

APAG/PATR/DM

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

**Report on the Financial Statements**

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

***Board's Responsibility for the Financial 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 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



(Contd...2/)



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### 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 section 151 of the Companies Act No. 07 of 2007.

A handwritten signature in blue ink, appearing to be 'Luph', is written over the text '15 July 2016' and 'Colombo'. A long diagonal line is drawn across the signature and the date.

15 July 2016  
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

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

The Accounting Policies and Notes on pages 07 through 42 form an integral part of the Financial Statements.



IDEAL Finance Limited  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2016

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

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

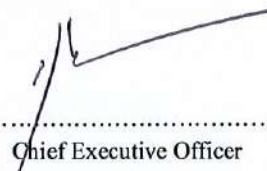


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Accountant

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;



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Director



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Chief Executive Officer

The Accounting Policies and Notes on pages 07 through 42 form an integral part of the Financial Statements



15 July 2016  
Colombo