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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 2021, 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 2021, 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.

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

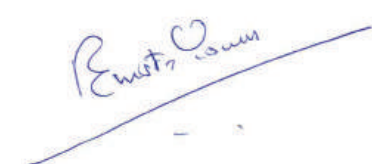
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 April 2021  
Colombo



Partners: W. R. H. Fernando FCA FCMA, R. N. de Saram ACA FCMA, M. N. A. De Silva FCA, M. Y. A. De Silva FCA, W. R. H. de Silva ACA ACMA, W. R. B. P. Fernando FCA FCMA, A. R. M. Fernando FCA ACMA, M. L. K. H. L. Fernando FCA, A. P. B. Gunasekera FCA FCMA, A. Herath FCA, D. K. M. Gunaratne FCA FCMA, S. R. (LOND), W. M. A. Jayasinghe FCA FCMA, M. A. A. L. Jayasinghe FCA FCMA, M. G. S. Manalunga FCA, A. A. J. B. Perera ACA ACMA, M. P. V. K. N. Subasinghe FCA, N. M. Subasinghe ACA ACMA, B. F. W. Suman FCA FCMA  
Principals: G. B. Gouidon ACA, T. P. M. Rajana FCMA FCMA  
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### Key Financial Data for the Period Ended 31st March 2021 (Audited)

In Rupees Million	Current Period	Previous Period
	From 01/04/2020 To 31/03/2021	From 01/04/2019 To 31/03/2020
Interest Income	974	886
Interest Expenses	(256)	(372)
<b>Net Interest Income</b>	<b>718</b>	<b>514</b>
Gains/(losses) from trading activities	-	-
Other Income	41	42
Operating Expenses (excluding impairment)	(310)	(290)
Impairment	(89)	(32)
<b>Profit/(Loss) Before Tax</b>	<b>360</b>	<b>234</b>
Taxes	(176)	(129)
<b>Profit/(Loss) After Tax</b>	<b>184</b>	<b>105</b>

### Key Financial Data as at 31st March 2021 (Audited)

In Rupees Million	As at 31/03/2021	As at 31/03/2020
<b>Assets</b>		
Cash and Bank Balance	283	67
Government Securities	502	917
Due from Related Parties	6	63
Loans (excluding due from related parties)	4,458	3,879
Investments in Equity	0	0
Investment Properties and Real Estate	-	-
Property, Plant and Equipment	202	184
Other Assets	69	56
<b>Total Assets</b>	<b>5,520</b>	<b>5,166</b>
<b>Liabilities</b>		
Due to Banks	1,388	1,438
Due to Related Parties	-	440
Deposits from Customers	930	672
Other Borrowings	318	-
Other Liabilities	379	295
<b>Total Liabilities</b>	<b>3,015</b>	<b>2,845</b>
<b>Equity</b>		
Stated Capital	1,908	1,908
Statutory Reserve Fund	32	23
Retained Earnings	565	390
Other Reserves	-	-
<b>Total Equity</b>	<b>2,505</b>	<b>2,321</b>
<b>Net Assets Value Per Share (Rs.)</b>	<b>17.20</b>	<b>15.94</b>

Note: Amounts stated are in net of impairment and depreciation.

### Selected Key Performance Indicators

Item	As at 31/03/2021		As at 31/03/2020	
	Actual	Required	Actual	Required
<b>Regulatory Capital Adequacy (%)</b>				
Tier 1 Capital Adequacy Ratio	43.47	7.00	47.28	6.50
Total Capital Adequacy Ratio	44.83	11.00	47.28	10.50
Capital Funds to Deposit Liabilities Ratio	269.51	10.00	345.43	10.00
<b>Quality of Loan Portfolio (%)</b>				
Gross Non-Performing Loans Ratio	3.29		5.18	
Net-Non-Performing Loans Ratio	-0.40		1.99	
Net-Non-Performing Loans to Core Capital Ratio	-0.75		3.51	
Provision Coverage Ratio	112.14		61.65	
<b>Profitability (%)</b>				
Net Interest Margin	13.00		9.95	
Return on Assets	6.53		4.54	
Return on Equity	7.33		4.54	
Cost to Income Ratio	40.89		52.06	
<b>Liquidity (%)</b>				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	934		1,009	
Liquid Assets to External Funds	21.59		38.18	
<b>Memorandum information</b>				
Number of Branches	11		9	
External Credit Rating	Fitch Ratings - BB-(lka)		Fitch Ratings - B+(lka)	
<b>Regulatory penalties imposed last 6 months</b>				
Amount (Rs. Mn)	-		-	
<b>Regulatory Deposit Restrictions</b>				
Cap on total Deposits (Rs. mn)	-		-	
Downsizing of Deposits-per month/quarter/year (Rs. mn)	-		-	
Freezing of Deposits	No		No	
<b>Regulatory Borrowing Restrictions</b>				
Cap on total Borrowings (Rs. mn)	-		-	
Downsizing of Borrowings- per month/quarter/year (Rs. mn)	-		-	
Freezing of Borrowings	No		No	
<b>Regulatory Lending Restrictions</b>				
Cap on total Lending portfolio (Rs. mn)	-		-	
Downsizing of Lending portfolio - per month/quarter/year (Rs. mn)	-		-	
Restrictions on granting new credit facilities and/or extending the terms of existing credit facilities	No		No	
Any Other Regulatory Restrictions	-		-	

### CERTIFICATION:

We, the undersigned, being the Chief Executive Officer, the Finance Manager and the Compliance Officer of Ideal Finance Limited certify jointly that:

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka (CBSL);
- the information contained in these statements have been extracted from the unaudited financial statements of the Licensed Finance Company unless indicated as audited.

D. M. Weerasekara  
(Sgd.) Chief Executive Officer  
Date: 15.04.2021

W. K. C. S. Vithana  
(Sgd.) Finance Manager  
Date: 15.04.2021

B.T.G.N.M. Munasingha  
(Sgd.) Compliance Officer  
Date: 15.04.2021