





# Contents

Vision & Mission	2	<b>Financial Statements</b>	
Corporate Values	3	Statement of Comprehensive Income	55
Financial Highlights	4	Statement of Financial Position	56
Chairman's Message	5-6	Statement of Changes in Equity	57
Chief Executive Officer's Message	7-8	Cash Flow Statement	58
Management Discussion & Analysis	9-11	Notes to Financial Statements	59-99
Board of Directors	12-14	Value Added Statement	100
Corporate Management	15-16	Capital Adequacy	101
Corporate Governance Report	17-41	Information of Ordinary Shares	102
Report of the Audit Committee	42-43	Glossary of Financial Statements	103-104
Report of the Integrated Risk Management Committee	44	Distribution Channels	105
Report of the Remuneration Committee	45	Notice of Annual General Meeting	106
Report of the Directors on the State of Affairs of the Company	46-48	Form of Proxy	107-108
Risk Management Report	49-51	Corporate Information	109
		Notes	110
<b>Financial Reports</b>			
Statement of Directors' Responsibilities for Financial Reporting	52		
Directors' Statement on Internal Control over Financial Reporting	53		
Independent Auditor's Report	54		

# *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	2017 Rs.	2016 Rs.	Change	
Total Income	390,805,849	222,316,313	76%	↑
Total Expenses	302,671,911	171,291,350	77%	↑
Net Operating Income Before Taxes	88,133,938	51,024,963	73%	↑
Total Taxes	30,497,137	12,467,398	145%	↑
Profit/ (loss) After Taxation	57,636,801	38,557,565	49%	↑
<b>Financial Position</b>				
Stated Capital	603,247,125	603,247,125		
Customer Deposit Base	301,121,019	380,790,865	-21%	↓
Total Due to Banks	1,183,196,053	484,704,388	144%	↑
Total Leases, Hire purchase and Loans	2,042,856,926	1,377,384,651	48%	↑
Total Assets	2,389,879,325	1,665,885,309	43%	↑
<b>Key Ratios</b>				
Return on Equity (%)	7.81%	5.64%	38%	↑
Return on Assets - After tax (%)	2.41%	2.31%	4%	↑
Interest Cover (times)	1.66	2.11	-21%	↓
Debt to Equity	2.32	1.12	107%	↑
<b>Statutory Ratios</b>				
Core Capital Ratio (Minimum Requirement - 5%)	31.91%	40.00%	-	
Total Risk Weighted Capital Ratio (Minimum Requirement - 10%)	31.91%	40.00%	-	
Non Performing Loan Ratio (%)	0.94%	1.02%	-	

# Chairman's Message



Dear Investors,

On behalf of the Board of Directors, I take the privilege to present the Annual Report and the Audited Financial Statements of Ideal Finance Limited for the Financial Year ended 31st March 2017.

## Sector Outlook

In 2016, due to the challenging business environment LFCs/SLCs sector increased both its assets and their branch network. These two sectors extended their loan products, moving away from the business of financing the purchase of motor vehicles. The Non-performing Loans (NPL), liquidity and capital remained at a manageable level.

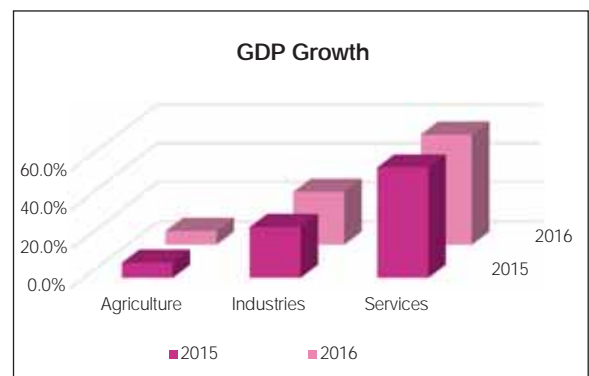
The Central Bank initiated measures to strengthen supervisory and regulatory framework for Non-Bank Financial Institutions (NBFIs). This was to promote public confidence in the sector. The Central Bank continued to take measures so this sector meets both local and international standards.

## Global Economic Outlook

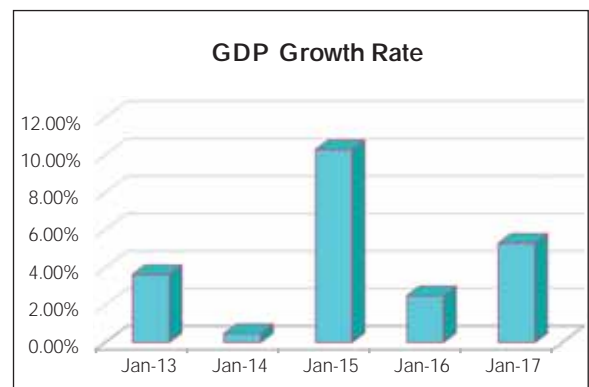
For 2016, growth rates have fallen for both advanced and emerging markets. European economies after Brexit has shown stagnant growth and low inflation along with Japan and the United States. Large economies like Brazil, Russia and South America have low growth rates due to political problems. China's normal growth rate due to the country trying to rebalance the economy has also reduced. All these has caused downward pressure on commodity prices and reduced the growth rate of commodity exporters. Only India will continue to grow faster in the current years.

## Macro-Economic Outlook

In 2016, the growth rate in Sri Lanka was reduced by 4.4% compared to 4.8% in 2015 in real terms. The main factors for the economic growth was the expansion in industry and service related activities, but the agriculture sector declined due to the unfavourable weather conditions. GDP is expected to grow in 2017 at a rate of 5% but it has also been impacted by the unfavourable weather conditions.



Source : Central Bank of Sri Lanka.



Source : Department of Census and Statistics

## Delivering Performance

Your Company completed five years in the industry and successfully faced the challenges of the year with strength and dedication and we now look forward to a more robust year going forward. Development will be further accelerated as more mega-developments reach completion and begin feeding back into the wider economy. The beneficial impact of these developments will provide even greater opportunities which Ideal Finance Limited intends to capitalise on.

During the period under review Company recorded an Operating Profit before Taxes and Net Profit of LKR. 88.3 Mn and LKR. 57.7 Mn respectively.

Company's lending portfolio which is comprised of Lease, Hire Purchase, Pawning, Real Estate and Loans surpassed the LKR. 2 Bn mark by the end of the financial year by reaching LKR. 2.06 Bn. Total asset base of the company stood at LKR. 2.4 Bn and Shareholder's funds reached LKR. 738.2 Mn. As a result of the 49% increase of the Portfolio value, the Company generated an interest income of LKR. 342.9 Mn which is a growth rate of 69%. While the Company's other operating income stood at LKR. 43.3 Mn which is mainly comprised of income from Real Estate operations which had a growth rate of 169% compared to the previous year.

## Future Outlook

It is clear that 2017/18 will hold many new challenges. Nevertheless I am confident that your Company is in a great position to take on these challenges. By focusing on prudent management techniques, building on peoples skills and showing a willingness to embrace the changing requirements of today's consumer, I am sure we will be able to continue to win the trust of our customers, and stay ahead of the competition.

In the pipeline is the addition of five new branches, thereby expanding the branch network to reach new customers and better serve existing ones.

Our focus will continue to be centered on the important SME sector that we feel will play a key role in Sri Lanka's economic development drive and we stand ready to provide them with their finance requirements.

## Appreciations

I wish to express my sincere thanks to the Board of Directors, for their guidance and for fulfilling their advisory role; and other stakeholders, for their valued cooperation and assistance. I would also like to express my appreciation to the Governor of the Central Bank of Sri Lanka and the officials at the Department of Supervision of Non-Bank Financial Institutions, for their support at all times and all employees of Ideal Finance for their hard work and dedication in carrying out their duties. Last but not least a big "Thank you" to our valued customers who have placed their trust in our Company. I seek your continued support to extend our operations and take part in our journey of sustainable wealth creation.



**Nalin J. Welgama**  
*Chairman*

22<sup>nd</sup> June 2017



# Chief Executive Officer's Message

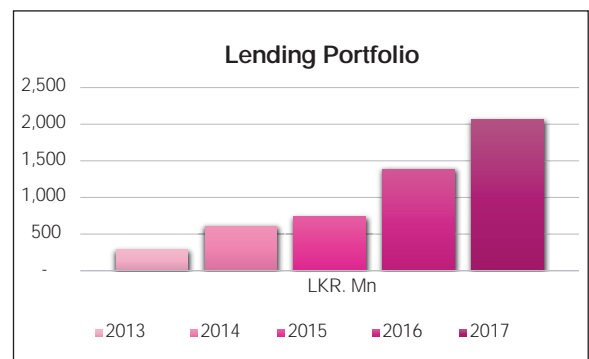
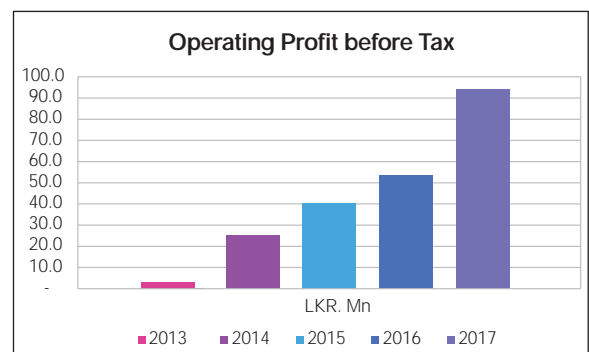


Underpinned by a clear sense of purpose, 2016/17 was an impressive year for the company as it embarked on a new journey to reengineer its business model to better profit from growth opportunities in the market. The performance during this period was notable as the company achieved its set goals and objectives. The many budgetary milestones surpassed present a clear demonstration of the company's capacity to consistently build on its performance in an increasingly challenging and competitive environment.

## Performance

I am pleased to mention that Ideal Finance Limited has successfully completed five years. The 2016/17 financial period marked another year of excellent growth for Ideal Finance Limited by earning an income of LKR. 391 Mn for the year ended 31st March 2017, which marks an increase of 76% over the previous year's income of Rs. 222 Mn. Other operating income increased significantly by 169% to LKR.43 Mn which is mainly comprised of income from Real Estate Operations. The Leasing and Hire Purchase portfolio surpassed the LKR. 2 Bn milestone by reaching LKR. 2.06 Bn by end of March 2017 against the previous year's LKR. 1.3 Bn. The asset base of the company has grown 43% to LKR. 2.4 Bn.

We continue to strengthen our asset quality and place great emphasis on credit and asset management. I am happy to state that our non-performing loans (NPLs) – 0.94%, remained below industry average of 5.3%.



With the new branch opened during the year in Monaragala we now have seven branches. Our branch network made a profit of LKR. 278 Mn. Branch revenue increased by 4.8% compared to previous year and the best performing branch was Anuradhapura. It's profit increased by 128% to LKR. 89 Mn from LKR. 39 Mn last year.

During the year under review, the Company remained focused on its Small and Medium Enterprises (SME) core target group. Although SMEs remain our focus area, we also have individual customers utilising our services. We have a wide range of customers in agriculture, manufacturing, tourism, transport and services sectors.

One of our primary responsibilities as a financial institution is to guarantee the safety and security of customers' deposits. This was affirmed by Fitch Ratings in September 2016. The credit-rating agency accorded the B+(lka)/ (Stable) rating to Ideal Finance Limited, which is a testimony to the company's strong balance sheet and future potential for growth.

The financials of the Company clearly demonstrate the growth of the business volumes and growth in revenue and profitability. To achieve this growth we have expanded our business activities in several fronts. The staff strength has been increased over the last year. The branch teams have been strengthened to generate higher business volumes for all our products.

### **Towards the Future**

Going forward, we will intensify our focus on personal and business loans, real estate and gold loans and further improve our cost to income ratio by improving the productivity of staff and leverage more profits through new products.

Everyone at Ideal Finance Limited, is fully-committed to our strategy and targets and will continue relentlessly to implement our strategy and to deliver excellent performance in the years ahead. Our focus would be on expanding the business-lending portfolio of our Company.

We are planning to expand our distribution channels by adding five more branches by end of next year which will continue to provide a positive environment for IFL to grow.

### **Appreciations**

I take this opportunity to extend my sincere gratitude to our Chairman Mr. Nalin Welgama, Deputy Chairman Mr. Aravinda De Silva and the Board of Directors for their invaluable support and guidance throughout a challenging year. I also convey my appreciation to the officers of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for their vital role in regulatory matters and to the external auditors for their invaluable service. I conclude by expressing my sincere thanks to the Ideal Finance team whose unfailing commitment was instrumental to the exceptional performance achieved this year.



**Duminda M. Weerasekare**

*Chief Executive Officer*

22<sup>nd</sup> June 2017

# Management Discussion & Analysis

## Global Economy

Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favour of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. These developments have put further downward pressure on global interest rates.

Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain. Financial market sentiment toward emerging market economies has improved with the expectation of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy support for growth, and some firming of commodity prices. But prospects differ sharply across countries and regions, with emerging Asia in general and India in particular showing robust growth and sub-Saharan Africa experiencing a sharp slowdown.

In advanced economies, a subdued outlook subject to sizable uncertainty and downside risks may fuel further political discontent, with anti-immigration policy platforms gaining more traction. Several emerging market and developing economies still face daunting policy challenges in adjusting to weaker commodity prices. These worrisome prospects make the need for a broad-based policy response to raise growth and manage vulnerabilities more urgent than ever.

## Sri Lankan Economy

Growth slowed in 2016 with a marked fall in agricultural production, but a pickup in construction and investment helped to sustain growth. Inflation was highly variable over the year but moderated in general, as was the current account deficit. The outlook is for a modest recovery in growth as the government implements an economic program of fiscal reform to tackle persistent macroeconomic imbalances and a large public debt.

Sri Lanka economic growth in 2016, affected by bad weather, was at 4.4%, lower than 4.8% in 2015. Sri Lanka's GDP growth is expected to edge up to 5% in 2017 and 2018 with further reforms.

Underpinned by solid growth and boosted by medium-term fiscal support, the Sri Lankan economy rode out a difficult year in 2016, government measures to curb spending and boost revenue may impact investment and expansion in the coming year.

As part of these ongoing measures, the government plans to utilise public-private partnership models to bring efficiency and attract investment to some state-owned enterprises. Risks of a potential shift in investor sentiment were flagged by Fitch in February, when it downgraded Sri Lanka's long-term foreign and local currency issuer default ratings from "BB-" to "B+", assigning both a negative outlook. These risks could be mitigated by a greater degree of stability in policy and in tighter fiscal controls and reforms, the agency said.

## Non-Bank Financial Sector

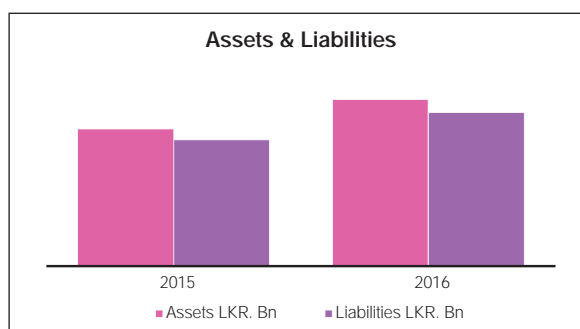
The Licensed Finance Companies (LFCs)/Specialized Leasing Companies (SLCs) sector recorded a strong performance in terms of asset growth and branch network expansion during 2016 amidst a challenging business environment, and gradually moving out from their core business of vehicle financing to other loan products. By end 2016, this sector comprised of 46 LFCs, 7SLCs and 1,313 branches, out of which 886 branches were located outside the Western province.

## Asset growth

During 2016, the LFCs/SLCs sector was able to expand their asset base to exceed the one trillion rupee mark even though growth rate was slower than the previous year. The total asset base of the sector grew by 21.7 percent (215.8 Bn) in 2016 to LKR. 1,211.9 Bn compared to a growth of 22.3 percent (LKR. 181.6 Bn) in 2015. Credit growth of the LFCs/SLCs sector moderated during the first quarter of 2016 as a result of prudent measures implemented with respect to the lending for motor vehicles mainly in the form of a loan to value ratio (LTV).

### Liabilities

The sector’s reliance on retail deposits has gradually shifted towards bank borrowings over the past two years considering the flexibility and cost factor. This has changed the overall funding structure of the sector by increasing the share of borrowings to 36.2 percent in 2016 from 31.6 percent in 2015, while the share of deposits decreased to 43.8 percent in 2016 from 48.3 percent in 2015. During 2016, the borrowings increased by 39.6 percent or LKR. 124.4 Bn to LKR. 438.7 in absolute terms compared to a growth of 44.6 percent or LKR. 96.9 Bn recorded in 2015.



### Company Overview

The Company is engaged in leasing, fixed deposits, pawning, real estate, personal and business loans, and has completed its fifth successful year. The Company strongly believes that the SME sector will continue to drive growth in the Sri Lankan economy in the foreseeable future. Hence the Company altered its product mix to focus on building its business loan portfolio tailored to the SME sector.

Our branch network which is strategically located island wide, (in Jaffna, Anuradhapura, Kurunegala, Bandarawela, Elpitiya, Embilipitiya, and the new addition in Monaragala) was increased to eight including the Head Office during the year for the benefit of our valued customers. Together with a team of dedicated personnel within our network to facilitate the Company’s operations, we strive to offer an unparalleled and timely service to our clientele. The Central Bank of Sri Lanka did not give approval to open three more branches due to various policy issues. This hampered our growth targets. Hence we moved to real estate aggressively and the net income from real estate sector increased to LKR. 30.2 Mn from LKR. 11.7 Mn in 2016.

Our operational efficiency is measured by the ratio of our cost to revenue and the efficiency ratio has improved in 2017 to 64% compared to 71% in 2016.

We continued to operate three pawning “Ideal Swarnashakthi Ran Ganu Denu” centers within the branches in Bandarawela, Anuradhapura and Elpitiya.

### Strategy

The strategic priorities for the year were ensuring compliance with regulatory requirements and strengthening the balance sheet. In this broader context the Company focused on more efficient and effective management of resources and maintaining asset quality while expanding the asset base. Our growth strategy generated tangible results and a positive outlook at the end of financial year.

### Lending

Ideal Finance Limited (IFL) strives to attain a product mix which yields a high return. Principal lending product is Finance Lease. Products such as personal loans, business loans and pawning supplement it. Ideal Finance is equipped and committed to provide its customers with the full spectrum of financial services. Leasing segments in the SME sector demonstrates huge potential and the company’s experience in serving SME customers held it in good stead. Our branch offices attract a large segment of SME customers. Since many of our branch employees hail from similar communities and are in a better position to understand the needs of local customers.

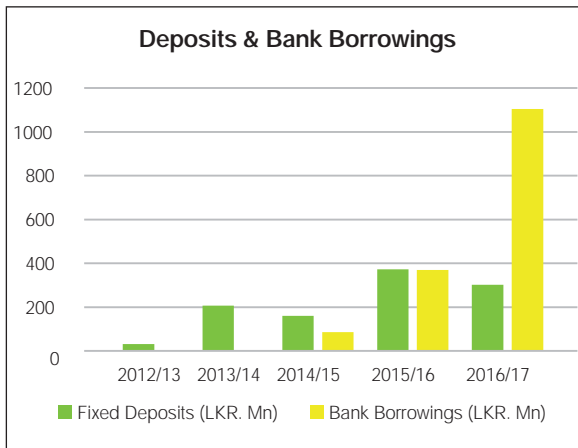
Company’s lending portfolio mainly comprises of leases, loans and pawning which amount to LKR. 1.7 Bn, LKR.0.3 Bn and LKR.16.1 Mn respectively. The total lending portfolio stands at LKR. 2.06 Bn is an increase of 49% compared to LKR. 1.38 Bn in 2016.

### Deposits and Bank Borrowings

The efforts in developing a steady deposit base have shown positive results as we closed the financial year securing a deposit base of LKR. 301 Mn.

IFL focused on its strategy of obtaining funding through bank borrowing, hence we negotiated loans from Bank of Ceylon and Seylan Bank during the year. Total bank

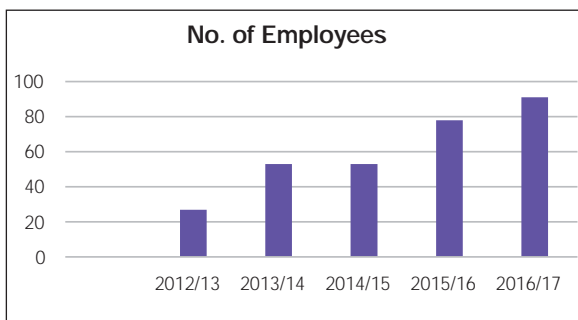
borrowings of the company increased by LKR.701 Mn, a growth of 186%, from LKR.377 Mn in the last year to LKR. 1.07 Bn by the end of year 2017.



### Human Resources

Human resource development was used to facilitate the effective and efficient implementation of growth strategies. In this context, training and development of staff, and nurturing a performance based culture with the highest standards in business ethics were prioritized. Career development opportunities were utilized to enable personal growth.

During the past year training and development programmes were implemented for staff through an external facilitator and staff were sent for training programmes conducted by the Central Bank of Sri Lanka. The HR department maintains a full roster of training activities for staff, especially in focus areas such as leasing and hire purchase to ensure that they are the fore-front of best practices in customer service. Total IFL staff strength increased from 78 in 2016 to 97 in 2017.



### Marketing

We are a customer oriented company. We believe in superior customer service is a key to achieving sustainable growth. Localised marketing campaigns, tailored to suit specific needs of our customers are carried out in the areas we operate in.

We launched an aggressive branding campaign with the objective of positioning the company as a professionally managed, socially responsible finance house catering to a diverse clientele.

During the year, we carried out several marketing promotional campaigns island wide including a vehicle display campaign, pawning and real estate leaflets and corrugated board and banner campaigns to promote awareness of the company which received a positive response and translated into higher sales.



Vehicle promotion campaign



Real estate banner campaign

## Board of Directors



**Nalin J. Welgama**  
*Chairman*

A Chartered Accountant by profession, he functions as a Senior Consultant to Baker Tilly Merali'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**

*Deputy Chairman*

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**

*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 saw 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**

### ***Chief Operating Officer***

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**

### ***Assistant General Manager IT***

Prior to joining Ideal Finance Limited, 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.

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

Corporate Management cont....

**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.

Started his career at KPMG Sri Lanka as an Audit Trainee and reached the level of Senior In-Charge/Audit. Mr. Hewawasam, completed his BSc Accounting (Special) from University of Sri Jayawardenepura. 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 one (01) Non-Executive Directors, namely, Dr. Suren Peter are 'Independent'.

## 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 2017, 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	10/12
Mr. D M Weerasekare	Executive	12/12
Mr. P A De Silva	Non-Executive	12/12
Mr. J V W Malawana	Non-Executive	11/12
Mr. Ajith N. Dias	Non-Executive	09/12
Dr. L. Suren Peter	Independent Non-Executive	12/12

### 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 Peter 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 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.

Corporate Governance cont....

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*

22<sup>nd</sup> June 2017

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 stakeholders, including depositors, creditors, shareholders 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>
		Complied	Company evaluated the adequacy and integrity of the company's Management Information System and has carried 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 as "Board of Directors (BOD), Chief Executive Officer (CEO), Chief Operating officer (COO), AGM-ICT, Accountant, Compliance Officer, Manager Real Estate and Branch Managers".
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.



Corporate Governance cont....

Section	Agreed Upon Procedure	Status	Result of Procedure
	(iii) The determination of weaknesses and implementation of changes where necessary.	Complied	Self-performance evaluation of the Board of Directors for the year 2016/17 has been done.
	j) Ensuring the finance Company has an appropriate succession plan for key management personal.	Complied	Board approved Succession Plan Policy guideline is in place. A succession Plan is 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 at each board meeting.
	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 2016/17.
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 20 to 41.
2(8)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Complied  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 2016/17 has been done.
(3)	Meetings of the Board		
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 software agreement, audited accounts for the Y/E 2016 & report of the directors on the state of affairs of the company and lease & loan facilities from BOC 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 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. 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.
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	Agenda is prepared and circulated to the Board members.

Section	Agreed Upon Procedure	Status	Result of Procedure
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)	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: <ol style="list-style-type: none"> <li>a summary of data and information used by the Board in its deliberations;</li> <li>the matters considered by the Board;</li> <li>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;</li> <li>the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations;</li> <li>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</li> <li>the decisions and Board resolutions.</li> </ol>	Complied	Detailed minutes are kept covering the given criteria. Board minutes contain the required details as specified.
<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.

Section	Agreed Upon Procedure	Status	Result of Procedure
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 1st January, 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 an 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.		
	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:		
	(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		

Section	Agreed Upon Procedure	Status	Result of Procedure
	<p>(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</p> <p>(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.</p>		
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	<p>During the financial year 2016/17 more than 50% of the directors participated for board meetings are non-executive.</p> <p>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.</p>
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 46 of the Annual Report.

Section	Agreed Upon Procedure	Status	Result of Procedure
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.	Complied	No directors have been appointed during the year 2016/17.
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	No directors have resigned from office during the year.
<b>(5)</b>	<b>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 2016/17
<b>(6)</b>	<b>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.
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.

Section	Agreed Upon Procedure	Status	Result of Procedure
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 14.)
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 the 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: <ul style="list-style-type: none"> <li>(i) provide leadership to the Board;</li> <li>(b) ensure that the Board works effectively and discharges its responsibilities; and</li> <li>(c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.</li> </ul>	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.
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	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.



Section	Agreed Upon Procedure	Status	Result of Procedure
			Agenda and the minutes of the previous board meeting are sent to the directors at least 5 days prior to the next meeting for their review.
			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.
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.	Complied	Self-performance evaluation of the Board of Directors for the year 2016/17 has been done.
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.	Complied	Self-performance evaluation of the Board of Directors for the year 2016/17 has been done.
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	Chairman is a non-executive director.  The Chairman does not directly get involved in the supervision of key management personnel or any other executive duties.
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-today-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.
<b>(8)</b>	<b>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 an annual general meeting of the Company.	Complied	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.  Both committees submit their reports to the main board for their review and approved thereon.

Section	Agreed Upon Procedure	Status	Result of Procedure
			A report on each committee on its performance, duties and functions has been disclosed in the Annual Report on pages 42 to 44.
8(2)	Audit Committee:		
	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	Committee has discussed the issues in Corporate Governance Factual Finding Report issued by the External Auditors.
	i. The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;		Audit partner completed five years of service for FY 2016/17.
	ii. The implementation of the Central Bank guidelines issued to Auditors from time to time;		Board approved the re-appointment of Auditors and the audit fee with regard to the current financial year.
	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.		
	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 2016/17 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	Complied	Board approved the policy on engagement of an external auditor to provide non-audit services.

Section	Agreed Upon Procedure	Status	Result of Procedure
	<p>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:</p> <p>(i) Whether the skills and experience of the audit firm make it a suitable provider of the non-audit services</p> <p>(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</p> <p>(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</p>		
f)	<p>The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including:</p> <p>(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;</p> <p>(ii) The preparation of financial statements for external purposes in accordance with relevant accounting principles and reporting obligations; and</p> <p>(iii) The co-ordination between firms where more than one audit firm is involved.</p>	Complied	<p>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.</p>
g)	<p>The Committee shall review the financial information of the Finance Company, in order to Complied with 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</p>	Complied	<p>Committee has a process to review the financial information of the company.</p>

Section	Agreed Upon Procedure	Status	Result of Procedure
	<p>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> <p>(i) Major judgemental areas;</p> <p>(ii) Any changes in accounting policies and practices;</p> <p>(iii) Significant adjustments arising from the audit;</p> <p>(iv) The going concern assumption; and</p> <p>(v) The compliance with relevant accounting standards and other legal requirements.</p>		
	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 2016 and the management's response thereto. Management letter for the year ended 31 March 2017 will be reviewed upon receipt of the same.
	j) Committee shall take the following steps with regard to the internal audit function of the Finance Company		
	(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.	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.
	(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.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(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;		
	(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 3 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.

Section	Agreed Upon Procedure	Status	Result of Procedure
	<ul style="list-style-type: none"> <li>(i) details of the activities of the audit committee</li> <li>(ii) the number of audit committee meetings held during the year; and</li> <li>(iii) details of attendance of each individual director at such meetings</li> </ul>		
	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; <ul style="list-style-type: none"> <li>(i) The improprieties in financial reporting, internal control or other matters.</li> <li>(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</li> <li>(iii) Appropriate follow-up action.</li> </ul>	Complied	Company has developed a whistle blower policy to deal with matters mentioned.
<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, COO, Compliance Officer and other executive management personnel participate to the committee meetings whenever necessary.
	b) 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>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	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>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>

Section	Agreed Upon Procedure	Status	Result of Procedure
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	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.  It is being reviewed and the procedure manual has been updated.
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.
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.	Complied	A dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically.  The appointment of the Compliance officer has been approved by the Board at the meeting and CBSL approval on this regard has been obtained.

Section	Agreed Upon Procedure	Status	Result of Procedure
<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> <p>c) The providing financial or non-financial services to the finance company or received the same from the finance company</p> <p>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.</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/ COO.</p>



Corporate Governance cont....

Section	Agreed Upon Procedure	Status	Result of Procedure
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.
		Complied	Company has 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.
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.		
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;		

Section	Agreed Upon Procedure	Status	Result of 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 52.
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 54.
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 reports.
d)	Details of directors, including names, transactions with the finance company.	Complied	The required information has been disclosed in the Annual Report on pages 90-91.

Section	Agreed Upon Procedure	Status	Result of Procedure
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 73.
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 90-91.
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 35.1 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. 17.1 Million.
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 21.
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.
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
- Dr. Suren Peter – Independent Non-Executive Director
- Mr. J.V.W. Malawana – Non-Executive Director

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 three 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	3/3
Dr. Suren Peter	Member	3/3
Mr. Viraj Malawana	Member	3/3

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.

The scope of work covers the head office functions and all branches. 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 2017 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**

23<sup>rd</sup> June, 2017

# Report of the Integrated Risk Management Committee

## Composition

The Integrated Risk Management Committee for the financial year ended 31st March 2017 comprised the following members.

Dr. P.L. Suren Peter (Director/Chairman-IRMC)  
Mr. Aravinda De Silva (Director)  
Mr. Viraj Malawana (Director)  
Mr. Duminda Weerasekare (CEO/Director)  
Mr. Rohitha Bandusena – (Chief Operating Officer)  
Ms. Nilu Imalka Wijekanthi (Senior Executive  
-Treasury & Operations)  
Mr. Gaman Kithsiri (Chief Information Officer)  
Ms. Asoka Setunge (Compliance Officer)  
Mr. Aloka Hewawasam (Accountant)  
Mr. T.M.M.B. Tennakoon (Manager – Real Estate)

## Meetings

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

Name	Description	Attendance
Dr. P.L. Peter	Director/ Chairman – IRMC	3/4
Mr. Viraj Malawana	Director	2/4
Mr. Aravinda De Silva	Director	4/4
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 of three Non-Executive Directors .

## Composition

Mr. N. J. Welgama (Chairman) / (Non-Executive Director)

Mr. P. A. De Silva (Non-Executive Director)

Mr. A. N. Dias (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**

23<sup>rd</sup> June, 2017

# 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 2017. 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 and rules.

## 2. Financial Statements

The financial statements of the Company are given on pages 55 to 99

## 3. Auditor's Report

The Auditor's report on the financial statements is given on page 54

## 4. Accounting Policies

The accounting policies adopted in preparation of Financial Statements and the other explanatory notes are given on pages 59 to 99. 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 35, 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 2017 is given in Note 9 to the financial statements.

## 8. Corporate Donations

There were no donations made by the Company for the year ended 31st March 2017.

## 9. Directors

The Directors of the Company as at 31st March 2017.

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 Director

In terms of Article 24(6) of the Articles of Association of the Company Messrs A.N. Dias and J.V.W. Malawana 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**

- Dr. P.L. Suren Peter  
 - Chairman/Non Executive Independent Director  
 Mr. P.A. De Silva  
 - Member/Non Executive Director  
 Mr. J.V.W. Malawana  
 - Member/Non Executive 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 Director

- **Nomination Committee**

- Mr. A.N. Dias  
 - Member/Non Executive 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  
 - Chairman/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 2017.

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 2017 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 recommend a Final Dividend for the year ended 31st March 2017 subject to the approval of the Central Bank of Sri Lanka.

## 14. Investments

Details of investments held by the Company are disclosed in Note 12.1 and 13 to the financial statements.

## 15. Intangible Assets

There were no intangible assets, other than Computer System Software, which is disclosed in Note 20.4 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 20 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 24 and 26 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 31<sup>st</sup> March 2017.

### 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.

### 24. Annual General Meeting

The 5th Annual General Meeting of the Company will be held at the Board Room of Ideal Motors (Pvt) Limited, No.299, Union Place, Colombo 02 on 28th August 2017 at 10.00 a.m.

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



Director



Director

S S P CORPORATE  
SERVICES (PRIVATE) LIMITED  
  
Secretaries

S S P Corporate Services (Private )Limited,  
Secretaries

12th June 2017

# 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 0.94% where average industry NPL ratio is approximately 5.3%.

### 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 exchange rates and forecast Exchange rate trends based on the past behaviour of the 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.

### **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 2016/17, 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

23<sup>rd</sup> June 2017



REGISTERED OFFICE  
299, Dr. Colvin R De Silva Mawatha (Union Place),  
Colombo 02, Sri Lanka.  
T] +94112 396 060 F] +94112 396 757  
E] info@idealfinance.lk W] www.idealfinance.lk

## 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 on going 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.

Since the adoption of Sri Lanka Accounting Standards comprising LKASs and SLFRSs in 2012/13, continuance monitoring is in progress and steps are being taken for improvements where required.

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, treasury, and compliance with regulation, management information system, 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.

**Nalin Welgama**  
Chairman



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

APAG/PATR/TW

## 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 2017, and the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Board's Responsibility for the Financial Statements

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

### 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 2017, 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



12<sup>th</sup> June 2017

Colombo



# Statement of Comprehensive Income

Year ended 31 March 2017

	Notes	2017 Rs.	2016 Rs.
<b>Income</b>	3	390,805,849	222,316,313
Interest Income	4.1	342,965,230	202,564,337
Interest Expenses	4.2	(133,806,481)	(45,259,962)
<b>Net Interest Income</b>		209,158,749	157,304,375
Fees and Commission Income	5	4,524,547	3,625,563
<b>Net Fee and Commission Income</b>		4,524,547	3,625,563
Other Operating Income	6	43,316,072	16,126,413
<b>Total Operating Income</b>		256,999,368	177,056,351
Impairment Charges for loans and other losses	7	(11,895,328)	(2,400,000)
<b>Net Operating Income</b>		245,104,040	174,656,351
<b>Operating Expenses</b>			
Personnel Expenses	8	(88,766,837)	(68,308,980)
Depreciation of Property Plant & Equipment	20	(16,521,791)	(13,745,534)
Amortization of Intangible Assets	21	(4,537,811)	(4,353,460)
Other Operating Expenses	9	(46,925,283)	(37,822,833)
<b>Operating Profit before Value Added Tax on Financial Services</b>		88,352,317	50,425,543
Value Added Tax & NBT on Financial Services		(16,986,682)	(6,256,568)
<b>Profit before Taxation</b>		71,365,635	44,168,975
Income Tax Expenses	10	(13,571,601)	(6,042,993)
<b>Profit/ (Loss) for the period</b>		57,794,034	38,125,982
Basic Earnings Per Share (Rs)	11	0.72	0.48
Profit/ (Loss) for the period		57,794,034	38,125,982
<b>Other Comprehensive Income</b>			
Actuarial Gain/ (Loss) on defined benefit obligations		(218,379)	599,419
Deferred Tax (Charge)/Reversal on Other Comprehensive Income		61,146	(167,837)
<b>Other Comprehensive Income for the year, Net of Tax</b>		(157,233)	431,582
<b>Total Comprehensive Income for the year, Net of Tax</b>		57,636,801	38,557,564

The Accounting Policies and Notes on pages 59 through 99 form an integral part of the Financial Statements.

# Statement of Financial Position

As at 31 March 2017

	Notes	2017 Rs.	2016 Rs.
<b>ASSETS</b>			
Cash and Bank Balances	12	37,998,795	22,025,138
Investment In Government Securities	12.1	24,255,603	22,292,541
Placements with Banks and Other Financial Institutions	13	17,579,371	15,661,885
Lease Rentals Receivable and Stock out on Hire	14	1,743,026,107	1,276,304,949
Loans Stock	15.	299,830,820	101,079,702
Gold Advances	15.1	16,119,775	6,825,383
Other Financial Assets	16.	26,329,179	7,793,316
Other Non Financial Assets	17.	49,782,845	24,240,073
Financial Investments-Available for Sale	18.	457,700	457,700
Inventories	19.	78,646,176	125,781,458
Property, Plant and Equipment	20	70,399,883	34,275,833
Intangible Assets	20.4	25,453,071	29,147,331
<b>TOTAL ASSETS</b>		<b>2,389,879,325</b>	<b>1,665,885,309</b>
<b>LIABILITIES</b>			
Due to Banks	21.	1,183,196,053	484,704,388
Due to the Customers	22.	301,121,019	380,790,865
Other Financial Liabilities	23.	108,118,171	74,910,542
Other Non Financial Liabilities	24.	35,025,114	24,921,248
Retirement Benefit Liability	25.	5,162,362	3,477,563
Deferred Tax Liabilities	26.	19,027,700	13,643,567
<b>TOTAL LIABILITIES</b>		<b>1,651,650,419</b>	<b>982,448,173</b>
<b>EQUITY</b>			
Stated Capital	27	603,247,125	603,247,125
Retained Earnings		127,834,330	75,924,400
Reserves	28.	7,147,451	4,265,611
<b>TOTAL EQUITY</b>		<b>738,228,906</b>	<b>683,437,136</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,389,879,325</b>	<b>1,665,885,309</b>

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

  
m. munj

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;



Chairman



Chief Executive Officer

The Accounting Policies and Notes on pages 59 through 99 form an integral part of the Financial Statements.

12<sup>th</sup> June 2017  
Colombo

## Statement of Changes in Equity

Year ended 31 March 2017

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Fund Rs.	Total Rs.
<b>Balance As at 1 April 2015</b>	603,247,125	42,574,714	2,337,733	648,159,572
Total Income / (Loss) for the Period	-	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
<b>Balance As at 1 April 2016</b>	603,247,125	75,924,400	4,265,611	683,437,136
Total Income / (Loss) for the Period	-	57,794,034	-	57,794,034
Dividend Paid during the Period	-	(2,845,030)	-	(2,845,030)
Other Comprehensive Income (Net of Tax)	-	(157,233)	-	(157,233)
Transfer to Statutory Reserve Fund	-	(2,881,840)	2,881,840	-
<b>Balance As at 31 March 2017</b>	603,247,125	127,834,330	7,147,451	738,228,907

The Accounting Policies and Notes on pages 59 through 99 form an integral part of the Financial Statements.

# Statement of Cash Flows

Year ended 31 March 2017

Cash Flows From / (Used in) Operating Activities	Notes	2017 Rs.	2016 Rs.
Profit before Income Tax Expense		71,365,635	44,168,975
<b>Adjustment for Other Non Cash Items Included in Profit Before Tax</b>			
Depreciation of Property, Plant and Equipment	20	16,521,791	13,745,534
Amortization of Intangible Assets	20.4	4,537,811	4,353,460
Provision for Impairment		11,895,328	2,400,000
Interest expenses on Bank Borrowings		100,056,909	23,606,687
Defined Benefit Obligation		1,466,420	1,395,450
Notional Tax on Government Securities		(218,118)	-
Disposal Gain on Fixed Assets		(3,017,189)	-
<b>Operating Profit before Working Capital Changes</b>		202,608,587	89,670,106
(Increase)/Decrease in Lease Rentals Receivable & Stock out on Hire		(474,116,468)	(569,524,617)
(Increase)/Decrease in Loan Stock		(203,251,135)	(73,085,905)
(Increase)/Decrease in Gold Advance		(9,294,392)	(6,825,383)
(Increase)/Decrease in Other Financial Assets		(18,535,863)	(4,906,307)
(Increase)/Decrease in Other Non Financial Assets		(25,324,654)	1,982,844
(Increase)/Decrease in Inventories		47,135,283	(102,908,600)
Increase/(Decrease) in Amounts Due to Customers		(79,669,846)	210,598,040
Increase/(Decrease) in Other Financial Liabilities		33,207,628	31,499,566
Increase/(Decrease) in Other Non Financial Liabilities		1,977,544	16,907,981
<b>Cash Generated from Operations</b>		(525,263,316)	(406,592,275)
Retirement Benefit Liabilities Paid		-	-
Income Tax Paid		(2,699,474)	-
<b>Net Cash Flows from/(Used in) Operating Activities</b>		(527,962,790)	(406,592,275)
<b>Cash Flows from / (Used in) Investing Activities</b>			
Purchase of Property, Plant and Equipment	20	(10,917,176)	(12,349,830)
Purchase of Intangible Assets	20.4	(848,000)	(3,122,229)
Disposal of Property, Plant and Equipment		4,503,498	-
<b>Net Cash Flows from/(Used in) Investment Activities</b>		(7,261,678)	(15,472,058)
<b>Cash Flows from / (Used in) Financing Activities</b>			
Net Proceeds from Bank Borrowings		950,000,000	325,000,000
Repayment of Bank Borrowings		(346,860,111)	(83,699,000)
Repayment of Other Borrowed Funds		(24,062,472)	(1,634,340)
Dividend Paid		(5,725,109)	-
<b>Net Cash Flows from/(Used in) Financing Activities</b>		573,352,308	239,666,660
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		38,127,839	(182,397,673)
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		(42,399,754)	139,997,920
<b>Cash and Cash Equivalents at the End of the Year</b>	29	(4,271,914)	(42,399,754)

The Accounting Policies and Notes on pages 59 through 99 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 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 12 June 2017.

## 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 Statement of Cash Flows, together

with Accounting Policies and Notes, ('Financial Statements'), as at 31 March 2017 and for the period then ended, have been prepared in accordance with Sri 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 retirement benefits obligation.

#### 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 32.

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 Judgements 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.

## Notes to the Financial Statements cont....

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 25.

## 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:



## Notes to the Financial Statements cont....

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 exist, 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.

Notes to the Financial Statements cont....

(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.

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

Notes to the Financial Statements cont....

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:

Category	Years
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.

Notes to the Financial Statements cont....

### 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.12of 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.

Notes to the Financial Statements cont....

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

Notes to the Financial Statements cont....

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 34 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**

This standard will replace Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments: Recognition and Measurement). The improvements introduced by SLFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially - reformed approach to hedge accounting which are detailed below. SLFRS 9 will become effective on 01st January 2018.

#### **Classification and Measurement**

Classification determines how financial assets and financial liabilities are accounted for in the Financial Statements and, in particular, how they are measured on an ongoing basis. SLFRS 9 introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This single, principle based approach replaces existing rule-based requirements that are complex and difficult to apply.

Accordingly, financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL').

Although the classification and measurement outcomes will be similar to LKAS 39 in many instances, the combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared to LKAS 39.

The classification of financial liabilities is essentially unchanged.

#### **Impairment**

SLFRS 9 introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised. This credit loss (impairment) requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12 - month ECL') for all financial assets to which impairment requirement is applied.

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument.



The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events. Current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under LAKS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with LKAS 39.

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

The objective of this standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. SLFRS 15 introduces a five step approach for revenue recognition from contracts with customers and replaces all other currently applicable revenue Standards and related interpretations. SLFRS 15 will become effective on 1st January 2018. The impact on the implementation of the above standard has not been quantified yet.

#### **SLFRS 16 – Leases**

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard - LKAS 17 - Leases and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in

LKAS 17 as either operating leases or finance leases.

SLFRS 16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

# Notes to the Financial Statements

Year ended 31 March 2017

3. INCOME	2017 Rs.	2016 Rs.
Interest Income (4.1)	342,965,230	202,564,337
Fee and Commission Income (5)	4,524,547	3,625,563
Other Operating Income (6)	43,316,072	16,126,413
<b>Total Income</b>	<b>390,805,849</b>	<b>222,316,313</b>
4. NET INTEREST INCOME	2017 Rs.	2016 Rs.
4.1 Interest Income		
From Placements with Banks and Other Financial Institutions	4,066,144	5,271,172
From Lease Rental Receivable & Stock Out on Hire	301,288,892	189,257,779
From Loans and Advances	37,185,865	7,762,301
From Other Receivables	424,329	273,085
<b>Total Interest Income</b>	<b>342,965,230</b>	<b>202,564,337</b>
Interest Income from Other Receivables purely comprise of imputed notional interest on "Refundable Deposits".		
4.2 Interest Expense	2017 Rs.	2016 Rs.
Due to Banks	100,056,909	23,606,687
Due to Customers	33,749,572	21,653,275
<b>Total Interest Expenses</b>	<b>133,806,481</b>	<b>45,259,962</b>
<b>Net Interest Income</b>	<b>209,158,749</b>	<b>157,304,375</b>
5. FEE AND COMMISSION INCOME	2017 Rs.	2016 Rs.
Commission Income	4,524,547	3,625,563
<b>Fee and Commission Income</b>	<b>4,524,547</b>	<b>3,625,563</b>
6. OTHER OPERATING INCOME	2017 Rs.	2016 Rs.
Dealership Commission	1,879,000	2,770,357
Dividend Income	58,500	54,000
Net Income from Real Estate Operations	30,245,536	11,717,215
Vehicle Hiring Income	4,788,014	-
Other Operating Income	6,345,022	1,584,841
<b>Total Other Operating Income</b>	<b>43,316,072</b>	<b>16,126,413</b>

\*Other Operating Income includes Rs.3,017,189 from Sale of Fixed Assets and Rs.2,939,797 from Early Settlements.

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

<b>7. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
Lease Rental's Receivable, Stock Out on Hire, and Loans and Receivables	11,895,328	2,400,000
	<b>11,895,328</b>	<b>2,400,000</b>
<b>8. PERSONNEL EXPENSES</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
Salaries	52,892,318	42,894,658
Employers' Contribution to Employee's Provident Fund	6,338,822	5,153,306
Employers' Contribution to Employee's Trust Fund	1,584,706	1,288,327
Gratuity Charge for the year	1,466,420	1,395,450
Other Staff Related Expenses	26,484,572	17,577,239
	<b>88,766,837</b>	<b>68,308,980</b>
<b>9. OTHER OPERATING EXPENSES</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
Directors' Emoluments	2,236,250	2,391,500
Auditors' Remuneration	1,372,787	1,500,000
Professional and Legal Expenses	2,598,524	2,759,739
Office Administration and Establishment Expenses	26,533,743	20,194,430
Advertising and Promotional Expenses	4,557,610	4,541,961
Other Expenses	9,626,369	6,435,203
	<b>46,925,283</b>	<b>37,822,833</b>
*Other Expenses includes Rs. 5,520,336 of Fuel & Travelling expenses, Rs. 2,747,906 of Printing & stationery cost and Rs. 2,028,649 of VAT on Other income sources		
<b>10. INCOME TAX EXPENSES</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>10.1 The major component of income tax for the year ended 31 March 2017 as follows;</b>		
<b>Income Statement</b>		
<b>Current Income Tax</b>		
Income Tax for the year	7,958,485	3,341,026
<b>Deferred Tax</b>		
Deferred Tax Charge (Note 26)	5,613,116	2,701,967
<b>Income Tax Expenses reported in the Income Statement</b>	<b>13,571,601</b>	<b>6,042,993</b>
<b>Statement of Other Comprehensive Income</b>		
Deffered Tax related to items recognized in OCI during the year		
Net Gain/(Loss) on Acturial Gains/Losses during the year	(61,146)	167,837
<b>Income Tax Expenses reported in the Other Comprehensive Income</b>	<b>(61,146)</b>	<b>167,837</b>
<b>Total Income Tax Expense for the year</b>	<b>13,510,455</b>	<b>6,210,830</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

**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 2017 as follows.

	2017 Rs.	2016 Rs.
Accounting Profit / (Loss) Before Income Taxation	88,352,317	50,425,543
Aggregate allowable expenditure	(100,819,569)	(62,840,077)
Aggregate disallowable expenditure	40,890,412	24,346,770
	28,423,160	11,932,236
Tax at applicable rate of 28%	7,958,485	3,341,026
	<b>7,958,485</b>	<b>3,341,026</b>
Deferred taxation charged	5,613,116	2,701,967
	<b>5,613,116</b>	<b>2,701,967</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;**

	2017 Rs.	2016 Rs.
<b>Amount Used as Numerators</b>		
Profit attributable to Ordinary Share Holders for Basic Earnings per Share	57,794,034	38,125,982
<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>	0.72	0.48

**12. CASH AND BANK BALANCES**

	2017 Rs.	2016 Rs.
Cash In Hand	13,505,989	9,662,263
Bank Balances	24,492,806	12,362,875
	<b>37,998,795</b>	22,025,138
<b>12.1 GOVERNMENT SECURITIES</b>		
Treasury Bills - at amortized cost (Held to Maturity)	24,255,603	22,292,541
	24,255,603	22,292,541

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

<b>13</b>	<b>PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		<b>2017</b>	<b>2016</b>
			<b>Rs.</b>	<b>Rs.</b>
	Placement With Banks (Fixed Deposit)		17,579,371	15,661,885
			<b>17,579,371</b>	<b>15,661,885</b>
<b>14.</b>	<b>LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE</b>		<b>2017</b>	<b>2016</b>
			<b>Rs.</b>	<b>Rs.</b>
	Rental Receivable on Lease		2,319,208,018	1,601,634,276
	Rental Receivable on Hire Purchase		45,750,656	109,854,139
	Gross Rentals Receivables		2,364,958,674	1,711,488,415
	Less: Unearned Income		(581,169,212)	(399,480,187)
			1,783,789,462	1,312,008,228
	Less : Rentals Received in Advance		(25,568,293)	(27,903,527)
	Net Rentals Receivables before charging Allowance for Impairment Losses		1,758,221,169	1,284,104,701
	Less : Allowance for Impairment Losses (Note 14.1)		(15,195,062)	(7,799,752)
	<b>Total Net Rentals Receivable</b>		<b>1,743,026,107</b>	<b>1,276,304,949</b>
<b>14.1</b>	<b>Allowance for Impairment Losses</b>		<b>2017</b>	<b>2016</b>
			<b>Rs.</b>	<b>Rs.</b>
	As at 01 April		7,799,752	5,854,147
	Charge for the period		7,395,310	1,945,605
	As at 31 March		<b>15,195,062</b>	7,799,752
<b>14.2</b>	<b>RENTAL RECEIVABLE ON LEASE</b>	<b>Within One</b>	<b>1 to 5</b>	<b>Over 5</b>
		<b>Year</b>	<b>Years</b>	<b>Years</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	Gross Rentals Receivables	865,967,270	1,453,240,747	-
	Less: Unearned Income	(182,854,888)	(392,028,973)	-
		683,112,382	1,061,211,774	-
	Less : Rentals Received in Advance			(25,133,125)
	<b>Net Rentals Receivable before charging Allowance for Impairment Losses</b>			<b>(1,719,191,031)</b>

Notes to the Financial Statements cont..

**Year ended 31 March 2017**

<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	27,865,086	17,885,570	-	45,750,656
Less: Unearned Income	(3,287,598)	(2,997,751)	-	(6,285,349)
	24,577,487	14,887,819	-	39,465,306
Less : Rentals Received in Advance				(435,168)
<b>Net Rentals Receivable before charging Allowance for Impairment Losses</b>				<b>39,030,138</b>
<b>Total Net Rentals Receivables before charging Allowance for Impairment Losses</b>				<b>1,758,221,169</b>

<b>15 LOANS AND ADVANCES</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
Loan Rental Receivable	410,142,942	151,621,643
Less : Unearned Interest Income	(103,556,640)	(44,661,977)
Net Receivable	306,586,302	106,959,666
Less : Rental Received In Advance	(1,670,379)	(5,294,878)
Net Rentals Receivables before charging Allowance for Impairment Losses	304,915,923	101,664,788
Less : Allowance for Impairment Losses (Note 15.2)	(5,085,103)	(585,086)
<b>Total Net Rentals Receivable</b>	<b>299,830,820</b>	<b>101,079,702</b>

<b>15.1 GOLD ADVANCES</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
Gold advances	16,119,775	6,825,383
	<b>16,119,775</b>	<b>6,825,383</b>

<b>15.2 ALLOWANCE FOR IMPAIRMENT LOSSES</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
As at 01 April	585,086	130,691
Charge for the Period	4,500,017	454,395
As at 31 March 2017	5,085,103	585,086

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

<b>15.3 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	216,917,065	178,145,215	15,080,663	410,142,942
Less: Unearned Income	(36,180,534)	(59,796,337)	(7,579,770)	(103,556,640)
	180,736,531	118,348,878	7,500,893	306,586,302
Less : Rentals Received in Advance				(1,670,379)
<b>Net Rentals Receivable before charging Allowance for Impairment Losses</b>				<b>304,915,923</b>

<b>16. OTHER FINANCIAL ASSETS</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
Refundable Deposit	2,643,704	3,092,156
Sundry Debtors	23,685,475	4,701,160
	<b>26,329,179</b>	<b>7,793,316</b>

<b>17. OTHER NON FINANCIAL ASSETS</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
With Holding Tax	373,020	515,020
Advances and Prepayment	22,995,068	15,818,730
Other Receivable	26,414,757	7,906,323
	<b>49,782,845</b>	<b>24,240,073</b>

<b>18 FINANCIAL INVESTMENT-AVAILABLE FOR SALE</b>	<b>2017 Rs.</b>	<b>No. of Shares</b>	<b>2016 Rs.</b>	<b>No. of Shares</b>
Equities-Unquoted				
Credit Information Bureau of Sri Lanka	457,700	100	457,700	100
	457,700	100	457,700	100

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.

<b>19. INVENTORIES</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
Stationeries	183,087	157,025
Land stock (Note 19.1)	78,463,089	125,624,433
	<b>78,646,176</b>	<b>125,781,458</b>

Notes to the Financial Statements cont..

Year ended 31 March 2017

19.1 LAND STOCK	2017 Rs.	2016 Rs.
Cost	83,326,670	151,623,797
Less : Development cost to completion	(4,863,581)	(25,999,364)
	<b>78,463,089</b>	<b>125,624,433</b>

## 20. PROPERTY, PLANT & EQUIPMENT

20.1 Gross Carrying Amounts	Balance As at 01.04.2016 Rs.	Additions / Transfers / Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2017 Rs.
<b>At Cost</b>				
<b>Freehold Assets</b>				
Furniture & Fittings	30,541,544	1,357,979	-	31,899,523
Office Equipment	14,224,621	1,659,853	-	15,884,474
Computer Equipment	19,750,532	1,309,345	-	21,059,876
Motor Vehicles	554,190	6,590,000	-	7,144,190
	65,070,887	10,917,176	-	75,988,063
<b>Assets on Finance Leases</b>				
Motor Vehicles	8,983,303	43,225,330	5,988,303	46,220,330
<b>Total Value of Depreciable Assets</b>	<b>74,054,190</b>	<b>54,142,506</b>	<b>5,988,303</b>	<b>122,208,393</b>

20.2 Depreciation	Balance As at 01.04.2016 Rs.	Charge for the year/ Transfers Rs.	Disposals / Transfers Rs.	Balance As at 31.03.2017 Rs.
<b>At Cost</b>				
<b>Freehold Assets</b>				
Furniture & Fittings	15,708,719	6,259,151	-	21,967,871
Office Equipment	6,322,420	2,962,274	-	9,284,694
Computer Equipment	13,435,641	4,130,765	-	17,566,406
Motor Vehicles	297,277	162,338	-	459,615
	35,764,057	13,514,528	-	49,278,585
<b>Assets On Finance Leases</b>				
Motor Vehicles	4,014,300	3,007,263	4,491,638	2,529,925
<b>Total Depreciation</b>	<b>39,778,357</b>	<b>16,521,791</b>	<b>4,491,638</b>	<b>51,808,510</b>



Notes to the Financial Statements cont....

Year ended 31 March 2017

20.3 NET BOOK VALUES At Cost	2017 Rs.	2016 Rs.
Furniture & Fittings	9,931,652	14,832,825
Office Equipment	6,599,780	7,902,201
Computer System	3,493,471	6,314,891
Motor Vehicles	6,684,575	256,913
	<b>26,709,478</b>	<b>29,306,830</b>
<b>Assets on Finance Leases</b>		
Motor Vehicles	43,690,405	4,969,003
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>70,399,883</b>	<b>34,275,833</b>
20.4 INTANGIBLE ASSETS	2017 Rs.	2016 Rs.
<b>Computer System Software</b>		
<b>Cost:</b>		
Balance As At 1 April	45,013,486	41,891,257
Addition	848,000	3,122,229
Disposal	-	-
<b>Balance As At 31 March</b>	<b>45,861,486</b>	<b>45,013,486</b>
<b>Less: Amortization &amp; Impairment</b>		
Balance As At 1 April	15,866,155	11,512,695
Amortization Charge for the year	4,537,811	4,353,460
<b>Balance As At 31 March</b>	<b>20,408,415</b>	<b>15,866,155</b>
<b>Net Book Value As At 31 March</b>	<b>25,453,071</b>	<b>29,147,331</b>
21. DUE TO BANKS	2017 Rs.	2016 Rs.
Finance Lease (21.1)	20,151,021	5,299,605
Bank Over Draft	84,105,685	102,379,318
Bank Borrowings (21.2)	1,078,939,347	377,025,465
	<b>1,183,196,053</b>	<b>484,704,388</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

<b>21.1 FINANCE LEASE</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.</b>	<b>Rs.</b>
Gross liability	24,931,293	6,009,302
Less: Finance Charge Allocated to Future Period	(4,780,272)	(709,697)
<b>Net Liability</b>	<b>20,151,021</b>	<b>5,299,605</b>
<b>Repayable within one year</b>		
Gross Liability	7,049,138	3,383,062
Less: Finance Charge Allocated to Future Period	(1,974,345)	(531,859)
<b>Net Liability</b>	<b>5,074,793</b>	<b>2,851,203</b>
<b>Repayable after one year (1-5 Year)</b>		
Gross Liability	17,893,634	2,626,240
Less: Finance Charge Allocated to Future Period	(2,817,406)	(177,838)
Net Liability	15,076,228	2,448,402
<b>Total Net Liability</b>	<b>20,151,021</b>	<b>5,299,605</b>
<b>21.2 BANK BORROWINGS</b>		
Gross liability	1,298,636,245	442,743,811
Less: Finance Charge Allocated to Future Period	(219,696,898)	(65,718,346)
<b>Net Liability</b>	<b>1,078,939,347</b>	<b>377,025,465</b>
<b>Repayable within one year</b>		
Gross Liability	492,238,010	158,517,396
Less: Finance Charge Allocated to Future Period	(109,658,781)	(32,909,208)
<b>Net Liability</b>	<b>382,579,230</b>	<b>125,608,188</b>
<b>Repayable after one year (1-5 Year)</b>		
Gross Liability	806,398,235	284,226,415
Less: Finance Charge Allocated to Future Period	(110,038,118)	(32,809,138)
Net Liability	696,360,117	251,417,277
<b>Total Net Liability</b>	<b>1,078,939,347</b>	<b>377,025,465</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

21.2.1 BANK LOAN FACILITIES	As at 01.04.2016 Rs.	As at 31.03.2017 Rs.	Interest Rate	Period (Months)	Security
BOC Loan 1	32,372,116	19,867,570	13.30%	48	Mortgage over Lease and Loan receivables
BOC Loan 2	51,594,615	32,837,740	13.40%	48	Mortgage over Lease and Loan receivables
BOC Loan 3	7,126,811	2,097,440	13.40%	24	Mortgage over Lease and Loan receivables
BOC Loan 4	9,201,798	5,396,423	13.40%	36	Mortgage over Lease and Loan receivables
BOC Loan 5	1,409,928	-	-	-	Mortgage over Lease and Loan receivables
BOC Loan 6	20,057,630	8,050,944	13.20%	24	Mortgage over Lease and Loan receivables
BOC Loan 7	17,554,482	11,001,992	13.20%	36	Mortgage over Lease and Loan receivables
BOC Loan 8	6,138,977	4,476,316	13.20%	48	Mortgage over Lease and Loan receivables
BOC Loan 9	-	1,073,115	13.40%	12	Mortgage over Lease and Loan receivables
BOC Loan 10	-	2,437,842	13.30%	24	Mortgage over Lease and Loan receivables
BOC Loan 11	-	4,176,646	13.30%	24	Mortgage over Lease and Loan receivables
BOC Loan 12	-	7,082,353	13.30%	36	Mortgage over Lease and Loan receivables
BOC Loan 13	-	57,881,021	13.30%	48	Mortgage over Lease and Loan receivables
BOC Loan 14	-	5,249,860	13.30%	12	Mortgage over Lease and Loan receivables
BOC Loan 15	-	8,851,260	13.20%	24	Mortgage over Lease and Loan receivables
BOC Loan 16	-	24,118,340	13.20%	36	Mortgage over Lease and Loan receivables
BOC Loan 17	-	109,675,724	13.20%	48	Mortgage over Lease and Loan receivables
BOC Loan 18	-	124,860,195	13.20%	48	Mortgage over Lease and Loan receivables
BOC Loan 19	-	28,529,130	13.20%	36	Mortgage over Lease and Loan receivables
BOC Loan 20	-	17,755,641	13.20%	24	Mortgage over Lease and Loan receivables
BOC Loan 21	-	4,128,900	13.40%	12	Mortgage over Lease and Loan receivables
BOC Loan 22	-	78,814,739	13.70%	48	Mortgage over Lease and Loan receivables
BOC Loan 23	-	16,040,669	13.40%	36	Mortgage over Lease and Loan receivables
BOC Loan 24	-	5,950,669	13.40%	24	Mortgage over Lease and Loan receivables
PABC Loan	90,727,272	65,566,594	14.50%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 1	45,898,122	33,385,742	10.22%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 2	46,948,574	34,435,604	11.30%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 3	47,995,140	35,482,112	11.70%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 4	-	44,892,312	13.60%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 5	-	92,430,641	13.70%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 6	-	47,034,405	13.40%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 7	-	48,297,108	13.70%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 8	-	47,916,000	13.80%	48	Mortgage over Lease and Loan receivables
Seylan Bank Loan 9	-	49,144,301	13.40%	48	Mortgage over Lease and Loan receivables
	<b>377,025,465</b>	<b>1,078,939,347</b>			

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

<b>22. DUE TO CUSTOMERS</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
Fixed Deposit	301,121,019	380,790,865
	<b>301,121,019</b>	<b>380,790,865</b>
<b>23. OTHER FINANCIAL LIABILITIES</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
Trade Payable	87,769,559	60,729,495
Accrued Expense	7,092,136	5,232,478
Sundry Creditors	13,256,476	8,948,569
	<b>108,118,171</b>	<b>74,910,542</b>
<b>24. OTHER NON-FINANCIAL LIABILITIES</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
WHT Payable	210,532	265,309
Stamp Duty Payable	1,103,739	1,166,560
VAT Payable	3,095,789	6,113,998
Income Tax Payable	7,058,485	2,306,235
Dividend Payable	-	2,959,991
Other Liabilities*	23,556,569	12,109,155
	<b>35,025,114</b>	<b>24,921,248</b>
*Other Liabilities includes Rs. 12,000,166 of advances collected from lease customers.		
<b>25. POST EMPLOYMENT BENEFIT</b>	<b>2017 Rs.</b>	<b>2016 Rs.</b>
<b>25.1 Defined Benefit Liability</b>		
Defined Benefit Liability (25.2)	5,162,362	3,477,563
	5,162,362	3,477,563
<b>25.2 Changes in the Defined benefit obligation are as follows</b>		
Opening Liability	3,477,563	2,681,532
Net Benefit expense (25.3)	1,684,799	796,031
Benefit paid	-	-
Defined Benefit Liability as of 31 March	<b>5,162,362</b>	<b>3,477,563</b>
<b>25.3 Net Benefit expense</b>		
Interest Cost	417,307	261,449
Current Service Cost	1,049,113	1,134,001
Actuarial Loss on obligations	218,379	(599,419)
	<b>1,684,799</b>	<b>796,031</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

**25.4 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 2017. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Discount Rate	12.60%	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		

**25.5 Sensitivity Analysis**

+/- 1% change on Discount Rate and Salary Increase- present value of defined benefit obligation as at 31 March 2017.

	Present Value of Defined Benefit Obligation		
	31-Mar-17	31-Mar-17	31-Mar-17
Discount Rate	11.6%	12.6%	13.6%
Basic Salary Scale	9.0%	9.0%	9.0%
Census at	31-Mar-17	31-Mar-17	31-Mar-17
Total PVDBO	5,396,285	5,162,362	4,955,599

	Present Value of Defined Benefit Obligation		
	31-Mar-17	31-Mar-17	31-Mar-17
Discount Rate	12.6%	12.6%	12.6%
Basic Salary Scale	8.0%	9.0%	10.0%
Census at	31-Mar-17	31-Mar-17	31-Mar-17
Total PVDBO	4,950,939	5,162,362	5,397,822

26. DEFERRED TAX LIABILITY	Statement of Financial Position		Statement of Comprehensive Income		Statement of Other Comprehensive Income	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Deferred Tax Liability</b>						
Property Plant & Equipment	2,878,882	3,620,409	(741,528)	678,176	-	-
Intangible Assets	6,759,393	7,842,877	(1,083,483)	1,850,898	-	-
Lease Rental	74,295,156	48,238,262	26,056,893	27,227,588	-	-
Lease Creditor	4,975,322	-	4,975,322	-	-	-
	88,908,753	59,701,548	29,207,204	29,756,662	-	-

Notes to the Financial Statements cont....

Year ended 31 March 2017

26. DEFERRED TAX LIABILITY (Contd.)	Statement of Financial Position		Statement of Comprehensive Income		Statement of Other Comprehensive Income	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Deferred Tax Assets</b>						
Lease Creditor	-	291,285	291,285	(291,285)	-	-
Defined Benefit Plan Obligation	1,445,461	973,718	(242,760)	(390,726)	(61,146)	167,837
Impairment of Loans and Receivables	5,678,446	2,347,755	(3,330,692)	(672,000)	-	-
Brought Forward Tax Loss	62,757,145	42,445,224	(20,311,921)	(25,700,685)	-	-
	69,881,053	46,057,981	(23,594,088)	(27,054,696)	(61,146)	167,837
<b>Deferred Income Tax Income/(Expense)</b>			5,613,116	2,701,967	(61,146)	167,837
<b>Net Deferred Tax (Asset)/Liabilities</b>	19,027,700	13,643,567				
<b>27. STATED CAPITAL</b>						
<b>Issued and Fully Paid-Ordinary Shares</b>			No of Shares		Rs.	
<b>Balance as of 1 April 2015</b>			80,000,000		603,247,125	
Issued during the year						
Share Issue			-		-	
<b>Balance as of 31 March 2016</b>			80,000,000		603,247,125	
<b>Balance as of 1 April 2016</b>			80,000,000		603,247,125	
Issued during the year			-		-	
<b>Balance as of 31 March 2017</b>			80,000,000		603,247,125	
Transaction cost on share issued is deducted from the equity						
<b>28. RESERVES</b>					<b>2017 Rs.</b>	<b>2016 Rs.</b>
Investment Fund Reserve					-	-
Statutory Reserve Fund					7,147,451	4,265,611
<b>Closing Balance</b>					<b>7,147,451</b>	<b>4,265,611</b>

Notes to the Financial Statements cont....

Year ended 31 March 2017

29. CASH AND CASH EQUIVALENTS FOR THE PURPOSE OF CASH FLOW STATEMENT	2017 Rs.	2016 Rs.
<b>Components of cash and cash Equivalents</b>		
<b>Favorable Cash &amp; Cash Equivalents Balance</b>		
Cash and Bank Balance (Note 12)	37,998,795	22,025,138
Investment in government securities	24,255,603	22,292,541
Investment in FD with short Term Maturities (Note 13)	17,579,371	15,661,885
	<b>79,833,769</b>	<b>59,979,564</b>
<b>Un-Favorable Cash &amp; Cash Equivalents Balance</b>		
Bank Over Draft (Note 21)	84,105,685	102,379,318
	84,105,685	102,379,318
<b>Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>	<b>(4,271,914)</b>	<b>(42,399,754)</b>

### 30. ANALYSIS OF FINANCIAL ASSETS & LIABILITIES BY MEASUREMENT BASIS

As at 31 March 2017	Available for Sale Financial Assets at Fair Value Rs.	Financial Assets and Liabilities at Amortized Cost Rs.	Total Rs.
<b>Financial Assets</b>			
Cash & Bank Balances	-	37,998,795	37,998,795
Investment in government Securities	-	24,255,603	24,255,603
Placements with Other Banks & Financial Institutions	-	17,579,371	17,579,371
Lease Rentals Receivable and Stock out on Hire	-	1,743,026,107	1,743,026,107
Loans Stock	-	299,830,820	299,830,820
Gold Advances	-	16,119,775	16,119,775
Financial Investments-Available for Sale	457,700	-	457,700
Other Financial Assets	-	26,329,179	26,329,179
<b>Total Financial Assets</b>	<b>457,700</b>	<b>2,165,139,649</b>	<b>2,165,597,349</b>
<b>Financial Liabilities</b>			
Due to Bank	-	1,183,196,053	1,183,196,053
Due to the Customers	-	301,121,019	301,121,019
Other Financial Liabilities	-	108,118,171	108,118,171
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,592,435,243</b>	<b>1,592,435,243</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

As at 31 March 2016	Available for Sale Financial Assets at Fair Value	Financial Assets and Liabilities at Amortized Cost	Total
	Rs.	Rs.	Rs.
<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>

**31. FAIR VALUE OF FINANCIAL INSTRUMENTS**

**31.1 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.

As at 31 March 2017	Level 1	Level 2	Level 3	Total
Financial Investments - Available for Sale				
Unquoted Equity	-	-	457,700	457,700
	-	-	457,700	457,700

There were no financial liabilities recorded at the fair value as at 31 March 2017.

As at 31 March 2016	Level 1	Level 2	Level 3	Total
Financial Investments - Available for Sale				
Unquoted Equity	-	-	457,700	457,700
	-	-	457,700	457,700

There were no financial liabilities recorded at the fair value as at 31 March 2016.



Notes to the Financial Statements cont...

Year ended 31 March 2017

### 31.2 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.

As at 31 March 2017	Level	Carrying Amount Rs.	Fair Value Rs.
<b>Financial Assets</b>			
Lease Rentals Receivable and Stock out on Hire	Level 02	1,743,026,107	1,735,386,393
Loans Stock	Level 02	299,830,820	291,651,059
<b>Financial Liabilities</b>			
Bank Borrowings	Level 02	1,071,468,846	872,684,958
Finance Lease	Level 02	24,931,293	19,355,478
<b>As at 31 March 2016</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
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 reprice 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			
Gold Advances			
<b>Financial Liabilities</b>			
Bank Overdraft			
Due to the Customers			
Other Financial Liabilities			

## Year ended 31 March 2017

**32. 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.

As at 31 March 2017	2017 - within 12 Months Rs.	2017 - after 12 Months Rs.	Total as at 31.03.2017 Rs.
<b>ASSETS</b>			
Cash and Bank Balances	37,998,795	-	37,998,795
Placements with Banks and Other Financial Institutions	41,834,974	-	41,834,974
Lease Rentals Receivable and Stock out on Hire and Loans	840,907,563	1,201,949,363	2,042,856,926
Gold Advances	16,119,775	-	16,119,775
Other Financial Assets	24,126,505	2,202,674	26,329,179
Other Non Financial Assets	48,607,326	1,175,521	49,782,847
Financial Investments-Available for Sale	-	457,700	457,700
Inventories	78,646,176	-	78,646,176
Property, Plant and Equipment	-	70,399,883	70,399,883
Intangible Assets	-	25,453,071	25,453,071
<b>TOTAL ASSETS</b>	<b>1,088,241,113</b>	<b>1,301,638,212</b>	<b>2,389,879,325</b>
<b>LIABILITIES</b>			
Due to Bank	471,759,708	711,436,345	1,183,196,053
Due to the Customers	194,414,294	106,706,725	301,121,019
Other Financial Liabilities	108,118,171	-	108,118,171
Other Non Financial Liabilities	35,025,114	-	35,025,114
Retirement Benefit Liability	-	5,162,362	5,162,362
Deferred Tax Liabilities	-	19,027,700	19,027,700
<b>Total Liabilities</b>	<b>809,317,286</b>	<b>842,333,132</b>	<b>1,651,650,418</b>
<b>Net Assets</b>	<b>278,923,826</b>	<b>459,305,081</b>	<b>738,228,907</b>
<b>As at 31 March 2016</b>			
	<b>2016 - within 12 Months Rs.</b>	<b>2016 - after 12 Months Rs.</b>	<b>Total as at 31.03.2016 Rs.</b>
Cash and Bank Balances	22,025,138	-	22,025,138
Investment In Government Securities	37,954,426	-	37,954,426
Placements with Banks and Other Financial Institutions	444,817,799	940,951,690	1,385,769,489
Lease Rentals Receivable, Stock out on Hire and Loans	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>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

As at 31 March 2016	2016 - within 12 Months Rs.	2016 - after 12 Months Rs.	Total as at 31.03.2016 Rs.
<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</b>	<b>(42,707,150)</b>	<b>734,530,238</b>	<b>691,823,088</b>

**33. COMMITMENT AND CONTINGENCIES**

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

**33.1 Litigation Against Company**

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

**33.2 Assets Pledged**

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2017 Rs.	2016 Rs.	
Lease Rentals Receivable and Stock out on Hire *	Bank Loans and Overdrafts	2,364,958,674	1,711,488,415	Lease Rentals Receivable and Stock out on Hire
		2,364,958,674	1,711,488,415	

\* 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.

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

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

**35. 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 2017****35.1 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".

	2017 Rs.	2016 Rs.
Short Term Employment Benefits	17,974,500	16,376,000

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.

**35.2 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 31-3-2017	Outstanding Receivable/ (Payable) Balance as at 31-3-2016
<b>Ideal Holdings Private Limited</b>	Parent Company			
Fixed Deposits		-	-	-
Withdrawal of Fixed Deposits		-	-	-
Interest Expense - Fixed Deposits		-	-	-
<b>Ideal Motors (Pvt) Ltd.</b>	Affiliate Company			
Fixed Deposits		130,030,822	(100,030,822)	(185,000,000)
Withdrawal of Fixed Deposits		(215,000,000)	-	-
Receivables from Dealership Commission		1,879,000	357,000	318,500
Finance Lease Equipment Purchase		419,049,955	(9,770,000)	(22,623,000)
Interest Expenses - Fixed Deposits		13,567,887	(627,811)	(586,245)
<b>Ideal Automobile (Pvt) Ltd</b>	Affiliate Company			
Finance Lease Equipment Purchase		5,950,000	-	-
Fixed Deposits		-	(40,157,500)	(40,264,375)
Withdrawal of Fixed Deposits		(106,875)	-	-
Interest Expenses - Fixed Deposits		4,459,561	(412,195)	(188,114)
<b>Ideal 2Wheels (Pvt) Ltd</b>	Affiliate Company			
Finance Lease Equipment Purchase		5,397,365	(174,965)	(40,000)

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

<b>Ideal Chery Automobiles (Pvt) Ltd</b>	Affiliate Company			
Finance Lease Equipment Purchase		12,495,000	-	(3,590,000)
<b>Ideal Investment Lanka (Pvt) Ltd</b>	Affiliate Company			
Rent Expenses		3,026,400	605,280	580,060
Rent Deposit		-	450,000	450,000
<b>Ideal Choice (Pvt) Ltd</b>	Affiliate Company			
Fixed Deposits		-	-	-
Withdrawal of Fixed Deposits		-	-	-
Interest Expense - Fixed Deposits		-	-	-

**36. 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.

**36.1 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.

**37. RISK MANAGEMENT**

**37.1 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.

Notes to the Financial Statements cont....

## Year ended 31 March 2017

### 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.

#### 37.2 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..

##### 37.2.1 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.

As at 31 March 2017	Note	Neither Past Due Not Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
<b>ASSETS</b>					
Cash and Bank Balances	12	37,998,795	-	-	37,998,795
Placements with Banks and Other Financial Institutions	12.1,13	41,834,974	-	-	41,834,974
Lease Rentals Receivable, Stock out on Hire and Loan Stock	14,15	1,994,380,923	68,756,169	-	2,063,137,092
Gold Advances	15.1	16,119,775	-	-	16,119,775
Other Financial Assets	16	26,329,179	-	-	26,329,179
Financial Investments-Available for Sale	18	457,700	-	-	457,700
		<b>2,117,121,346</b>	<b>68,756,169</b>	<b>-</b>	<b>2,185,877,515</b>

As at 31 March 2016	Note	Neither Past Due Not Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
<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	15.1	6,825,383	-	-	6,825,383
Other Financial Assets	16	7,793,316	-	-	7,793,316
Financial Investments-Available for Sale	18	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>

Notes to the Financial Statements cont....

### Year ended 31 March 2017

#### 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.

#### 37.2.1.1 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 2017	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)	13,877,965	30,415,099	5,986,316	18,476,788	68,756,169
	<b>13,877,965</b>	<b>30,415,099</b>	<b>5,986,316</b>	<b>18,476,788</b>	<b>68,756,169</b>

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>

#### 37.2.2 Analysis of Risk Concentration

##### 37.2.2.1 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 2017	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	-	-	80,235,025	-	-	-	80,235,025
Manufacturing	-	-	30,848,153	-	-	-	30,848,153
Construction	-	-	45,869,200	-	-	-	45,869,200
Financial Services	37,998,795	17,579,371	23,434,762	-	-	-	79,012,928
Trading	-	-	106,179,199	-	-	-	106,179,199
Hotels	-	-	4,802,154	-	-	-	4,802,154
Services	-	-	276,912,035	457,700	-	-	277,369,735
Transport	-	-	1,143,936,254	-	-	-	1,143,936,254
Consumer	-	-	350,920,310	-	16,119,775	26,329,179	393,369,264
<b>Total</b>	<b>37,998,795</b>	<b>17,579,371</b>	<b>2,063,137,092</b>	<b>457,700</b>	<b>16,119,775</b>	<b>26,329,179</b>	<b>2,161,621,912</b>

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

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

Province	Lease Rental Receivable & Stock Out On Hire	Loan Stock	Gold Advances
North Central	550,571,488	35,254,049	2,039,433
North Western	306,239,843	40,757,853	-
Northern	208,307,753	14,508,330	-
Sabaragamuwa	87,357,220	11,030,789	-
Southern	75,831,547	13,052,765	701,052
Uva	244,039,157	10,312,297	13,379,290
Western	285,874,161	179,999,840	-
<b>Total</b>	<b>1,758,221,169</b>	<b>304,915,923</b>	<b>16,119,775</b>

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>1,385,769,488</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 and stock out on hire within Sri Lanka as follows.

Province	Lease Rental Receivable & Stock Out On Hire	Loan Stock	Gold Advances
Province			
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>



Notes to the Financial Statements cont....

## Year ended 31 March 2017

### 37.2.2.2 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.

Maximum Exposure to Credit	2017		2016	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Cash and Bank Balances	37,998,795	-	22,025,138	-
Placements with Banks and Other Financial Institutions and Government Securities	41,834,974	41,834,974	37,954,426	37,954,426
Lease Rentals Receivable, Stock out on Hire and Loan Stock	2,063,137,092	247,734,411	1,385,769,489	192,833,851
Gold Advances	16,119,775	-	6,825,383	6,825,383
Other Financial Assets	26,329,179	26,329,179	7,793,316	7,793,316
Financial Investments-Available for Sale	457,700	457,700	457,700	457,700
<b>Total Financial Assets</b>	<b>2,185,877,515</b>	<b>316,356,264</b>	<b>1,460,825,452</b>	<b>245,864,676</b>

### 37.3 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.

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

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities.

As at 31 March 2017	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	37,998,795	-	-	-	-	37,998,795
Placements with Banks and Other Financial Institutions	-	41,980,992	262,692	-	-	42,243,684
Lease Rentals Receivable and Stock out on Hire	51,299,358	198,488,954	618,474,815	1,471,126,317	-	2,339,389,444
Loans Stock	18,115,689	64,568,295	132,559,221	178,145,215	15,080,663	408,469,083
Gold Advances	-	15,997,274	122,500	-	-	16,119,774
Financial Investments-Available for Sale	-	-	-	-	457,700	457,700
Other Financial Assets	-	441,030	23,685,475	2,202,674	-	26,329,179
<b>Total Financial Assets</b>	<b>107,413,842</b>	<b>321,476,545</b>	<b>775,104,703</b>	<b>1,651,474,206</b>	<b>15,538,363</b>	<b>2,871,007,659</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

**37.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities**

As at 31 March 2017	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 Liabilities</b>						
Due to Banks	84,105,685	137,184,681	362,090,993	824,291,869	-	1,407,673,228
Due to the Customers	-	167,759,646	26,618,431	106,706,724	-	301,084,801
Other Financial Liabilities	-	20,348,612	87,769,559	-	-	108,118,171
<b>Total Financial Liabilities</b>	<b>84,105,685</b>	<b>325,292,939</b>	<b>476,478,983</b>	<b>930,998,593</b>	<b>-</b>	<b>1,816,876,200</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>23,308,157</b>	<b>(3,816,394)</b>	<b>298,625,720</b>	<b>720,475,613</b>	<b>15,538,363</b>	<b>1,054,131,459</b>
<b>As at 31 March 2016</b>						
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
<b>Total Financial Liabilities</b>	<b>102,379,318</b>	<b>352,522,053</b>	<b>220,276,760</b>	<b>265,226,551</b>	<b>-</b>	<b>940,404,681</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>(32,374,294)</b>	<b>(202,183,336)</b>	<b>127,108,408</b>	<b>627,412,290</b>	<b>457,700</b>	<b>520,420,771</b>

Notes to the Financial Statements cont....

## Year ended 31 March 2017

### 37.4 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 2017	Total As at 31-03-2017 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	37,998,795	-	-	-	-	37,998,795
Placements with Banks and Other Financial Institutions	41,834,974	41,582,716	252,258	-	-	-
Lease Rentals Receivable and Stock out on Hire	1,758,221,169	202,388,980	479,732,596	1,076,099,593	-	-
Loans Stock	304,915,923	72,552,291	106,513,862	118,348,878	7,500,893	-
Gold Advances	16,119,775	15,997,275	122,500	-	-	-
Financial Investments- Available for Sale	457,700	-	-	-	-	457,700
Other Financial Assets	26,329,179	-	-	-	-	26,329,179
<b>Total Financial Assets</b>	<b>2,185,877,515</b>	<b>332,521,262</b>	<b>586,621,216</b>	<b>1,194,448,471</b>	<b>7,500,893</b>	<b>64,785,674</b>
<b>Financial Liabilities</b>						
Due to Banks	1,183,196,053	194,110,743	277,648,965	711,436,345	-	-
Due to the Customers	301,121,018	168,397,641	26,016,653	106,706,724	-	-
Other Financial Liabilities	108,118,171	-	-	-	-	108,118,171
<b>Total Financial Liabilities</b>	<b>1,592,435,242</b>	<b>362,508,385</b>	<b>303,665,618</b>	<b>818,143,069</b>	<b>-</b>	<b>108,118,171</b>
<b>Interest Sensitivity Gap</b>	<b>593,442,274</b>	<b>(29,987,123)</b>	<b>282,955,598</b>	<b>376,305,402</b>	<b>7,500,893</b>	<b>(43,332,497)</b>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

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>198,318,604</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	134,948,502	94,358,341	254,397,545	-	-
Due to the Customers	380,790,865	244,042,327	125,918,418	10,830,120	-	-
Other Financial Liabilities	74,910,542	-	-	-	-	74,910,542
<b>Total Financial Liabilities</b>	<b>940,405,795</b>	<b>378,990,829</b>	<b>220,276,759</b>	<b>265,227,665</b>	<b>-</b>	<b>74,910,542</b>
<b>Interest Sensitivity Gap</b>	<b>520,419,656</b>	<b>(180,672,225)</b>	<b>122,407,249</b>	<b>624,319,020</b>	<b>-</b>	<b>(44,634,388)</b>

**38. OPERATING SEGMENTS**

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

As at 31 March 2017	Finance Lease Rs.	Hire Purchase Rs.	Loans and Advances	Other Rs.	Total Rs.
Interest Income	288,318,232	12,970,660	37,185,865	4,490,473	342,965,230
Commission Income	-	-	-	4,524,547	4,524,547
Other Income	-	-	-	43,316,072	43,316,072
	<b>288,318,232</b>	<b>12,970,660</b>	<b>37,185,865</b>	<b>52,331,092</b>	<b>390,805,849</b>
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	202,564,337
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>

Notes to the Financial Statements cont....

**Year ended 31 March 2017**

<b>38.2 Entity-Wide Disclosures: Analysis of Gross Income and Non Current Assets on Geographical Areas</b>				
<b>Gross Income</b>	<b>Domestic</b>	<b>Overseas</b>	<b>Domestic</b>	<b>Overseas</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
Interest Income	342,965,230	-	202,564,337	-
Commission Income	4,524,547	-	3,625,563	-
Other Income	43,316,072	-	16,126,413	-
	<b>390,805,849</b>	<b>-</b>	<b>222,316,313</b>	<b>-</b>
<b>Non-Current Assets</b>	<b>Domestic</b>	<b>Overseas</b>	<b>Domestic</b>	<b>Overseas</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
Property, Plant and Equipment	70,399,883	-	34,275,833	-
Intangible Assets	25,453,071	-	29,147,331	-
	<b>95,852,954</b>	<b>-</b>	<b>63,423,164</b>	<b>-</b>

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

# Value Added Statement

Value Added	2017 Rs.	2016 Rs.
Income from Interest Related Activities	342,965,230	202,564,337
Income from Other Activities	47,840,619	19,751,976
	<b>390,805,849</b>	<b>222,316,313</b>
Depositors & Lenders	133,806,481	45,259,962
Cost of Sales & Services	46,925,283	37,822,833
Provision for Bad & Doubtful Debts	11,895,328	2,400,000
	<b>192,627,092</b>	<b>85,482,795</b>
Total Value Added	<b>198,178,757</b>	136,833,518
<b>Distribution of Value Added</b>		
To Employees as Remuneration	88,985,216	67,709,561
To Government as Taxation	30,558,283	12,299,561
Depreciation	21,059,602	18,098,994
Retained Profits	57,636,801	38,557,564
	<b>198,239,902</b>	<b>136,665,679</b>

# Capital Adequacy

## TOTAL RISK WEIGHTED ASSET COMPUTATION

As at 31 March 2017

Assets	Amount	Risk Weight %	Risk weighted Assets Amount
Cash & Current Accounts with Banks	37,998,795	0%	-
Sri Lanka Govt/ Central Bank Securities	24,255,603	0%	-
Deposits with Banks	17,579,371	20%	3,515,874
Deposit with Finance Companies	-	20%	-
Loans & Advances	2,042,856,926	100%	2,042,856,926
Fixed Assets	95,852,954	100%	95,852,954
Other Assets	171,335,677	100%	171,335,677
<b>Total Risk Weighted Assets</b>	<b>2,389,879,325</b>		<b>2,313,561,430</b>

Constituents of Capital	Amount
Issued and paid up Ordinary Shares/ Common Stock (Cash)	603,247,125
Statutory Reserve Fund	7,147,451
Published Retained Profits/ (Accumulated Losses)	127,834,330
Tier 1 : Core Capital	738,228,907
Tier 2 : Supplementary Capital	-
Total Capital	738,228,907
<b>Capital Base</b>	<b>738,228,907</b>

Capital Adequacy Ratio	Amount
Core Capital Ratio (Minimum 5%)	32%
Total Risk Weighted Capital Ratio (Minimum 10%)	32%

## Information of Ordinary Shares

### DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2017

Shares	31 March 2017			
	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 2017			
	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.

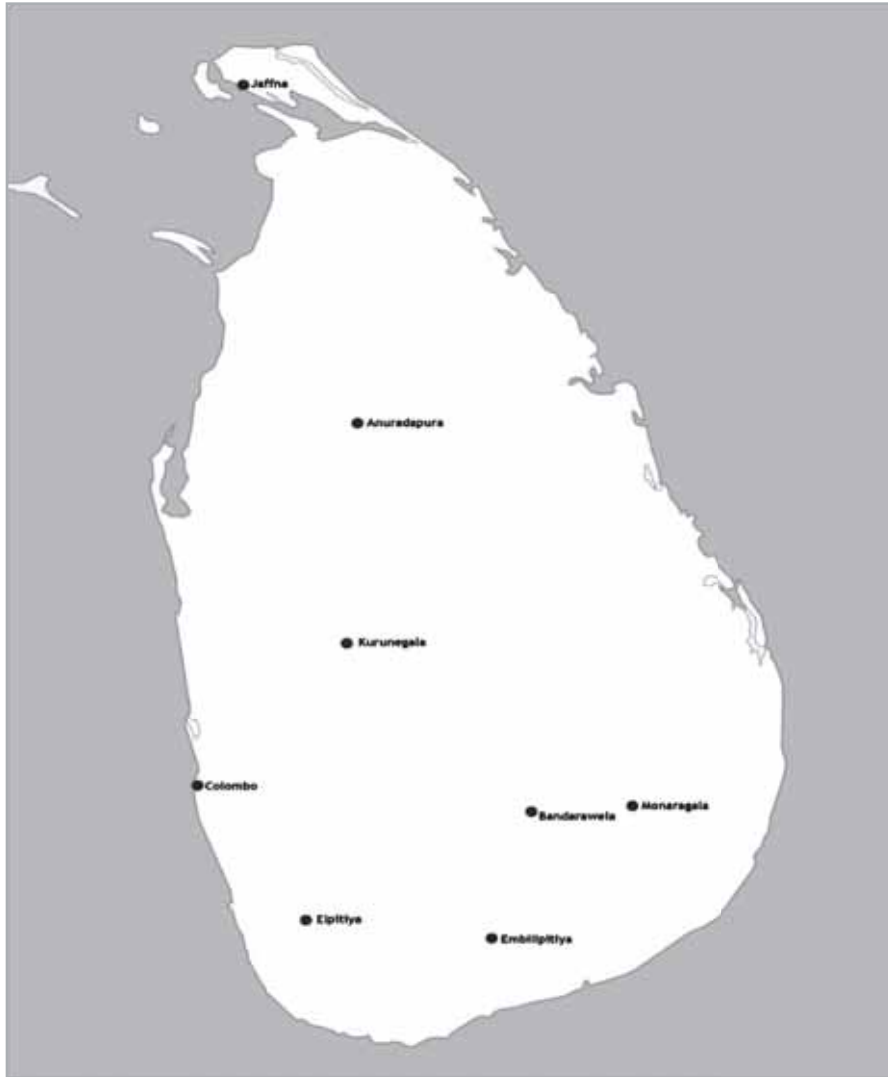
### **Deferred Tax**

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	0572230022 0572221025	0572230030
02	Jaffna	620, Hospital Rd, Jaffna	0212219990	0212219991
03	Kurunegala	262/A, Puttalam Rd, Kurunegala	0372232110	0372232010
04	Elpitiya	10/B, Pituwala Rd, Elpitiya	0912291427	0912291428
05	Anuradhapura	9, Main Street, Anuradhapura	0252237925	0252237905
06	Embilipitiya	New Town Rd, Embilipitiya.	0472261467 0473620040	0472261468
07	Monaragala	286, Wellawaya Road, Monaragala	0554936972	0558055588

# Notice of Annual General Meeting

## IDEAL FINANCE LIMITED

Notice is hereby given that the Fifth Annual General Meeting of Ideal Finance Limited will be held at the Board Room of Ideal Motors (Pvt) Limited, No.299, Union Place, Colombo 02 on 28th August 2017 at 10.00 a.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 2017 with the Report of the Auditors thereon.
2. To declare a Final Dividend of Rs.0.013 per share for the year ended 31st March 2017 as recommended by the Directors subject to the approval of the Central Bank of Sri Lanka.
3. To re-elect as a Director Mr. A.N. Dias 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. J.V.W. Malawana 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  
25th July 2017

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. Pinnaduwege 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 ..... 2017 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 2017 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of Rs.0.013 per share for the year ended 31st March 2017 as recommended by the Directors subject to the approval of the Central Bank of Sri Lanka	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mr. A.N. Dias 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. J.V.W. Malawana 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 to are deemed have been re-appointed as Auditors	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
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 (Deputy Chairman) Mr. Viraj Malawana (Non-Executive Director) Mr. Ajith Dias (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)