	35,671,537
Intangible Assets	-	30,378,562	30,378,562
<b>TOTAL ASSETS</b>	<b>483,927,039</b>	<b>551,031,404</b>	<b>1,034,958,443</b>

**Year ended 31 March 2016**

<b>As at 31 March 2015</b>	<b>2015 - within 12 Months Rs.</b>	<b>2015 - after 12 Months Rs.</b>	<b>Total as at 31.03.2015 Rs.</b>
<b>LIABILITIES</b>			
Due to Bank	71,718,511	86,629,022	158,347,533
Due to the Customers	159,942,825	10,250,000	170,192,825
Other Financial Liabilities	40,130,976	-	40,130,976
Other Non Financial Liabilities	4,672,235	-	4,672,235
Retirement Benefit Liability	-	2,681,532	2,681,532
Deferred Tax Liabilities	-	10,773,769	10,773,769
<b>Total Liabilities</b>	<b>276,464,547</b>	<b>110,334,323</b>	<b>386,798,870</b>
<b>Net Assets / (Liability)</b>	<b>207,462,492</b>	<b>440,697,081</b>	<b>648,159,573</b>

**35. COMMITMENT AND CONTINGENCIES**

There were no significant capital commitment and contingencies as of the reporting date.

**35.1 Litigation Against Company**

The company does not have contingent liabilities in respect of legal claims arising in the ordinary course of business

**35.2 Assets Pledged**

The following assets have been pledged as security for liabilities.

<b>Nature of Assets</b>	<b>Nature of Liability</b>	<b>Carrying Amount Pledged</b>		<b>Included Under</b>
		<b>2016 Rs.</b>	<b>2015 Rs.</b>	
Lease Rentals Receivable and Stock out on Hire *	Bank Loans and Overdrafts	1,385,769,489	743,158,967	Lease Rentals Receivable and Stock out on Hire
		1,385,769,489	743,158,967	

\* The receivables and cash flows that have been included in securitization transactions are only available for payment of the debt and other obligations issued or arising in the securitization transactions. However, the Company hold the right to the excess cash flows not needed to pay the debt and other obligations issued or arising in each of the securitization transactions.

**36. EVENT OCCURRING AFTER THE REPORTING DATE**

Subsequent to the reporting date, no circumstances have arisen which would require adjustment or disclosure in financial statements.

**37. RELATED PARTY TRANSACTIONS**

The Company carries out transactions in the ordinary course of business with the parties who are defined as "Related Parties" in LKAS-24 Related Party Disclosures. Details of related party transactions which the company had during the year are as follows:

**Year ended 31 March 2016****37.1 Transactions with Key Managerial Personnel (KMPs)**

The company has identified and disclosed personnel those having authority and responsibility for planning, directing and controlling the activities of the company as "Key Management Personnel" in accordance with LKAS 24-"Related Party Disclosures". Accordingly, Board of Directors, Chief Executive Officer and Members of Corporate Management team have been identified as "Key Management Personnel".

	2016 Rs.	2015 Rs.
Short Term Employment Benefits	16,376,000	12,355,716

In addition to the above, the Company has also paid non cash benefits such as vehicles and fuel to key management personnel in line with the approved employment benefits of the Company.

**37.2 Transaction, arrangements and agreements involving with Entities which are controlled, and/or jointly controlled by the KMP's and their CFMs or shareholders**

	Nature of Relationship	Amount of the Transactions had During the year	Outstanding Receivable/ (Payable) Balance as at 31-3-2016	Outstanding Receivable/ (Payable) Balance as at 31-3-2015
<b>Ideal Holdings Private Limited</b>				
	Parent Company			
Fixed Deposits		75,000,000	-	-
Withdrawal of Fixed Deposits		(75,000,000)	-	-
Interest Expense - Fixed Deposits		187,500	-	-
<b>Ideal Motors (Pvt) Ltd.</b>				
	Affiliate Company			
Fixed Deposits		245,000,000	(185,000,000)	(10,000,000)
Withdrawal of Fixed Deposits		(70,000,000)	-	-
Receivables from Dealership Commission		2,761,257	318,500	434,000
Finance Lease Equipment Purchase		452,998,000	(22,623,000)	(11,024,056)
Interest Expenses - Fixed Deposits		4,142,668	(586,245)	(2,603)
<b>Ideal Automobile (Pvt) Ltd</b>				
	Affiliate Company			
Finance Lease Equipment Purchase		5,800,000	-	-
Fixed Deposits		30,264,375	(40,264,375)	(10,000,000)
Interest Expenses - Fixed Deposits		2,444,068	(188,114)	51,781
<b>Ideal 2Wheels (Pvt) Ltd</b>				
	Affiliate Company			
Finance Lease Equipment Purchase		6,371,350	(40,000)	179,950

**Year ended 31 March 2016**

<b>Ideal Chery Automobiles (Pvt) Ltd</b>	Affiliate Company			
Finance Lease Equipment Purchase		7,565,000	(3,590,000)	200,000
<b>Ideal Investment Lanka (Pvt) Ltd</b>	Affiliate Company			
Rent Expenses		3,450,096	580,060	549,796
Rent Deposit		-	450,000	450,000
<b>Ideal Choice (Pvt) Ltd</b>	Affiliate Company			
Fixed Deposits		25,000,000	-	-
Withdrawal of Fixed Deposits		(25,000,000)	-	-
Interest Expense - Fixed Deposits		562,500	-	-

**38. CAPITAL**

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka . The adequacy of the Company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

**38.1 Capital Management**

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

**39. RISK MANAGEMENT****39.1 Introduction**

Risk is inherent in the company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the company's continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities.

**Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring Company's risk management policies. The Committee is headed by an Independent Non-Executive Director and is comprised of Executive and Non-Executive Directors and Officers performing Executive functions. Meetings of IRMC are held regularly, and the Board of Directors are duly updated of its activities.

**Year ended 31 March 2016****Risk Measurement & Reporting**

Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept.

**39.2 Credit Risk – Default Risk**

Credit risk is risk arise due to the uncertainty in counter party's ability to meet its obligations. The risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation..

**39.2.1 Credit Quality By Class Of Financial Assets**

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. The amount presented are gross of impairment allowances.

<b>As at 31 March 2016</b>	<b>Note</b>	<b>Neither Past Due Not Impaired Rs.</b>	<b>Past Due But Not Impaired Rs.</b>	<b>Individually Impaired Rs.</b>	<b>Total Rs.</b>
<b>ASSETS</b>					
Cash and Bank Balances	12	22,025,138	-	-	22,025,138
Placements with Banks and Other Financial Institutions	12.1,13	37,954,426	-	-	37,954,426
Lease Rentals Receivable, Stock out on Hire and Loan Stock (Gross)	14,15	1,063,841,872	312,524,838	9,402,779	1,385,769,489
Gold Advances	16	6,825,383	-	-	6,825,383
Other Financial Assets	17	7,793,316	-	-	7,793,316
Financial Investments-Available for Sale	19	457,700	-	-	457,700
		<b>1,138,897,835</b>	<b>312,524,838</b>	<b>9,402,779</b>	<b>1,460,825,452</b>

<b>As at 31 March 2015</b>	<b>Note</b>	<b>Neither Past Due Not Impaired Rs.</b>	<b>Past Due But Not Impaired Rs.</b>	<b>Individually Impaired Rs.</b>	<b>Total Rs.</b>
<b>ASSETS</b>					
Cash and Bank Balances	12	3,207,505	-	-	3,207,505
Placements with Banks and Other Financial Institutions	13	176,086,225	-	-	176,086,225
Lease Rentals Receivable, Stock out on Hire and Loan Stock (Gross)	14	720,074,130	17,099,999	-	737,174,129
Other Financial Assets	17	2,887,009	-	-	2,887,009
Financial Investments-Available for Sale	19	457,700	-	-	457,700
		<b>902,712,569</b>	<b>17,099,999</b>	<b>-</b>	<b>919,812,568</b>

**Year ended 31 March 2016****Past Due But Not Impaired**

Past due but not impaired financial assets are those with contractual interest or principal payments are past due but the company believes that impairment is not appropriate on the basis of the stage of collection amounts owed, level of security / collateral available and significance of the financial assets.

**Individually Impaired**

All individual significant financial assets which the company determines that there are objective evidence of impairment loss and therefore, may not be able or unable to collect all principal and interest due according to the contractual terms are classified as impaired financial assets.

**39.2.1.1 Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets**

As at 31 March 2016	Past Due Not Impaired				Total Rs.
	Less than 31 days Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 90 days Rs.	
Lease Rentals Receivable, Stock out on Hire and Loan Stock (Gross)	278,812,684	23,537,929	4,620,668	5,553,557	312,524,838
	<b>278,812,684</b>	<b>23,537,929</b>	<b>4,620,668</b>	<b>5,553,557</b>	<b>312,524,838</b>

As at 31 March 2015	Past Due Not Impaired				Total Rs.
	Less than 31 days Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 90 days Rs.	
Lease Rentals Receivable, Stock out on Hire and Loan Stock (Gross)	2,683,254	6,219,187	3,259,148	4,938,409	17,099,999
	<b>2,683,254</b>	<b>6,219,187</b>	<b>3,259,148</b>	<b>4,938,409</b>	<b>17,099,999</b>

**39.2.2 Analysis of Risk Concentration**

Notes to the Financial Statements cont. ...

## Year ended 31 March 2016

### 39.2.2.1 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Sector wise Break Down as at 31st March 2016	Cash & Bank Balances Rs.	Placement with Bank & Other Financial Institutions Rs.	Lease Rental Receivable & Stock out on Hire & Loan Rs.	Financial Assets- Available for Sale Rs.	Gold Advances Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
Agriculture	-	-	118,581,844	-	-	-	118,581,844
Manufacturing	-	-	21,754,729	-	-	-	21,754,729
Construction	-	-	38,080,920	-	-	-	38,080,920
Financial Services	22,025,138	15,661,885	12,566,664	-	-	-	50,253,687
Trading	-	-	75,580,174	-	-	-	75,580,174
Hotels	-	-	3,494,204	-	-	-	3,494,204
Services	-	-	494,990,476	457,700	-	-	495,448,176
Transport	-	-	23,027,595	-	-	-	23,027,595
Consumer	-	-	597,692,884	-	6,825,382	7,793,316	612,311,582
<b>Total</b>	<b>22,025,138</b>	<b>15,661,885</b>	<b>1,385,769,489</b>	<b>457,700</b>	<b>6,825,382</b>	<b>7,793,316</b>	<b>1,438,532,910</b>

Provincial break down for lease rental receivables, stock out on hire and Loan Stock within Sri Lanka as follows.

Province	Lease Rental Receivable & Stock Out On Hire	Loan Stock	Gold Advances
North Central	326,847,758	17,993,432	989,275
North Western	279,029,707	7,328,823	-
Northern	110,655,617	6,092,902	-
Sabaragamuwa	48,301,639	1,270,698	-
Southern	62,502,493	2,826,158	-
Uva	222,507,405	4,899,070	5,836,107
Western	234,260,082	61,253,705	-
<b>Total</b>	<b>1,284,104,701</b>	<b>101,664,788</b>	<b>6,825,382</b>

Sector wise Break Down as at 31st March 2015	Cash & Bank Balances Rs.	Placement with Bank & Other Financial Institutions Rs.	Lease Rental Receivable & Stock out on Hire & Loan Rs.	Financial Assets- Available for Sale Rs.	Gold Advances Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
Agriculture	-	-	81,301,512	-	-	-	81,301,512
Manufacturing	-	-	25,872,417	-	-	-	25,872,417
Construction	-	-	41,018,983	-	-	-	41,018,983
Financial Services	3,207,505	176,086,225	12,053,166	-	-	-	191,346,896
Trading	-	-	252,019,496	-	-	-	252,019,496
Hotels	-	-	4,133,922	-	-	-	4,133,922
Services	-	-	220,412,276	457,700	-	-	220,869,976
Transport	-	-	18,136,402	-	-	-	18,136,402
Consumer	-	-	82,225,956	-	-	2,887,009	85,112,965
<b>Total</b>	<b>3,207,505</b>	<b>176,086,225</b>	<b>737,174,129</b>	<b>457,700</b>	<b>-</b>	<b>2,887,009</b>	<b>919,812,568</b>

**Year ended 31 March 2016**

Provincial break down for lease rental receivables and stock out on hire within Sri Lanka as follows.

Province	Lease Rental Receivable & Stock Out On Hire	Loan Stock	Gold Advances
Central	13,638,628	-	-
North Central	99,883,542	2,972,801	-
North Western	186,925,970	172,371	-
Northern	38,513,863	326,697	-
Sabaragamuwa	24,514,323	-	-
Southern	58,628,581	967,940	-
Uva	152,926,336	743,399	-
Western	133,694,694	23,264,985	-
<b>Total</b>	<b>708,725,937</b>	<b>28,448,193</b>	<b>-</b>

**39.2.2.2 Analysis of Maximum Exposure to Credit Risk**

The following table shows the maximum exposure to credit risk by class of financial assets. It further shows the total fair value of collateral and exposure to credit risk.

	2016		2015	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Cash and Bank Balances	22,025,138	-	3,207,505	-
Placements with Banks and Other Financial Institutions and Government Securities	37,954,426	37,954,426	176,086,225	176,086,225
Lease Rentals Receivable, Stock out on Hire and Loan Stock	1,377,384,651	192,833,851	737,174,129	88,460,895
Gold Advances	6,825,383	6,825,383	-	-
Other Financial Assets	7,793,316	7,793,316	2,887,009	2,887,009
Financial Investments-Available for Sale	457,700	457,700	457,700	457,700
<b>Total Financial Assets</b>	<b>1,452,440,614</b>	<b>245,864,676</b>	<b>919,812,568</b>	<b>267,891,829</b>

**39.3 LIQUIDITY RISK & FUNDING MANAGEMENT**

Liquidity risk refers to the possibility of Company not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of Company's assets and liabilities. Adequate liquidity is critical to meet the Company's financial commitment and to accommodate additional funding needs of the growing business volumes

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles.

Furthermore the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control the liquidity risk.

Notes to the Financial Statements cont. ...

## Year ended 31 March 2016

### 39.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

As at 31 March 2016	On Demand Rs.	Less Than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 years Rs.	Over 5 Years Rs.	Total Rs.
<b>Financial Assets</b>						
Cash and Bank Balances	22,025,138	-	-	-	-	22,025,138
Placements with Banks and Other Financial Institutions	-	37,719,742	234,684	-	-	37,954,426
Lease Rentals Receivable and Stock out on Hire	46,291,249	99,041,999	296,946,421	841,825,032	-	1,284,104,701
Loans Stock	1,688,637	13,576,978	38,677,520	47,721,653	-	101,664,788
Gold Advances	-	-	6,825,383	-	-	6,825,383
Financial Investments-Available for Sale	-	-	-	-	457,700	457,700
Other Financial Assets	-	-	4,701,160	3,092,156	-	7,793,316
<b>Total Financial Assets</b>	<b>70,005,024</b>	<b>150,338,718</b>	<b>347,385,168</b>	<b>892,638,841</b>	<b>457,700</b>	<b>1,460,825,452</b>
<b>Financial Liabilities</b>						
Due to Banks	102,379,318	33,569,184	94,358,341	254,397,545	-	484,704,388
Due to the Customers	-	244,042,327	125,918,418	10,829,006	-	380,789,751
Other Financial Liabilities	-	74,910,542	-	-	-	74,910,542
Total Financial Liabilities	102,379,318	352,522,053	220,276,759	265,226,551	-	940,404,681
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>(32,374,294)</b>	<b>(202,183,335)</b>	<b>127,108,409</b>	<b>627,412,290</b>	<b>457,700</b>	<b>520,420,771</b>
<b>As at 31 March 2015</b>						
<b>Financial Assets</b>						
Cash and Bank Balances	3,207,505	-	-	-	-	3,207,505
Placements with Banks and Other Financial Institutions	100,000,000	76,509,766	228,254	-	-	176,738,020
Lease Rentals Receivable and Stock out on Hire	20,749,455	99,167,443	256,131,419	585,552,183	-	961,600,500
Loans Stock	-	3,309,720	8,863,478	25,991,737	-	38,164,935
Gold Advances	-	-	-	-	-	-
Financial Investments-Available for Sale	-	-	-	-	457,700	457,700
Other Financial Assets	-	843,427	-	2,043,582	-	2,887,009
<b>Total Financial Assets</b>	<b>123,956,960</b>	<b>179,830,356</b>	<b>265,223,151</b>	<b>613,587,502</b>	<b>457,700</b>	<b>1,183,055,669</b>
<b>Financial Liabilities</b>						
Due to Banks	39,295,810	11,364,903	32,739,800	99,908,689	-	183,309,202
Due to the Customers	-	33,138,436	138,015,576	16,001,604	-	187,155,617
Other Financial Liabilities	-	39,944,663	-	-	-	39,944,663
Total Financial Liabilities	39,295,810	84,448,002	170,755,377	115,910,293	-	410,409,482
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>84,661,150</b>	<b>95,382,353</b>	<b>94,467,774</b>	<b>497,677,209</b>	<b>457,700</b>	<b>772,646,187</b>

**Year ended 31 March 2016****39.4 INTEREST RATE RISK**

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

**Interest Rate Risk Exposure on Financial Assets & Liabilities**

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 31 March 2016	Total As at 31-03-2016 Rs.	Interest Bearing				Non Interest Bearing Rs.
		Less Than 3 Months Rs.	3 to 12 Month Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	
<b>Financial Assets</b>						
Cash and Bank Balances	22,025,138	-	-	-	-	22,025,138
Placements with Banks and Other Financial Institutions	37,954,426	37,719,742	234,684	-	-	-
Lease Rentals Receivable and Stock out on Hire	1,284,104,701	145,333,248	296,946,421	841,825,032	-	-
Loans Stock	101,664,788	15,265,615	38,677,520	47,721,653	-	-
Gold Advances	6,825,383	-	6,825,383	-	-	-
Financial Investments- Available for Sale	457,700	-	-	-	-	457,700
Other Financial Assets	7,793,316	-	-	-	-	7,793,316
<b>Total Financial Assets</b>	<b>1,460,825,452</b>	<b>198,318,605</b>	<b>342,684,008</b>	<b>889,546,685</b>	<b>-</b>	<b>30,276,154</b>
<b>Financial Liabilities</b>						
Due to Banks	484,704,388	135,948,502	94,358,341	254,397,545	-	-
Due to the Customers	380,790,865	244,042,327	125,918,418	10,829,006	-	-
Other Financial Liabilities	74,910,542	-	-	-	-	74,910,542
<b>Total Financial Liabilities</b>	<b>940,405,795</b>	<b>379,990,829</b>	<b>220,276,759</b>	<b>265,226,551</b>	<b>-</b>	<b>74,910,542</b>
<b>Interest Sensitivity Gap</b>	<b>520,419,657</b>	<b>(181,672,224)</b>	<b>122,407,249</b>	<b>624,320,134</b>	<b>-</b>	<b>(44,634,388)</b>

Notes to the Financial Statements cont. ...

**Year ended 31 March 2015**

As at 31 March 2015	Total As at 31-03-2015 Rs.	Interest Bearing			Non Interest	
		Less Than 3 Months Rs.	3 to 12 Month Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Bearing Rs.
<b>Financial Assets</b>						
Cash and Bank Balances	3,207,505	-	-	-	-	3,207,505
Placements with Banks and Other Financial Institutions	176,086,225	175,864,265	221,960	-	-	-
Lease Rentals Receivable and Stock out on Hire	708,725,937	84,564,121	167,282,477	456,879,339	-	-
Loans Stock	28,448,192	1,998,664	5,692,912	20,756,616	-	-
Gold Advances	-	-	-	-	-	-
Financial Investments- Available for Sale	457,700	-	-	-	-	457,700
Other Financial Assets	2,887,009	-	-	-	-	2,887,009
<b>Total Financial Assets</b>	<b>919,812,568</b>	<b>262,427,050</b>	<b>173,197,349</b>	<b>477,635,955</b>	<b>-</b>	<b>6,552,214</b>
<b>Financial Liabilities</b>						
Due to Banks	158,347,533	17,620,887	762,637	3,947,556	-	-
Due to the Customers	170,192,825	119,075,064	85,369,828	1,000,808	-	-
Other Financial Liabilities	40,130,976	-	-	-	-	40,130,976
<b>Total Financial Liabilities</b>	<b>368,671,334</b>	<b>136,695,951</b>	<b>86,132,465</b>	<b>4,948,364</b>	<b>-</b>	<b>40,130,976</b>
<b>Interest Sensitivity Gap</b>	<b>551,141,234</b>	<b>125,731,099</b>	<b>87,064,884</b>	<b>472,687,591</b>	<b>-</b>	<b>(33,578,762)</b>

**40. OPERATING SEGMENTS**

**40.1 Entity-Wide Disclosures: Analysis of Gross Income on Product Basis**

As at 31 March 2016	Finance Lease Rs.	Hire Purchase Rs.	Loans and Advances	Other Rs.	Total Rs.
	Interest Income	165,542,201	23,715,578	7,762,301	5,544,257
Commission Income	-	-	-	3,625,563	3,625,563
Other Income	-	-	-	16,126,413	16,126,413
	<b>165,542,201</b>	<b>23,715,578</b>	<b>7,762,301</b>	<b>25,296,233</b>	<b>222,316,313</b>
As at 31 March 2015	Finance Lease Rs.	Hire Purchase Rs.	Loans and Advances	Other Rs.	Total Rs.
Interest Income	118,856,804	34,769,295	6,672,272	7,331,983	167,630,354
Commission Income	1,649,608	522,586	42,477	-	2,214,671
Other Income	-	-	-	5,652,533	5,652,533
	<b>120,506,413</b>	<b>35,291,882</b>	<b>6,714,749</b>	<b>12,984,516</b>	<b>175,497,559</b>

**Year ended 31 March 2016**

<b>40.2 Entity-Wide Disclosures: Analysis of Gross Income and Non Current Assets on Geographical Areas</b>				
<b>Gross Income</b>	<b>Domestic</b>	<b>Oversees</b>	<b>Domestic</b>	<b>Oversees</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
Interest Income	202,564,337	-	167,630,354	-
Commission Income	3,625,563	-	2,214,672	-
Other Income	16,126,413	-	5,652,533	-
	<b>222,316,313</b>	<b>-</b>	<b>175,497,559</b>	<b>-</b>
<b>Non-Current Assets</b>	<b>Domestic</b>	<b>Oversees</b>	<b>Domestic</b>	<b>Oversees</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
Property, Plant and Equipment	34,275,833	-	35,671,537	-
Intangible Assets	29,147,331	-	30,378,562	-
	<b>63,423,164</b>	<b>-</b>	<b>66,050,099</b>	<b>-</b>

The above Non- Current Asset analysis does not included the Financial Instruments and Deferred Tax Liabilities.

## Value Added Statement

<i>Value Added</i>	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Income from Interest Related Activities	202,564,337	167,630,354
Income from Other Activities	19,751,976	7,867,205
	<b>222,316,313</b>	<b>175,497,559</b>
Depositors & Lenders	45,259,962	28,817,761
Cost of Sales & Services	37,822,833	33,971,856
Provision for Bad & Doubtful Debts	2,400,000	2,100,000
	<b>85,482,795</b>	<b>64,889,617</b>
Total Value Added	<b>136,833,518</b>	<b>110,607,942</b>
<i>Distribution of Value Added</i>		
To Employees as Remuneration	67,877,400	54,284,302
To Government as Taxation	12,299,561	11,066,686
To Expansion & Growth		
Depreciation	18,098,994	16,334,349
Retained Profits	38,557,564	28,922,605
Total Distribution of Value Added	<b>136,833,518</b>	<b>110,607,942</b>

# Capital Adequacy

## TOTAL RISK WEIGHTED ASSET COMPUTATION

As at 31 March 2016

Assets	Amount	Risk Weight %	Risk weighted Assets Amount
Cash & Current Accounts with Banks	22,025,138	0%	-
Sri Lanka Govt/Central Bank Securities	22,292,541	0%	-
Deposits with Banks	15,661,885	20%	3,132,377
Deposit with Finance Companies	-	20%	-
Loans and Advances :	1,377,384,651	100%	1,377,384,651
Fixed Assets	63,423,164	100%	63,423,164
Other Assets	165,097,930	100%	165,097,930
<b>Total Risk Weighted Assets</b>	<b>1,665,885,309</b>		<b>1,609,038,122</b>

Constituents of Capital	Amount
Issued and Paid-up Ordinary Shares/Common Stock (Cash)	603,247,125
Statutory Reserve Fund	4,265,611
Published Retained Profits/(Accumulated Losses)	42,574,715
Tier 1 : Core Capital	650,087,451
Tier 2 : Supplementary Capital	-
Total Capital	650,087,451
<b>Capital Base</b>	<b>650,087,451</b>

Capital Adequacy Ratio	Amount
Core Capital Ratio (Minimum 5%)	40%
Total Risk Weighted Capital Ratio (Minimum 10%)	40%

## Information of Ordinary Shares

### DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2016

Shares	31 March 2016			
	No of Shareholders	% Shareholders	No of Shares	% Shareholders
Up to 2,000,000	1	20.00%	1,600,000	2.00%
2,000,001 - 6,000,000	1	20.00%	4,000,000	5.00%
6,000,001 - 14,000,000	1	20.00%	8,800,000	11.00%
Over 14,000,000	2	40.00%	65,600,000	82.00%
	5	100.00%	80,000,000	100.00%

### CATEGORIES OF SHAREHOLDERS

Type of Investor	31 March 2016			
	No of Shareholders	% Shareholders	No of Shares	% Shareholders
Local Individuals	2	40.00%	10,400,000	13.00%
Local Institutions	3	60.00%	69,600,000	87.00%
	5	100.00%	80,000,000	100.00%

# Glossary of Financial Statements

## **Earning Assets**

Income earning assets held by the Company. Typically include interest bearing balances, Investment securities and loans.

## **Interest Bearing Liabilities**

Liabilities on which the Company is paying interest.

## **Investment Securities**

Securities acquired and held for yield or capital growth purposes and are usually held to Maturity.

## **Net Interest Margin**

Ratio of net interest income to earning assets.

## **Interest Spread**

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

## **Non-Performing loan (NPL) Ratio**

The net Non-Performing Loans as a percentage of the total loan portfolio.

## **Liquid Assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills.

## **Provision for Bad Debts**

Amounts set aside against possible losses on financial leases, hire purchases, advances and other credit facilities according to the Finance Companies Direction 3 of 2006.

## **Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

## **Net Assets Value per Ordinary Share**

Shareholders' funds excluding Preference Shares divided by the number of ordinary shares in issue.

## **Risk Weighted Assets**

On Balance Sheet Assets and the credit equivalent of off Balance Sheet Assets multiplied by the relevant risk weighting factors.

## **Segmental Analysis**

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

## **Repurchase Agreement**

Contract to sell and subsequently repurchase securities at a specified date and price.

## **Return on Average Equity (ROE)**

Net income, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

## **Revenue Reserve**

Reserves set aside for future distribution and investment.

## **Shareholders' Funds**

Total of issued and fully paid share capital and capital and revenue reserves.

## **Net Interest Income**

The difference between income earned from interest earning assets and cost incurred on interest bearing liabilities.

## **Non-Performing Loans**

Loan advances and hire purchase/lease finance of which interest or capital is in arrears six months or more.

## **Prudence**

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

## **Return on Average Assets (RoA)**

Profit After Tax divided by the average assets.

**Substance over Form**

The consideration that the accounting treatment and the presenting in financial statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

**Tier I Capital**

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

**Tier II Capital**

Supplementary capital representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

**Value Added**

Value of wealth created by providing financial and other related services less the cost of providing such services.

**Debt to Equity Ratio**

Long term Borrowings of the Company including Debentures divided by shareholders funds.

**Interest Cover**

Earnings before interest and taxes divided by interest cost.

**Liquid Assets Ratio**

Liquid Assets divided by public Deposits.

**Capital Adequacy Ratios**

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international best practices on maintenance of capital for financial institutions, to suit the local requirements.

**Interest in suspense**

Interest suspended on non-performing contracts without recognizing to the Income.

**Earnings per Share**

Net profit after tax divided by the number of ordinary shares in issue.

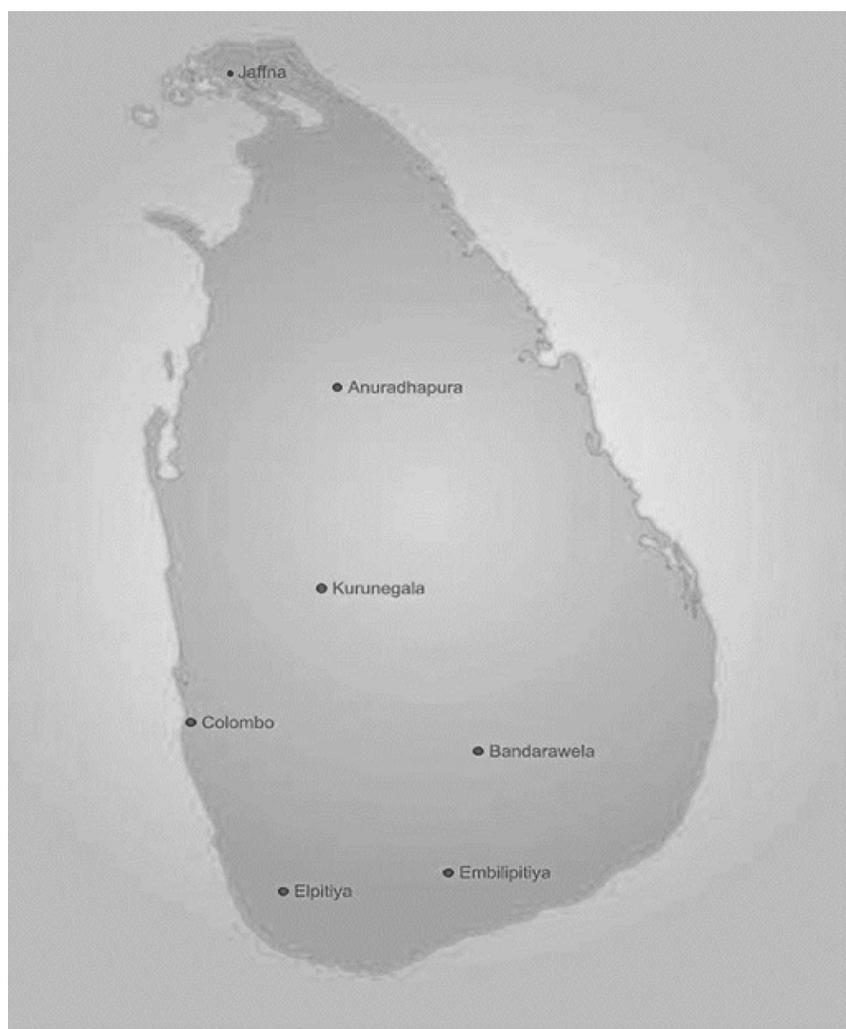
**Deferred Tax**

Sum set aside in the financial statements for taxation that may become payable / receivable in a financial year other than the current financial year.

**Related Parties**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

## Distribution Channels



S/N	BRANCH NAME	ADDRESS	TELEPHONE NUMBER	FAX NUMBER
01	Bandarawela	187, Main Rd, Bandarawela	057 2230022 057 2221025	057 2230030
02	Jaffna	620, Hospital Rd, Jaffna	021 2219990	021 2219991
03	Kurunegala	262/A, Puttalam Rd, Kurunegala	037 2232110	037 2232010
04	Elpitiya	10/B, Pituwala Rd, Elpitiya	091 2291427	091 2291428
05	Anuradhapura	9, Main Street, Anuradhapura	025 2237925	025 2237905
06	Embilipitiya	New Town Rd, Embilipitiya.	047 2261467 047 3620040	047 2261468

# Notice of Annual General Meeting

## *IDEAL FINANCE LIMITED*

Notice is hereby given that the Third Annual General Meeting of Ideal Finance Limited will be held at the Board Room of Ideal Motors (Pvt) Limited, 299, Union Place Colombo 02, on Monday, 12th September 2016 at 4.30 p.m. and the business to be brought before the meeting will be:

### **AGENDA**

1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Statement of Accounts for the year ended 31st March 2016 with the Report of the Auditors thereon.
2. To declare a Final Dividend of Rs.0.041 per share for the year ended 31st March 2015 as recommended by the Directors.
3. To re-elect as a Director Mr. N.J. Welgama who retires by rotation in terms of Article No.24(6) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. P.A. De Silva who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
5. To authorize Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No.07 of 2007.

By Order of the Board  
S S P CORPORATE SERVICES (PRIVATE) LIMITED  
SECRETARIES

Colombo  
8th August 2016

The member entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy to attend and vote instead of him/her. Such proxy need not be a member of the Company.

A Form of Proxy is enclosed.

Note:-

The completed Form of Proxy should be deposited at the Registered Office of the Company, at No.299, Union Place, Colombo 2, not later than 48 hours before the time appointed for the holding of the meeting.



## IDEAL FINANCE LIMITED

### FORM OF PROXY

I.....(NIC No.....)  
of.....being a member of the above Company, hereby appoint:

Mr. Nalin Jayaraj Welgama	of Colombo or failing him
Mr. Pinnaduwaage Aravinda De Silva	of Colombo or failing him
Mr. John Viraj Winston Malawana	of Colombo or failing him
Mr. Duminda Mahali Weerasekare	of Colombo or failing him
Dr. Paul Leslie Suren Peter	of Colombo or failing him
Mr. Ajith Nissanka Dias	of Colombo or failing him

Mr./Mrs./Miss .....(NIC No.....)  
of.....as my proxy to represent me and vote on my behalf at the Annual General Meeting of the Company to be held on 12th September 2016 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

	FOR	AGAINST
1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Statement of Accounts for the year ended 31st March 2016 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of Rs.0.041 per share for the year ended 31st March 2015 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mr. N.J. Welgama who retires by rotation in terms of Article No.24(6) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Mr. P.A. De Silva who retires by rotation in terms Article No.24(6) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of .....Two Thousand and Fifteen.

.....  
Signature

Note :

1. Please delete the inappropriate words.
2. Instructions for completion of form of proxy are noted on the reverse
3. A proxy need not be a member of the Company

## **INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY**

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, and your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given or if there is any doubt as to how the Proxy should vote by reason of the manner in which the instructions are carried out, the proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.299, Union Place, Colombo – 02, not less than 48 hours before the time appointed for holding the meeting.
4. If the Form of Proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

### Note:

If the shareholder is a Company or body corporate, Section 138 of the Companies Act No.7 of 2007 applies to corporate shareholders of Ideal Finance Limited. Section 138 provides for representation of Companies at meetings of other Companies. A Corporation, whether a Company within the meaning of this Act or not, may, where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represents as that Corporation could exercise if it were an individual shareholder of that other Company.

# Corporate Information

Name of the Company	:	IDEAL FINANCE LIMITED		
Date of incorporation	:	24th January, 2012		
Head Office	:	No 299, Dr. Colvin R De Silva Mawatha, (Union Place) Colombo 02 Telephone: +94112396060      Fax: +94112396757 E-mail : info@idealfinance.lk      Website: www.idealfinance.lk		
Legal Form	:	Private Limited Liability Company incorporated in Sri Lanka under The Companies Act No.7 of 2007. A Finance Company registered under the Finance Companies Act No. 42 of 2011. A registered Finance Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000.		
Secretaries	:	SSP Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03		
Bankers		Bank of Ceylon Seylan Bank PLC Commercial Bank of Ceylon PLC Pan Asia Banking Corporation PLC		
Company Registration	:	PB 4963		
VAT Registration	:	134049634 7000		
Auditors	:	Ernst & Young Chartered Accountants 201, De Saram Place, Colombo 10.		
Directors	:	Mr. Nalin Welgama (Chairman) Mr. Duminda Weerasekare (Chief Executive Officer) Mr. Aravinda De Silva (Non-Executive Director) Mr. Viraj Malawana (Non-Executive Director) Mr. Ajith Dias (Independent Non-Executive Director) Dr. Suren Peter (Independent Non-Executive Director)		
Share Holding	:	Ideal Holdings (Pvt) Ltd.	-	64.0%
		Ideal Motors (Pvt) Ltd	-	18.0%
		Mr. Viraj Malawana	-	11.0%
		Veritas Holdings (Pvt) Ltd	-	05.0%
		Mr. Duminda Weerasekare	-	02.0%



IDEAL Finance Limited  
299, Dr. Colvin R. De Silva Mawatha (Union Place)  
Colombo 02, Sri Lanka  
T : +9411 2396060 F : +9411 2396757  
W: [www.idealfinance.lk](http://www.idealfinance.lk)  
E: [info@idealfinance.lk](mailto:info@idealfinance.lk)