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

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of IDEAL Finance Limited ("the Company"), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**Basis for opinion**

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of management and those charged with governance for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
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Principal T P M Ruberu FCMA FCCA

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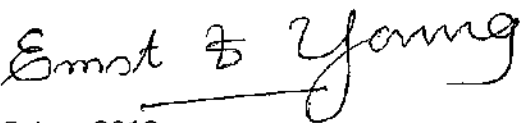
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

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

  
15 June 2018  
Colombo

IDEAL Finance Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	Notes	2018 Rs.	2017 Rs.
<b>Income</b>	3	630,995,212	390,805,849
Interest Income	4.1	572,537,068	342,965,230
Interest Expenses	4.2	(228,114,523)	(133,806,481)
<b>Net Interest Income</b>		<u>344,422,545</u>	<u>209,158,749</u>
Fees and Commission Income	5	8,099,316	4,524,547
<b>Net Fee and Commission Income</b>		<u>8,099,316</u>	<u>4,524,547</u>
Other Operating Income	6	50,358,828	43,316,072
<b>Total Operating Income</b>		<u>402,880,689</u>	<u>256,999,368</u>
Impairment Charges for Loans and other Losses	7	(18,602,824)	(11,895,328)
<b>Net Operating Income</b>		<u>384,277,865</u>	<u>245,104,040</u>
<b>Operating Expenses</b>			
Personnel Expenses	8	(109,148,019)	(88,766,837)
Depreciation of Property Plant & Equipment	23.2	(18,340,347)	(16,521,791)
Amortization of Intangible Assets	24	(4,757,292)	(4,537,811)
Other Operating Expenses	9	(73,350,687)	(46,925,283)
<b>Operating Profit before Value Added Tax on Financial Services</b>		<u>178,681,520</u>	<u>88,352,317</u>
Value Added Tax & NBT on Financial Services	10	(32,387,274)	(16,986,682)
<b>Profit before Taxation</b>		<u>146,294,246</u>	<u>71,365,635</u>
Income Tax Expenses	11	(43,477,954)	(13,571,601)
<b>Profit/ (Loss) for the period</b>		<u>102,816,292</u>	<u>57,794,034</u>
Basic and Diluted Earnings Per Share (Rs)	12	1.29	0.72
<b>Profit/ (Loss) for the period</b>		<u>102,816,292</u>	<u>57,794,034</u>
<b>Other Comprehensive Income</b>			
<b>Other Comprehensive income not to be reclassified to profit or loss in subsequent periods</b>			
Actuarial Gain/ (Loss) on Defined Benefit Obligations		(1,592,699)	(218,379)
Deferred Tax (Charge)/Reversal on Other Comprehensive Income		445,956	61,146
<b>Other Comprehensive Income for the period, Net of Tax</b>		<u>(1,146,743)</u>	<u>(157,233)</u>
<b>Total Comprehensive Income for the period, Net of Tax</b>		<u>101,669,549</u>	<u>57,636,801</u>

The Accounting Policies and Notes on pages 07 through 48 form an integral part of the Financial Statements.



STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 Rs.	2017 Rs.
<b>ASSETS</b>			
Cash and Bank Balances	13	51,593,413	37,998,795
Investment in Government Securities	14	26,566,794	24,255,603
Placements with Banks and Other Financial Institutions	15	39,934,643	17,579,371
Gold Advances	16	177,748,346	16,119,775
Lease Rentals Receivable and Stock out on Hire	17	2,040,010,374	1,743,026,107
Loans and Advances	18	496,510,205	299,830,820
Other Financial Assets	19	46,820,823	52,743,936
Other Non Financial Assets	20	16,665,058	23,368,088
Financial Investments-Available for Sale	21	457,700	457,700
Inventories	22	150,280,432	78,646,176
Property, Plant and Equipment	23	94,701,119	70,399,883
Intangible Assets	24	24,398,373	25,453,071
<b>TOTAL ASSETS</b>		<b>3,165,687,280</b>	<b>2,389,879,325</b>
<b>LIABILITIES</b>			
Interest Bearing Borrowings	25	1,529,388,772	1,183,196,053
Due to the Customers	26	367,110,412	301,121,019
Other Financial Liabilities	27	145,886,468	108,118,171
Other Non Financial Liabilities	28	15,978,566	27,966,629
Retirement Benefit Liability	29	8,433,608	5,162,362
Current Tax Liabilities		9,730,702	7,058,485
Deferred Tax Liabilities	30	45,328,996	19,027,700
<b>TOTAL LIABILITIES</b>		<b>2,121,857,524</b>	<b>1,651,650,419</b>
<b>EQUITY</b>			
Stated Capital	31	808,247,125	603,247,125
Retained Earnings		223,351,702	127,834,330
Reserves	32	12,230,929	7,147,451
<b>TOTAL EQUITY</b>		<b>1,043,829,756</b>	<b>738,228,906</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,165,687,280</b>	<b>2,389,879,325</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 these Financial Statements. Signed for and on behalf of the Board of by;

.....  
Chairman

.....  
Chief Executive Officer

The Accounting Policies and Notes on pages 07 through 48 form an integral part of the Financial Statements.

