



Enriching Lives...

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Vision & Mission

Vision

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

Mission

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

Corporate Values

Professionalism

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

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

Innovative

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

Service

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

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

Supporting Enterprises and Individuals

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

Respected Corporate Citizen

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

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

Good Employer

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

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

Financial Highlights

Performance During the Year	2015 Rs.	2014 Rs.	Change	
Total Income	175,497,559	131,257,107	34%	↑
Total Expenses	135,508,268	106,102,410	28%	↑
Net Operating Income Before Taxes	39,989,291	25,154,697	59%	↑
Total Taxes	11,066,686	7,322,639	51%	↑
Profit/ (loss) After Taxation	28,922,605	17,832,058	62%	↑
Financial Position				
Stated Capital	603,247,125	603,247,125		
Customer Deposit Base	170,192,825	205,445,700	-17%	↓
Total Due to Banks	158,347,533	22,331,079	609%	↑
Total Leases, Hire purchase and Loans	737,174,129	606,553,130	22%	↑
Total Assets	1,034,958,443	884,691,138	17%	↑
Key Ratios				
Return on Equity (%)	4.46%	2.88%	55%	
Return on Assets - After tax (%)	2.83%	2.02%	40%	
Interest Cover (times)	2.40	2.77	-13%	
Debt to Equity	37.37%	30.01%	25%	
Statutory Ratios				
Core Capital Ratio (Minimum Requirement - 5%)	70.00%	79.25%	-	
Total Risk Weighted Capital Ratio (Minimum Requirement - 5%)	70.00%	79.25%	-	
Non Performing Loan Ratio (%)	0.97%	0.87%	-	

Chairman's Message



Dear Investors,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Accounts of the company for the year ended 31st March 2015.

Sector Outlook

Finance companies and specialized leasing companies sector showed improving performance in 2014 through the business and financial recovery process that started in the recent years. The assets of the sector grew at healthy rate of 18.9% in 2014 as a result of low interest rate regime. (Despite the increase in the volume of NPLs by 19.9%, the NPL ratio increased only marginally to 6.9% from 6.7% in 2013.)

The assets and liabilities in the sector underwent a re-pricing process with low interest rate regime causing the net interest margin to increase to 8% from 6.6% in 2013. Domestic financial markets continued to remain liquid and active during 2014.

The financial sector consolidated programme through banks and finance companies and specialized leasing companies regulated by the Central Bank was a major regulatory policy implemented during 2014. Given several concerns raised on the process, the programme was put on hold pending reviews by the committee appointed by the new government. The consolidation programme had a negative impact on growth potential of your company. The decision by the Government to remove the Value

Added Tax from Lease rentals of brand new cars with effect from 1st January 2015 had a positive impact on the Leasing sector.

Special attention is required to upgrade the SME sector in line with the overall development strategy of the country. A viable and dynamic SME sector, which encompasses agriculture, industry and services sectors, plays a pivotal role in an economy by creating employment, gearing income, alleviating poverty, thereby supporting inclusive growth. However, in Sri Lanka the full potential of SME sector is yet to be tapped due to the existence of several constraints such as lack of access to financing, human resource capabilities and technological capabilities.

Global Economic Outlook

The global growth in 2014 was lower than initially expected with noticeable deviation across major economies and lower growth momentum in emerging economies. Global inflation remained subdued in 2014. Global crude oil prices edged lower in 2014. The global growth is expected to remain moderate while anticipated interest rate hike in US and low inflation in some advanced economies raising additional challenges. The forecast growth in India is 7.5% which is higher than the forecast growth rate for China which is 6.8%. The forecast for developing Asia is 6.6%.

Macro-Economic Outlook

The Sri Lankan economy is expected to register a sustainable growth path in the medium term, with a real GDP

growth of 7% in 2015 and an average growth of 7.8% over 2016-2018. Sri Lanka's expected graduation to the upper middle income status in terms of per capita GDP would place the country among a new group of peers. The conduct of monetary policy will be aimed at maintaining inflation in a range of 3%-5% on average while facilitating the expansion of economic activity.

Delivering Performance

We are also happy to inform you that your company has taken great strides forward and is now getting ahead with significant momentum. We truly believe that our customers are at centre-stage in our business and it is their unwavering patronage that has enabled our results. We will continue to build constructive customer partnerships that will be the cornerstone of our business drive.

During the year, we delivered strong performance, incremental growth and earnings growth across all categories compared to the previous year.

During the period under review Company recorded an Operating Profit before Taxes and Net Profit of LKR. 40.3 million and LKR. 28.9 million respectively.

Company's lending portfolio which is comprised of Lease, Hire Purchase and Loans of the company stood at LKR. 737 million. Total asset base of the company surpassed the LKR. 1 billion mark by the end of the financial year by reaching LKR. 1.04 billion and Shareholder's funds reached LKR. 648.1 million. As a result to the 22% increase of the Portfolio value, Company generated an interest income of LKR. 168 million which has seen a growth rate of 32%, while Company's other operating income stood at LKR. 5.6 million which is mainly comprised of income from Real Estate operations which has a growth rate of 198% compared to previous year.

We move forward with great optimism and are keen to gain the most from a promising environment.

Good Governance

The policies of better governance and transparency, as announced by the government, are key catalysts in the process of economic development, and therefore must be encouraged. Company continued to improve the governance and risk structures in Financial Year 2014/15, in a bid to Companies perspective of risk, regulation and compliance. We continued to report to the Central Bank of Sri Lanka in every sphere of the regulatory requirements.

Appreciations

I would 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 the support at all times. I take this opportunity to thank my colleagues on the Board and I also wish to express my appreciation to the Chief Executive Officer, the Management and Employees at all levels for their dedication and commitment in driving the success of the company. Finally, I thank our customers, shareholders and all other stakeholders of Ideal Finance Limited, for their continued confidence and trust in the company.



Nalin J. Welgama
Chairman

12th June, 2015

Chief Executive Officer's Message



Review of Operations

The financial sector performance in 2014 showed a momentum moderately higher than that in 2013 without causing any major macro-prudential concerns. Meanwhile, a number of regulatory policies introduced in 2014 further strengthened the risk management and public confidence in the financial sector. Leasing Finance Company (LFC) and Specialised Leasing Company (SLC) sector, which represented 7% of Sri Lanka's financial system, has also played a vital role in the financial sector.

2014 was a challenging year due to lower demand for credit in Leasing and Hire Purchase segments, the narrowing of margins and rising NPL ratios. The Company concluded the year under review with a net profit of LKR. 28.9mn.

Performance

The 2014/15 financial period marked another year of robust growth for Ideal Finance Limited by earning an income of LKR. 175 mn for the year ended 31st March 2015, which marks an increase of 34% over the previous year's income of Rs. 131 mn. Other Operating income increased significantly by 106% to LKR.5.6 mn which is mainly comprise of income from Real Estate Operations. Leasing and Hire Purchase have a growth rate of 22% to LKR. 737 mn. Asset base of the Company surpassed the LKR. 1 bn milestone by reaching LKR. 1.04 bn by end of March 2015 against the previous year's LKR. 885 mn.

We continued to strengthen our asset quality and placed great emphasis on credit and asset management where non-performing advances decreased to LKR. 2.1 mn from LKR. 2.4 mn and the NPL ratio was only 0.97% where as the industry average is 6.9%.

We did not open new branches during 2014/15 but we focused on increasing the performances of the existing branches. Branch revenue increased by 92% compared to previous year and the best performing branch based on profit was Kurunegala. It's profit increased by 100% to LKR. 1,2 mn from LKR. 0.6 mn last year.

The company possesses an impressive portfolio of customer assets amounting to Rs.737 mn currently, staying focused on its core target group of SMEs. The SME sector is widely considered to be the backbone of the Sri Lankan economy and is being prioritised as a key sector that will be the engine of growth to spur grassroots economic resurgence in the nation. We have a wide range of investors in Agriculture, Manufacturing, Tourism, Transport and Services sectors and we focus on the SME sector.

Though IFL would not focus much on mass marketing&promotions, it will be using such strategies in a selective manner to get the maximum output through such promotions. IFL's focus on micro, small and medium entrepreneurs would be further strengthened

Optimum use of our investments will be ensured by maintaining strict financial discipline right throughout our operations. IFL will objectively analyze the financial risk associated in all our investments and take a calculated risk in our business operations. Further, treasury management will be given high priority.

The investments in human resources have been utilized with increasing productivity compared to previous year to achieve the growth of the business volume and resultant growth in revenue and profitability. The quality of branch teams have been strengthened to generate higher volumes in all products. With a relatively small staff, we were able to serve our customers fulfilling their financial needs. We are now planning to expand the network of branches to achieve our growth plans.

The Finance Sector Consolidation programme 2014 has come to a standstill and it had a negative impact on company growth potential.

Towards the Future

We believe that the current momentum in the economic front will continue in the foreseeable future and will continue to provide a positive environment for the Financial Services industry to grow. Our plans to establish in existing market

segment and penetrate into new market segments with a planned geographical expansion will provide us a stronger platform to contribute to the growth of the national economy and at the same time to reap benefits from such growth. We will endeavor to optimize the performance of the Company to provide a fair share of the returns to all stakeholders.

Appreciations

I take this opportunity to thank the Chairman and the Board of Directors for their dynamic direction and guidance provided to me and to my team. The achievement in the past year is a team effort. It is the dedication and persevering efforts of the Ideal Finance team that made us a winning combination. I thank all the team members for the wonderful contributions made.



Duminda M. Weerasekare
Chief Executive Officer

12th June, 2015

Management Discussion & Analysis

Global Economy

Global growth is expected to remain moderate, weighed down by high debt, unemployment and low investment according to the IMF. Additional challenges are raised due to the anticipated interest rates hikes in the US and low inflation in some advanced economies. The global growth rate in 2014 was 3.4% and is expected to rise to 3.5% in 2015, supported by the gradual recovery in advanced economies and sharp decline in oil price.

The inclusion of emerging economies such as Brazil, India, China, Mexico and South Africa within the fold of G20 reflects the changing economic as well as political weight of emerging economies in the global economy.

A major impulse to global growth has come from the United States annual growth in 2014 was above trend at about 2.75% (IMF,WEO). Overall, economic growth in the euro area was only 1.2% in 2014 and is expected to rise to 1.5% in 2015.

The China's growth remained broadly unchanged at about 7.5% in 2014, only a modest decline from 2012–13.

Growth is also expected in the Middle East and North Africa region.

Sri Lankan Economy

The Sri Lankan economy is now firmly on a path of economic transformation. Sources of growth in recent years have been largely dominated by the domestic non-tradable sector. Attracting more and better FDI becomes especially important for a country like Sri Lanka with a low level of domestic savings and weak public finances. If there is one overarching feature of the shifts in economics, geopolitics and society in the 21st century, it is the rise of the Asia. But the rise of Asia is by no means a foregone conclusion; many factors will influence the future trajectory of this rise. Sri Lanka must accept that strict replication of industrial policies of the type used in East Asia economies would be problematic today. Sri Lanka needs to identify key urban areas into which industries and FDI can be channeled, and build

the energy, housing, and environmental management infrastructure around it. Sri Lanka cannot forget that it lies in an enviable geographical location that connects this rising Asia with the rest of the world.

In 2014, the country's economy showed its resilience in the face of domestic as well as external challenges. Real GDP grew by 7.4% in 2014, in comparison to the growth of 7.2% in 2013. The economy was driven by domestic consumption expenditure that constitutes the largest share of aggregate demand, while investments, particularly on construction, also provided an impetus to the economic expansion during the year. On the production side the Industry and Services sectors continued to perform well, while adverse weather conditions dampened the performance of the Agriculture sector during the year. Inflation remained at single digit levels for the sixth consecutive year, with year-on-year and annual average inflation declining to 2.1% and 3.3%, respectively, by end 2014, from 4.7% and 6.9%, respectively at end 2013.

Non-Bank Financial Sector

Licensed Finance Company (LFC) and Specialised Leasing Company (SLC) sector asset growth moderated during 2014 due to lower demand for credit, particularly during the early part of the year. However, the demand for credit picked up during the second half of 2014. The lower interest rate scenario helped to improve credit demand and to maintain the rising non-performing loans at a manageable level. This sector comprised of 48 LFCs and 8 SLCs by end of 2014. During 2014, the LFC and SLC sector branch network expanded by 72 to 1132, out of which 47 were opened outside the Western Province.

Asset growth

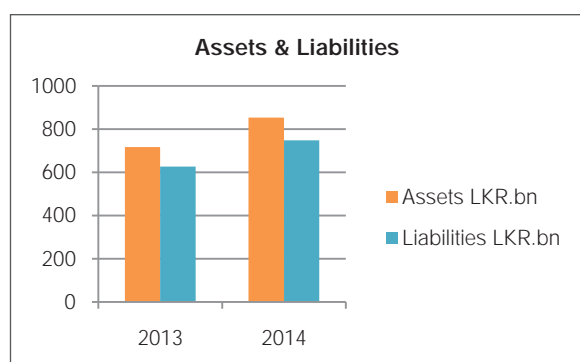
The total asset base of the Non-Bank Financial Institutions (NBFI) grew by 18.9% in 2014 to LKR.853 bn compared to a growth of 20.3% in 2013. The main contributory factor for the expansion of the asset base was the growth in the accommodations portfolio and liquid assets.

Accommodations recorded a modest growth of 16% to LKR. 641 bn as at end 2014, compared to a growth rate of 17.3% during 2013. Finance leases, hire purchases and secured advances were the major sources of accommodation accounting for 43%, 27% and 19%, respectively.

The investment portfolio of the sector, which comprised of equity and debt investments recorded a notable increase of 39.6% during 2014 to LKR. 42bn. Other assets mainly comprised of liquid assets, trading stocks and fixed assets showed a steady growth mainly on account of increased liquid assets in the form of Treasury Bills.

Liabilities

The major source of funding for NBFIs is deposits and borrowings, and deposits increased to 48.5% in 2014 from 47% in 2013, while the borrowings decreased to 25.4% in 2014 from 26.8% in 2013 indicating the shift towards lower cost of short term deposits from borrowings. The deposits grew by 22.7% to LKR.414 bn as at the end of 2014, compared to a 32.7% growth in 2013. This was mainly due to higher deposit rates offered by LFCs compared to banks in the current lower interest rate regime. The total borrowings in the sector reached LKR. 217 bn, an increase of 12.9% compared to the growth rate of 9.3% in 2013.



Company Overview

The Company is engaged in Leasing, Hire Purchase, Fixed Deposits and Personal Loans and has completed its third successful year. Ideal Finance Limited provides comprehensive financial services to its increasing customer base through its branch network island wide. Backed strongly by its sister company Ideal Motors (Private) Limited

, the Company had earned a good brand image and a reputation for ethical business practice. Small & Medium Enterprises (SMEs) are the Company's core target group and gains were made during the year in providing valuable financial assistance to aspiring entrepreneurs, despite the negative impact on growth potential of the company due to consolidation programme.

Strategy

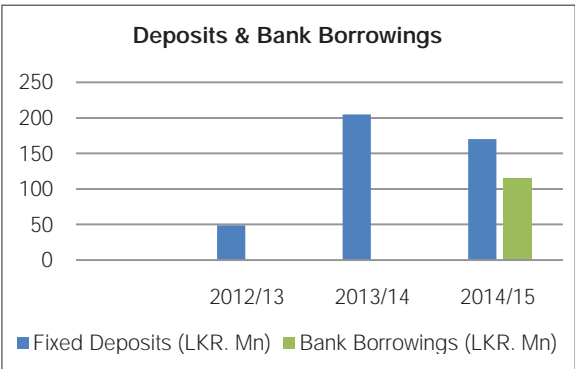
There was a cohesive effort infused into every feature of our operations, processes and systems that enabled us to ensure that our strategic direction for 2014 facilitated to overcome the envisaged challenges, exploit the opportunities and work on initiatives that helped create a sustainable business. The initial business model for 2013 was that primarily focuses on supporting the Small and Medium Enterprises (SME) sector, and improving profitability of the company, while prudently managing cost.

Lending

Ideal Finance Limited (IFL)'s Hire Purchase, Leasing & Loan business is centered on the SME sector. The Company has strong links with the SME sectors across demographic considerations over the last two years and these were strengthened further over the year under review. Our relationship with our SME customers has resulted in deriving key insights into maintaining and increasing our customer base by translating this knowledge into key deliverables to delight the customer. The fact that many of our branch staff hail from the surrounding areas implies that they are aware of cultural nuances that could make a difference between a disgruntled or a satisfied customer. Company's lending portfolio mainly comprises of leases, hire purchases and loans which amount to LKR. 556mn, LKR. 158mn and LKR. 23mn respectively. The total lending portfolio stands at LKR. 737mn which is an increase of 22% compared to LKR. 604mn in 2013.

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. 170mn. IFL negotiated a four year loan from Bank of Ceylon in year 2014 and has currently drawn down LKR. 125mn.

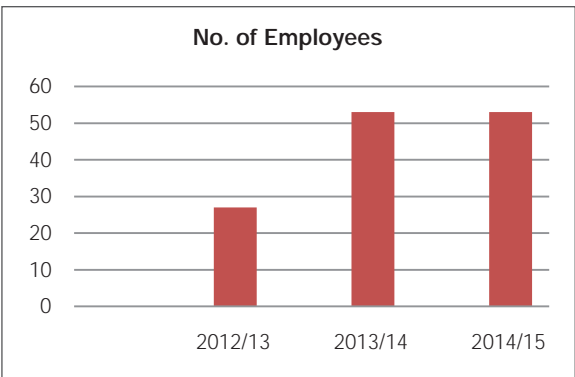


Human Resources

Ideal Finance recognises human resources as its most important asset, bringing continuous returns and driving the organisation towards achieving its strategic objectives. We constantly make our efforts to maintain an environment where our employees are able to unleash their full potential in order to attain optimum results.

In a competitive environment in which the need to retain and develop talented employees within the organization is fully recognized.

Proactive initiatives have been taken to maintain staff turnover at a minimum by motivating them and attracting them to remain with the Company. Continuous engagement with the employees caused enhanced employee contribution towards achieving corporate objectives. As another aspect of continuous employee engagement, all employees of the Company undergo a tri-annual evaluation process to receive feedback on their performance. The Company's management provides formal feedback to the employees three times during a year.



Marketing

The Marketing team plays a crucial role in driving brand awareness and reaching out to consumers and other stakeholders. Marketing drives success for the Company and helps differentiate our offering in a market that is fiercely competitive.

During the year, we carried out several campaigns island wide including two wheeler, three wheeler campaigns which received an overwhelming response and translated into higher sales.

We also continued to leverage on group strengths, which have helped up increase our share of voice and accelerate brand building efforts. The Company executed public relations strategies through the period under review to keep stakeholders abreast of all the improvements being introduced at Ideal Finance Limited.



Board of Directors



Mr. Nalin J. Welgama
Chairman

A Chartered Accountant by profession, Mr. Welgama 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, he possesses over thirty years of experience in the international automotive industry given his leadership in the import and distribution of continental cars and commercial vehicles.

He hails from a family business, S. A. Welgama & Sons Limited that pioneered and continues to be in the forefront of road haulage and transportation founded in 1931, which also has diversified businesses in large scale rubber cultivation and substantial free hold real estate.



Mr. Kiyoshi Matsui
Deputy Chairman

An entrepreneur possessing expansive experience in management, his knowledge extends to spearheading an investment company in Japan, property investment, mergers and acquisitions and functioning as a senior director of a trading company involved in development projects in Asia.

A Japanese national with a Bachelor's Degree from Nara Prefectural College of Commerce, he currently chairs Nishiya Holdings (Pvt) Ltd., the largest shareholder of Ideal Finance Limited and is Executive Director of Nishiya Mokko Co. Ltd., the parent company of Nishiya Holdings.

Board of Directors



Mr. Duminda M. Weerasekare
Director/CEO

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 entities. 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. P. Aravinda De Silva
Non-Executive Director

A cricketing legend who has left an indelible presence in the annals of sporting history, Mr. De Silva, a former Sri Lankan skipper, continues to be one of Sri Lanka's most revered sporting ambassadors and the architect behind many national cricketing triumphs.

Hailed 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.

Board of Directors



Mr. Viraj Malawana
Non-Executive Director

Possessing firsthand 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 Manager Investor Service Centre in Matara, which was the first branch of the CSE, as Assistant Manager at the Central Depository System (CDS) of the Colombo Stock Exchange and Manager Trade Processing of the Brunei Stock Exchange.

He also expanded his knowledge areas while at HNB Stockbrokers, HSBC Premier and as Senior Manager Business Development at Standard Chartered Bank Premium Banking, collating many accolades for his outstanding contribution and service. While functioning as the CEO of New World Securities (Pvt) Limited, he also sits on the Board of Directors of NWS Holdings, NWS Financial Services and NWS Management Services.



Mr. Hiran De Alwis
Independent Non-Executive Director

An Attorney-at-Law specializing in Civil and Commercial Law and Commercial Arbitration, his experience spans over two decades in the legal sphere.

Qualifying in law from the University of Colombo, his post-graduate qualification is from the University of London in International Dispute Resolution.

He is a Chartered Arbitrator and a Member of the Chartered Institute of Arbitrators, London (MCIArb). A Director of the Colombo Stock Exchange, he functions also as a Member of the Board of Governors of the Sri Lanka National Arbitration Centre and is its Honorary Chief Legal Advisor.

Board of Directors



Dr. Suren Peter

Independent Non-Executive Director

Dr. Peter received his doctorate from Maastricht School of Management, Netherlands. A Fulbright scholar, he graduated with a Master of Science in Management from Georgia Institute of Technology in the USA and also has a Master of Philosophy degree. His first degree was in Industrial Management, graduating 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, University of Kelaniya. He has served as a National Consultant on a number of projects for UNIDO and UNDP and been involved in consulting with a number of international development organizations, government and local private sector companies. His areas of interest are in capital market behavior, portfolio management and corporate restructuring.



Mr. Ajith Dias

Independent Non-Executive Director

Mr. Dias is a Chartered Textile Technologist and a Fellow Member of the Textile Institute, UK, is the Chairman of Jewelex Trading (Pvt) Limited, is well respected and admired in the Apparel industry.

He was a past Chairman of the Joint Apparel Associations Forum (JAAF) which is the apex body of all Textile and Apparel Associations, a Member of the Textile Quota Board and a past Chairman of the Free Trade Zone Manufacturers Association.

He served at the Board of Brandix Lanka Limited and was instrumental in the establishment of Jewelknit Limited, merger of Phoenix and Jewelknit which resulted in the formation of Brandix Lanka Limited. Mr. Dias champions the Garments without Guilt global campaign to ensure ethical apparel manufacturing and sourcing in Sri Lanka which was well received by the global apparel industry, partner buyers, international media, and international consumers at large.

Although his main focus is still on the Apparel industry Mr. Dias has widened his horizons by investing in the world renowned coffee house franchise "Barista" and has established Barista Lanka. His involvements has extended to tourism, leisure, retail & trading as well as agriculture.

Board of Directors



Mr. Norihiro Yoshino
Non-Executive Director

Mr. Yoshino holds the Representative Directorship of Yoshino Corp. Japan, specializing in securitization of Real Estate and investment into the business of natural resources and currently employed at The Bank of Tokyo responsible for corporate sales and negotiation terms with Financing and Exchange commotion.

He holds a Bachelor's Degree in Policy Studies from Kwansei Gakuin University, Japan and holds the Directorship at Nishiya Holdings (Private) Limited since 2012.

Mr. Yoshino is attached to Bank of Tokyo – Mitsubishi UFJ Limited since 2005 and counts over 9 years of experience in the Banking industry.

Corporate Management

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

Mr. Duminda Weerasekare
Chief Executive Officer

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

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

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

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

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

Mr. Bandusena who counts over 15 years of experience in Finance, Operations, Treasury, Credit and Risk Management, holds a BSc (Hons) (Business Administration) special degree from the University of Sri Jayawardenapura.

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

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

Mr. Gaman Kithsiri
Head of ICT

Prior to taking up the Head of ICT position at IFL, Mr. Kithsiri held the position of Head of ICT in the capacity of Assistant General Manager grade at New World Securities (Pvt) Limited. He has rendered his service and expertise to NWS Financial Services (Pvt) Ltd & NWS Management (Pvt) Ltd.

Counting over 17 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.

Corporate Management cont....

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.

Mr. Mahesh De Silva

Accountant

Mr. De Silva, an Associate Member of the Chartered Accountants of Sri Lanka counts over 3 years of experience in the fields of Auditing, Manufacturing and Textile.

Started his career at Unilever Sri Lanka Limited and moved in to PriceWaterHouse Coopers as an Associate Accountant. He worked as Accountant at Textprint Lanka (Private) Limited prior to joining IFL as Accountant. He has hands on experience in SAP, MFG (Pro) and Lotus Notes, widely used ERP Systems.

Mr. De Silva, completed his BSc Finance (Special) from University of Sri Jayawardenepura with a First Class pass. He currently follows a Chartered Tax Advisory Course conducted by Chartered Institute of Sri Lanka.

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 nine (09) members, eight (08) 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 three(03) Non-Executive Directors, namely, Mr. Hiran De Alwis, Mr. Ajith Dias and Dr. Suren Peter are 'Independent' as per the criteria set out in the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Chairman and Chief Executive Officer

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

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

Tenure, Retirement and Re-election of Directors

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

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

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

Board Meetings

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

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

During the year ended 31st March 2015, twelve (12) meetings of the Board were held. The attendance at the meetings was :

Name of Director	Executive/ Non-Executive/ Independent Non-Executive	Attendance
Mr. N J Welgama	Non-Executive	12/12
Mr. Kiyoshi Matsui	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	10/12
Mr. H M C De Alwis	Independent Non-Executive	11/12
Mr. Ajith N. Dias	Independent Non-Executive	8/12
Dr. L. Suren Peter	Independent Non-Executive	12/12
Mr. Norihiro Yoshino	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. Kiyoshi Matsui & 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 Mr. Hiran De Alwis, 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

The Nomination Committee is comprised of Mr. Ajith Dias & Mr. Norihiro Yoshino while Mr. Hiran De Alwis chairs the committee.

IT Steering Committee

IT Steering Committee 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 thereunder.

Messrs. Ernst & Young, Chartered Accountants acts as External Auditors of the Company. The Auditors are

Corporate Governance cont....

allowed to act independently and without intervention from the Management or the Board of the Company to express an opinion on the financial statements of the Company. The Auditors are provided with all required information for examinations.

Ethical Standards

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

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

Statutory Payments

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

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

Compliance with Central Bank Regulations

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

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

Accountability and Disclosure

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

Outlook

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



Nalin J Welgama
Chairman

12th June 2015

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 2015-2017 along with the budget. Annually reviewed Strategic objectives and corporate values are communicated throughout the company at Management & 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 2015-2017.</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 2015-2017 is included with the measurable goals of the company.</p>
c)	Identify the risk and ensuring implementation of appropriate system to manage the risk prudently.	Complied	<p>Board has formed an Integrated Risk Management Committee (IRMC) and delegated the function to manage the risks identified to the Committee.</p> <p>Findings of the IRMC are reported to the Board at the subsequent Board meeting.</p>
d)	Approving a policy of communication with all stake holders, including depositors, creditors, share-holders and borrowers;	Complied	Company has two board approved communication policies for shareholders and other internal and external stakeholders.
e)	Reviewing the adequacy and the integrity of the finance Company's internal control system and management information system; entail	Complied	<p>Board reviews the adequacy and the integrity of the Company's internal control system by way of internal audit reports submitted to the board through the Board Audit Committee.</p> <p>A Board approved procedure manual is in place defining the decision flow and responsibility of each functional area of the company.</p> <p>Procedures for ICT controls are included in the procedure manual.</p> <p>Company has a Board approved Information Technology Policies and Procedures and an IT Steering Committee established by Board.</p> <p>Company is in the process of evaluating adequacy and integrity of the company's Management Information System.</p> <p>Company appointed IS Auditors carried out the assignment on Company's MIS and the report is forwarded to the Board. The suggestions recommended by the Board and controls recommended by Auditors were implemented.</p>

Section	Agreed Upon Procedure	Status	Result of Procedure
f)	Identifying the designating key management personnel, who are in a position to (i) significantly influence policy (ii) Direct activities and (iii) exercise control over business activities, operations and risk management;	Complied	Key Management Personnel (KMP) have been defined in the Feasibility Report as "Board of Directors (BOD), Chief Executive Officer (CEO), Head of Marketing & Credit, Head of Operations, Head of Risk Management and Compliance Officer".
g)	Defining the areas of authority and key responsibilities for the board and the key management personnel;	Complied	<p>Corporate Governance policy approved by the Board of Directors includes an area specifying the responsibilities of the board of directors.</p> <p>Company has a Board approved schedule of matters specifically reserved to the Board of Directors.</p> <p>Further, Articles of Association briefly describes on the powers and duties of the Board of Directors.</p> <p>Key responsibilities of other Key Management Personnel have been defined briefly in Feasibility Report which is approved by the Board.</p> <p>Company has completed the key responsibilities (job descriptions) of KMPs.</p>
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	

Corporate Governance cont....

Section	Agreed Upon Procedure	Status	Result of Procedure
(iii)	The determination of weaknesses and implementation of changes where necessary.	Complied	A self-evaluation process of the board members is in place to ensure the own performance, better governance and determination of weaknesses. Company has implemented the self-evaluation process of the Board and it has been completed
j)	Ensuring the finance Company has an appropriate succession plan for key management personal.	Complied	Board approved Succession Plan Policy is in place.
		Moving towards Compliance	IFL is still a startup Company. A Board approved Succession Plan will be implemented by the company.
			Due to consolidation process it was withheld and it will be reactivated.
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.
		Complied	A summary of returns submitted to CBSL on weekly, monthly and annual basis are presented to the board by the Compliance Officer in 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.
		Complied	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.

Section	Agreed Upon Procedure	Status	Result of Procedure
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.
		Complied	Functions and responsibilities of the Chairman have been defined in the Corporate Governance Policy.
		Complied	Company has completed defining the functions and responsibilities of the CEO.
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 2014/15.
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 19 to 43.
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	Company has a process of evaluating the self-performance of the Board of Directors.

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

Section	Agreed Upon Procedure	Status	Result of Procedure
3(6)	If the chairman has delegated to the Company secretary the function of preparing the agenda for a Board meeting, the Company secretary shall be responsible for carrying out such function.	Complied	<p>Agenda is prepared by the company secretary under the instructions of the Chairman and circulated to the Board members.</p> <p>Corporate Governance Policy of the company states the above fact that the Chairman should delegate the function of preparing the agenda to the company secretary.</p>
3(7)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions rules and regulations are followed.	Complied	All directors have access to advice and services of the Company Secretary. Company has drafted a procedure on 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: <ul style="list-style-type: none"> a) a summary of data and information used by the Board in its deliberations; b) the matters considered by the Board; c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted; and f) the decisions and Board resolutions. 	Complied	Detailed minutes are kept covering the given criteria. Board minutes contain the required details as specified.

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

Section	Agreed Upon Procedure	Status	Result of Procedure
e)	represents a shareholder , debtor, or such other similar stakeholder of the finance company		
f)	is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization:		
(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 Balance Sheet of the finance company, or		
(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 Balance Sheet of the finance company, or		
(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 Balance Sheet of the finance company.		
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 non – executive Director.	Complied	Such an incident has not taken place during the year.
4(6)	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied	Articles of Association address the appointment and removal of Directors. Company has drafted a procedure on appointing NEDs.
4(7)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless at least one-half of the number of Directors present at such meeting are Non-Executive.	Complied	During the financial year 2014/15 more than 50% of the directors participated for board meetings are non-executive. Company shall initiate action to make the quorum to read as more than 50% of the existing members and out of them more than 50% to be Non- Executive Directors.

Section	Agreed Upon Procedure	Status	Result of Procedure
4(8)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Finance Company. The Finance Company shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non- Executive Directors in the Annual Corporate Governance Report.	Complied	Company has disclosed the composition of the Board as required in the direction on page 48 of the Annual Report.
4(9)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied	Company's Articles of Association addresses a general procedure for appointment of new Directors. Company has drafted a procedure on appointing new members to the Board.
4(10)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied	Five Directors have been re-appointed to the Board during the year 2014/15 and these directors will be reappointed at the next AGM which will be held on 23rd June, 2015 by the shareholders.
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	None of the directors have resigned from office during the year.
(5) Criteria to assess the fitness and propriety of directors			
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 2014/15
(6) Management functions delegated by the board			
6(1)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied	The Board is empowered by the Articles of Association to delegate its powers to a committee of directors or to a director or employee upon such terms and conditions and with such restrictions as the Board may think fit.

Section	Agreed Upon Procedure	Status	Result of Procedure
6(2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Finance Company.	Complied	The delegated powers are reviewed by the Board to ensure that they remain relevant to the needs of the company.
(7) The Chairman and CEO			
7(1)	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual	Complied	Roles of Chairman and CEO are separate and held by two individuals appointed by the Board.
7(2)	The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Non – Executive Director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the Finance Company Annual Report.	Complied	Chairman is a non- executive director of the company. Company has designated an Independent Non-Executive Director as the Senior Director of the company. (This is disclosed in the Annual Report page 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. Directors' Disclosure is a designated item in the Agenda of the Board meeting. (This is disclosed in the Annual Report page 32.)
7(4)	The Chairman shall: (a) provides leadership to the board; (b) ensures that the board works effectively and discharges its responsibilities; and (c) Ensures that all key and appropriate issues are discussed by the board in a timely manner	Complied	Company has a Board Approved Corporate Governance Policy which defines the Functions and Responsibilities of Chairman. The Company expanded the format of annual assessment by including an area to measure the effective discharge of Board functions." All key and appropriate issues are discussed by the Board on a timely basis.
7(5)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied	Agenda is prepared by the company secretary and circulated to the Board members under the instructions of the Chairman.

Section	Agreed Upon Procedure	Status	Result of Procedure
7(6)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	Complied	<p>The Chairman ensures, that all Directors are properly briefed on issues arising at Board Meetings by submission of the agenda and board papers with sufficient time prior to the meetings.</p> <p>Agenda and the minutes of the previous board meeting are sent to the directors at least 7 days prior to the next meeting for their review.</p> <p>Further, minutes of previous month's board meeting are distributed to the Board members and tabled at the next board meeting for review and approval.</p>
7(7)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Finance Company.	Complied	A self-evaluation process of the Board members is in place to encourage all directors to make a full and active contribution to the board's affairs.
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	The self-evaluation process of directors addresses the contribution of all directors including non-executive directors.
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.		<p>Chairman is a non-executive director.</p> <p>The Chairman does not directly get involved in the supervision of key management personnel or any other executive duties.</p>
7(10)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied	AGM of the company is the main forum where the Board maintains effective communication with shareholders. Further a Board approved Communication Policy for shareholders, is in place.
7(11)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the Finance Company's operations and business.	Complied	As per the functions and responsibilities of the CEO, he is the apex executive-in-charge of the day-to-day management of the company's operations and business as mentioned in the Corporate Governance Policy.

Section	Agreed Upon Procedure	Status	Result of Procedure
(8) Board appointed committees			
8(1)	Every Finance Company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The board shall present a report on the performance, duties and functions of each committee, at a annual general meeting of the Company.	Complied	<p>At present company has established 05 board committees including Audit Committee (AC) and Integrated Risk Management Committee (IRMC) as set out in paragraphs 8(2) and 8(3) of the direction.</p> <p>Both committees submit their reports to the main board for their review and approved thereon.</p> <p>A report on each committee on its performance, duties and functions has been disclosed in the Annual Report on pages 44 to 47.</p>
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 has not exceeded five years of service.
	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 FY.
	iii. the application of the relevant accounting standards; and		
	iv. the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term		

Section	Agreed Upon Procedure	Status	Result of Procedure
d)	The committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied	External Auditor is independent since they directly report to the Board Audit Committee and their Report on the financial statements of the company for the year 2014/15 indicates that the audit is carried out in accordance with SLAuS.
e)	<p>The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non- audit services, the Committee shall consider:</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>	Complied	Board approved the policy on engagement of an external auditor to provide non-audit services.
f)	The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including:	Complied	Committee has developed a mechanism to meet the auditors before commencing the audit to inquire about the nature and scope of the audit, with the external auditors in accordance with SLAuS.
	(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;		

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

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

Section	Agreed Upon Procedure	Status	Result of Procedure
	(ii) the resources which it needs to do so;		
	(iii) full access to information; and		
	(iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.		
n)	The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	During the year the committee has met 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 44 to 45.
	(i) details of the activities of the audit committee		
	(ii) the number of audit committee meetings held during the year; and		
	(iii) details of attendance of each individual director at such meetings		
p)	The Secretary of the Committee (who may be the Company Secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied	Company Secretary has been appointed as the secretary to the Audit Committee.
q)	Company shall have a "whistle blower" policy which covers the process of dealing with;	Moving towards Compliance	Company is in the process of developing a whistle blower policy to deal with the matters mentioned.
	(i) The improprieties in financial reporting, internal control or other matters.		A paper on whistle blower policy was tabled. Board decided to approve the policy once it is prepared and presented to the Board.
	(ii) In relation to (i) the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and		
	(iii) Appropriate follow-up action.		
8(3) Integrated Risk Management Committee (IRMC):			
a)	The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	Complied	Committee consists of three non-executive directors. CEO, Head of Credit & Risk Management, Compliance Officer and other executive management personnel participate to the committee meetings whenever necessary.

Section	Agreed Upon Procedure	Status	Result of Procedure
b)	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.	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.
	In the case of Subsidiary Companies and Associate Companies, risk management shall be done, both on the finance Company basis and group basis.	Complied	Company has identified more risk indicators and risk limits and the procedure manual has been updated. There are no subsidiaries or associates under this Company.
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 03 times during the financial year.
f)	The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/ or as directed by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied	At the company specific risks and the limits are identified collectively by the risk committee.
g)	The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied	IRMC findings are submitted to the main board immediately after the IRMC meeting.

Section	Agreed Upon Procedure	Status	Result of Procedure
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.
9. Related party transactions			
9(2)	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:	Complied	Corporate Governance Policy of the company includes a section regarding the related parties.
a)	A subsidiary of the finance company;		In the procedure manual decision flow regarding the related party transactions has been included.
b)	Any associate company of the finance company;		
c)	A director of the finance company;		
d)	A key management personnel of the finance company;		
e)	A relative of a director or a key management personnel of the finance company;		
f)	A shareholder who owns shares exceeding 10% of the paid up capital of the finance company;		
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.		
9(3)	The transactions with a related party that are covered in this Direction shall be the following: Type of transactions are as follows:	Complied	In the Corporate Governance Policy, the company has identified the types of related party transactions as mentioned in the direction. Through the procedure manual the responsibility on identification of related party transactions have been delegated to the Accountant/ DGM.
a)	The grant of any type of accommodation		
b)	The creation of any liabilities of the finance company in the form of deposits, borrowings and investments.		

Section	Agreed Upon Procedure	Status	Result of Procedure
c)	The providing financial or non-financial services to the finance company or received the same from the finance company		
d)	The creation or maintenance of reporting lines and information flows between the finance company and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.		
9(4)	The Board shall ensure that the finance Company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the finance Company. For the purpose of this paragraph, "more favourable treatment" shall mean:	Complied	Company has defined the related party transactions and more favourable treatment in its' Corporate Governance Policy.
		Moving towards Compliance	Company will strengthen the existing system to input the RPT data to the system and extract a report with required data/ details of such transactions with the said related parties and to monitor such reports to ensure that no such "More favorable treatment" is offered to related parties than that accorded to other constituents of the finance company carrying on the same business.
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;		

Section	Agreed Upon Procedure	Status	Result of Procedure
	d) Providing services to or receiving services from a related-party without a proper evaluation procedure;		
	e) Maintaining reporting lines and information flows between the finance company and any related party that may lead to sharing potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.		
10	Disclosures		
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.
	Disclosures		
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 54.
	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 55.
	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	Obtained.

Section	Agreed Upon Procedure	Status	Result of Procedure
d)	Details of directors, including names, transactions with the finance company.	Complied	The required information has been disclosed in the Annual Report on pages 88-89.
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 74.
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 88-89.
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	The aggregate amount of remuneration paid to the Key Management Personnel of the company and the aggregate value of transactions done with KMPs have been disclosed in the Annual Report on page 89.
h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance	Complied	The required information regarding the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance has been disclosed in the Annual Report on page 23.
i)	A statement of the regulatory and supervisory concerns on lapses in the Finance Company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Complied	Such a situation has not arisen.
j)	Check that the board has obtained the external auditor's certification of the compliance with the Corporate Governance directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2011	Complied	External auditors have issued the Corporate Governance Factual Finding report in this regard.

Report of the Audit Committee

Composition

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

Mr. Nalin J. Welgama - Chairman - Non-Executive Director
Mr. Kiyoshi Matsui - Non-Executive Director
Dr. Suren Peter - Independent 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	2/3
Mr. Kiyoshi Matsui	Member	2/3
Dr. Suren Peter	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 Messrs. Baker Tilly LKA, a firm of Chartered Accountants.

The scope of work covers the head office functions and all branches and Service centres. The scope of work of the internal audit consultants includes the review of the efficacy of the internal controls and the actions taken to mitigate operational and business risks. In addition they monitor and report on compliance with statutory requirements and the Company's accounting and operational policies. Internal audit representatives are present at all Audit Committee meetings during discussion of the respective internal audit reports.

External Audit

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

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young be reappointed as Auditors for the financial year ending 31st March 2015 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

12th June 2015

Report of the Integrated Risk Management Committee

Composition

The Integrated Risk Management Committee for the financial year ended 31st March 2015 comprised the following members.

Mr. Hiran De Alwis (Director/ Chairman – IRMC)
Mr. Aravinda De Silva (Director)
Mr. Viraj Malawana (Director)
Mr. Duminda Weerasekare (CEO/Director)
Mr. Rohitha Bandusena – DGM – Credit & Risk Management
Ms. Nilu Imalka Wijekanthi (Senior Executive -Treasury & Operations)
Mr. Gaman Kithsiri (Head of ICT)
Mr. Mahesh De Silva (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	IRMC
Mr. Hiran De Alwis	Director/ Chairman – IRMC	4/4
Mr. Aravinda De Silva	Director	4/4
Mr. Viraj Malawana	Director	3/4
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.

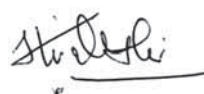
Taking prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.

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.



Hiran D Alwis

Chairman

Integrated Risk Management Committee

Report of the Remuneration Committee

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

Composition

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

Meetings

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

Functions

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

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

Directors' remuneration

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



N. J. Welgama
Chairman
Remuneration Committee

12th June 2015

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 2015. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007 and are guided by recommended best accounting practices.

1. Principal Activities

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

2. Financial Statements

The financial statements of the Company are given on pages 57 to 98.

3. Auditor's Report

The Auditor's report on the financial statements is given on page 56.

4. Accounting Policies

The accounting policies adopted in preparation of Financial Statements and the other explanatory notes are given on pages 59 to 98. 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 2015 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 2015.

9. Directors

The Directors of the Company as at 31st March 2015.

Mr. N.J. Welgama	- Non Executive Chairman
Mr. Kiyoshi Matsui	- Non Executive Deputy Chairman
Mr. D.M. Weerasekare	- Executive Director/CEO
Mr. P.A. De Silva	- Non Executive Director
Mr. J.V.W. Malawana	- Non Executive Director
Mr. H.M.C. De Alwis	- Non Executive Independent Director/Senior Director
Dr. P.L.S. Peter	- Non Executive Independent Director
Mr. A.N. Dias	- Non Executive Independent Director
Mr. N. Yoshino	- Non Executive Director

In terms of Article 24(6) of the Articles of Association of the Company Messrs D.M. Weerasekare, H.M.C. De Alwis and Dr. P.L.S. Peter 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
Mr. Kiyoshi Matsui	- Member/Non Executive Director
Dr. P. L. Suren Peter	- Member/Non Executive Independent Director

• Integrated Risk Management Committee

Mr. H.M.C. De Alwis	- 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 Independent Director

• **Nomination Committee**

Mr. H.M.C. De Alwis

- Chairman/ Non Executive Independent Director

Mr. A.N. Dias

- Member/Non Executive Independent Director

Mr. Norihiro Yoshino

- 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 2015.

Mr. N.J.Welgama	-	5,200,000
Mr. Kiyoshi Matsui	-	Nil
Mr. D.M. Weerasekare	-	1,600,000
Mr. P.A. De Silva	-	5,200,000
Mr. J.V.W. Malawana	-	12,800,000
Mr. H.M.C. De Alwis	-	Nil
Dr. P.L. Suren Peter	-	Nil
Mr. A.N. Dias	-	Nil
Mr. Norihiro Yoshino	-	Nil

12. Auditors

The financial statements for the year ended 31st March 2015 have been audited by Messrs Ernst & Young, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No.07 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The fees paid to the Auditors are disclosed in Note 9

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

13. Dividends

The directors has not recommend the payment of a dividend for the year ended 31st March 2015.

14. Investments

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

15. Intangible Assets

There were no intangible assets, other than Computer System Software, which is disclosed in Note 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 31st March 2015.

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 3rd Annual General Meeting of the Company will be held at the Board Room of Ideal Motors (Pvt) Limited, Rosmead Place, Colombo 07 on Tuesday, 23rd June 2015 at 3.00 p.m.

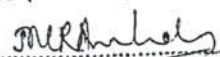
For and on behalf of the Board of Directors of
IDEAL FINANCE LIMITED



Director



Director

S S P CORPORATE
SERVICES (PRIVATE) LIMITED

Secretary

S S P Corporate Services (Private) Limited,
Secretaries

12th May 2015.

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 and Mortgage Loans. The Company invested in infrastructure for gold loans and also planning to expand its operations by opening new branches in potential areas.

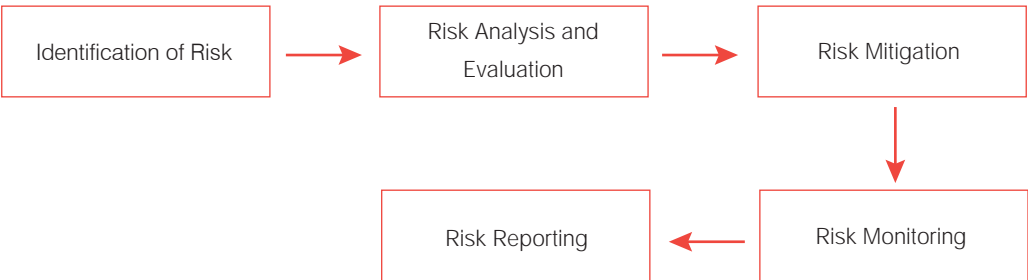
The Board of directors of the company is very keen on active risk management practices. Therefore all possible risk mitigation strategies are introduced and implemented in order to make sure that company operates at its best while minimising it's financial and business risks.

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 0.97% where average industry NPL ratio is approximately 6.9%.

Concentration Risk

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

Liquidity Risk

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

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

- Prepares an annual budget and identifies the average amount of money needed to finance facilities.

- Identify the cumulative gap of current year assets and liabilities.
- Identify the amount of unpredicted cash requirements that arose during the past 6 months.
- Identify the cash flow arising from interest earning assets.

Interest Rate Risk

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

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

Company perform periodic reviews of the interest rates by

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

Currency risk

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

Collateral risk

Collateral risk is the risk of the value of security held, being not sufficient to meet the capital outstanding of a facility in the event of a default of payment by the customer. When

IFL grants credit facility to its customers, company ensures that the value of the collateral held as security is sufficient to meet the facility amount in case of a default of payment by borrower. In order to mitigate the collateral risk the company takes the following measures.

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

Strategic risk

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

Operational risk

Operational risk is the risk of financial losses due to the failure or inadequacy of internal processes or systems, human error or external events. The sources of Operational Risk includes People, Internal Processes, Systems and External events. Operational risk can be mainly analysed under fraud risk and technological risk. IFL manages operational risks by maintaining a comprehensive system

of internal controls and using technology to automate processes and reduce manual errors. The company has in place a process of continuous internal audit utilizing the services of Baker Tilly LKA Chartered Accountants.

Regulatory risk

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

Reputational risk

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

Statement of Directors' Responsibilities for Financial Reporting

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

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

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

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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2014/15, 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

12th June 2015



IDEAL
Finance
YOUR IDEAL FINANCE PARTNER

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 Finance Companies Corporate Governance Direction No. 03 of 2008 (or Finance Leasing Direction No. 04 of 2009), section 10(2) (b), 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 the IDEAL Finance Limited. ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place, is 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 has started the process of documenting 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 Auditors of the Company for suitability of design and effectiveness on an on-going basis.

Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS. Processes applied to adopt the said accounting standards were strengthened during the year 2013 based on the feedback received from the External Auditors, Internal Auditors, Regulators and the Board Audit Committee.

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, commitment and contingencies, loan granting monitoring and recovering, real state, taxation, compliance with regulation, treasury and IT controls were being implemented as at the reporting date. Company was also in the process of updating relevant procedure manuals pertaining to the new Sri Lanka Accounting Standards requirements.

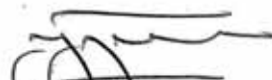
CONFIRMATION

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.

EXTERNAL AUDITORS CERTIFICATION

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.

By order of the Board


N.J. Welgama
Chairman/ Chairman-Audit Committee




D.M. Weerasekera
Chief Executive Officer/ Director

BOARD OF DIRECTORS

NALIN WELGAMA (CHAIRMAN) | KIYOSHI MATSUI (DEPUTY CHAIRMAN) | ARAVINDA DE SILVA | HIRAN DE ALWIS
AJITH DIAS | VIRAJ MALAWANA | SUREN PETER | NORIHIRO YOSHINO | DUMINDA WEERASEKERE (CEO)

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

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 ("Company"), which comprise the statement of financial position as at 31 March 2015, 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.

Board's Responsibility for the Financial Statement

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as board determine 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 judgement, including the assessment of the risk or material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 the basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position as at 31 March 2015, and 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 the section 163(2) of the Companies Act No. 07 of 2007. We state the following:

- a) The basis of opinion and 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



12th May 2015
Colombo

Statement of Comprehensive Income

Year ended 31 March 2015

	Notes	2015 Rs.	2014 Rs.
Income	3	175,497,559	131,257,107
Interest Income	4.1	167,630,354	126,993,449
Interest Expenses	4.2	(28,817,761)	(14,297,277)
Net Interest Income		138,812,593	112,696,172
Fees and Commission Income	5	2,214,672	1,530,022
Net Fee and Commission Income		2,214,672	1,530,022
Other Operating Income	6	5,652,533	2,733,636
Total Operating Income		146,679,798	116,959,830
Impairment Charges for loans and other losses	7	(2,100,000)	(2,469,331)
Net Operating Income		144,579,798	114,490,499
Operating Expenses			
Personnel Expenses	8	(53,907,452)	(44,595,627)
Depreciation of Property Plant & Equipment		(12,204,905)	(9,322,026)
Amortization of Intangible Assets		(4,129,444)	(4,038,587)
Other Operating Expenses	9	(33,971,856)	(31,229,574)
Operating Profit before Value Added Tax on Financial Services		40,366,141	25,304,685
Value Added Tax & NBT on Financial Services		(3,086,059)	(2,220,475)
Profit / (Loss) before Taxation		37,280,082	23,084,210
Income Tax Expenses	10	(7,980,627)	(5,102,165)
Profit/ (Loss) for the period		29,299,455	17,982,045
Basic Earnings Per Share (Rs)	11	0.36	0.22
Profit/ (Loss) for the period		29,299,455	17,982,045
Other Comprehensive Income not to be reclassified to profit or loss in subsequent Period			
Actuarial Gain/ (Loss) on defined benefit obligations		(376,850)	(149,988)
Total Comprehensive Income for the period, Net of Tax		28,922,605	17,832,057

The Accounting Policies and Notes on pages 60 through 98 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March 2015

	Notes	2015 Rs.	2014 Rs.
ASSETS			
Cash and Bank Balances	12	3,207,505	22,191,781
Investment In Government Securities	12.1	10,942,112	3,579,720
Placements with Banks and Other Financial Institutions	13	165,144,113	96,960,953
Lease Rentals Receivable and Stock out on Hire	14	708,725,937	574,375,990
Loans Stock	15	28,448,192	32,177,140
Other Financial Assets	16	2,887,009	5,970,126
Other Non Financial Assets	17	26,222,917	35,223,837
Financial Investments-Available for Sale	18	457,700	457,700
Inventories	19	22,872,858	34,524,588
Property, Plant and Equipment	20	35,671,537	46,087,945
Intangible Assets	20.4	30,378,562	33,141,358
TOTAL ASSETS		1,034,958,443	884,691,138
LIABILITIES			
Due to Banks	21	158,347,533	22,331,079
Due to the Customers	22	170,192,825	205,445,700
Other Financial Liabilities	23	40,130,976	28,191,221
Other Non Financial Liabilities	24	4,672,235	3,667,566
Retirement Benefit Liability	25	2,681,532	1,281,514
Deferred Tax Liabilities	26	10,773,769	4,537,090
TOTAL LIABILITIES		386,798,870	265,454,170
EQUITY			
Stated Capital	27	603,247,125	603,247,125
Retained Earnings		42,574,715	13,238,438
Reserves	28.	2,337,733	2,751,405
TOTAL EQUITY		648,159,573	619,236,968
TOTAL LIABILITIES AND EQUITY		1,034,958,443	884,691,138

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



Accountant

The Board of Directors are responsible for preparation and presentation of these Financial Statements.

Sign for and on behalf of the Board by:



Chairman



Chief Executive Officer

The Accounting Policies and Notes on pages 60 through 98 form an integral part of the Financial Statements.

12th May 2015

Colombo

Statement of Changes in Equity

Year ended 31 March 2015

Notes	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Fund Rs.	Investment Fund Rs.	Total Rs.
Balance As at 1 April 2013	603,247,125	(2,638,484)	-	796,270	601,404,911
Total Income / (Loss) for the Period	-	17,982,045	-	-	17,982,045
Actuarial Gain/ (Loss) on defined ben- efit obligations	-	(149,988)	-	-	(149,988)
Transfer to Investment Fund	-	(1,063,532)	-	1,063,532	-
Transfer to Statutory Reserve Fund	-	(891,603)	891,603	-	-
Balance As at 31 March 2014	603,247,125	13,238,438	891,603	1,859,802	619,236,968
Balance As at 1 April 2014	603,247,125	13,238,438	891,603	1,859,802	619,236,968
Total Income / (Loss) for the Period	-	29,299,455	-	-	29,299,455
Actuarial Gain/ (Loss) on defined benefit obligations	-	(376,850)	-	-	(376,850)
Transfer to Investment Fund	-	(52,126)	-	52,126	-
Transfer from Investment Fund		1,911,928		(1,911,928)	
Transfer to Statutory Reserve Fund	-	(1,446,130)	1,446,130	-	-
Balance As at 31 March 2015	603,247,125	42,574,714	2,337,733	-	648,159,573

The Accounting Policies and Notes on pages 60 through 98 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 March 2015

Cash Flows From / (Used in) Operating Activities	Notes	2015 Rs.	2014 Rs.
Profit before Income Tax Expense		37,280,082	23,084,210
Adjustment for Other Non Cash Items Included in Profit Before Tax			
Depreciation of Property, Plant and Equipment	20	12,204,905	9,322,026
Amortization of Intangible Assets	20	4,129,444	4,038,587
Provision for Impairment		2,100,000	2,469,331
Interest expenses on Bank Borrowings		4,914,531	760,573
Defined Benefit Obligation		1,023,168	633,608
Operating Profit before Working Capital Changes		61,652,130	40,308,335
(Increase)/Decrease in Lease Rentals Receivable & Stock out on Hire		(136,449,947)	(290,752,369)
(Increase)/Decrease in Loan Stock		3,728,948	(32,307,831)
(Increase)/Decrease in Other Financial Assets		3,083,117	(1,918,671)
(Increase)/Decrease in Other Non Financial Assets		9,000,920	(7,355,583)
(Increase)/Decrease in Inventories		11,651,730	(30,609,768)
Increase/(Decrease) in Amounts Due to Customers		(35,252,875)	156,616,106
Increase/(Decrease) in Other Financial Liabilities		11,939,755	8,037,936
Increase/(Decrease) in Other Non Financial Liabilities		(739,280)	1,836,180
Cash Generated from Operations		(71,385,502)	(156,145,665)
Retirement Benefit Liabilities Paid		-	-
Income Tax Paid		-	-
Net Cash Flows from/(Used in) Operating Activities		(71,385,502)	(156,145,665)
Cash Flows from / (Used in) Investing Activities			
Purchase of Property, Plant and Equipment	20	(1,788,497)	(23,008,391)
Purchase of Intangible Assets	20	(1,366,648)	(489,945)
Net Cash Flows from/(Used in) Investment Activities		(3,155,145)	(23,498,336)
Cash Flows from / (Used in) Financing Activities			
Net Proceeds from the Issue of Ordinary Shares		-	-
Net Proceeds from Bank Borrowings		125,000,000	-
Repayment of Bank Borrowings Fund		(14,810,366)	-
Repayment of Other Borrowed Fund		(996,890)	(1,565,780)
Net Cash Flows from/(Used in) Financing Activities		109,192,744	(1,565,780)
Net Increase/(Decrease) in Cash & Cash Equivalents		34,652,097	(181,209,781)
Cash and Cash Equivalents at the Beginning of the Period		105,345,823	286,555,604
Cash and Cash Equivalents at the End of the Year	29	139,997,920	105,345,823

The Accounting Policies and Notes on pages 60 through 98 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 and Micro Credit Facilities.

1.3 Parent Entity and Ultimate Parent Entity

The Company does not have an Identifiable parent of its own. Further 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 year ended 31 March 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 12 May 2015.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement, together with Accounting Policies and Notes, ('Financial

Statements'), as at 31 March 2015 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards & Lanka Accounting Standards (hereafter referred as "SLFRS"), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto.

2.1.2 Basis of measurement

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

2.1.3 Presentation of Financial Statements

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

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

i. Taxation

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

ii. Useful life-time of the Property and equipment

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

iii. Going Concern

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

iv. Impairment losses on loans and advances

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

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

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

V. Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent it is possible that future taxable profits will be available against which such tax losses can be set off. Judgments 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. 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.

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.

of consideration that the company could be required to repay.

2.3.1.2 *Derecognition of Financial Assets and Liabilities*

(i) *Financial Assets*

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

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
 - The company has transferred substantially all the risks and rewards of the asset
 - Or
 - The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount

(ii) *Financial liabilities*

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

2.3.1.3 *Determination of Fair Value*

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

2.3.1.4 *Impairment of Financial Assets*

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

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

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

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

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Other Operating Income'.

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

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

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale financial investments

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

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

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

In the case of equity investments classified as available-for-sale, objective evidence would also

include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The company treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in the fair value after impairment are recognised in other comprehensive income.

2.3.1.5 Offsetting Financial Instruments

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

2.3.2 Lease

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

2.3.2.1 Operating Lease

Company as a lessee

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

Company as a lessor

Leases where the company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.2.2 Finance Lease

Company as a lessor

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

2.3.3 Cash and cash equivalents

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

2.3.4 Property, Plant and equipment

Property, plant and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation

period or method, as appropriate, and treated as changes in accounting estimates.

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

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

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

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

2.3.5 Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statement of comprehensive income.

Computer System software is amortised over :10 years.

2.3.6 Other Assets

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

2.3.7 Inventories

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

2.3.8 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the

risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

2.3.9 Employee Retirement Benefits

Defined Contribution Plan Costs

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

Defined Benefit Plan Costs

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rate that are denominated in the currency in which the benefit will be paid, and that have terms of maturity approximating to the terms of the liability.

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

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

2.3.10 Provisions

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

2.3.11 Other Liabilities

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

2.3.12 Foreign currency translation

Transactions in foreign currencies are initially

recorded at the functional currency rate of exchange ruling at the date of the transaction.

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

2.3.13 Recognition of income and expenses

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

(i) Interest income and interest expense

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

The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original Effective Interest Rate and the change in carrying amount is recorded as ‘Interest Income’ for financial assets and Interest Expense for financial liabilities.

However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the Effective Interest Rate from the date of the change in estimate.

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

(ii) Fee and commission income

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

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

Fee income from providing transaction services

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

(iii) Dividend income

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

(iv) Expenditure Recognition

Expenses are recognized in profit or loss in the statement of comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income.

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of Comprehensive Income (Profit or loss). For the purpose of presentation of the statement of comprehensive Income, the "function of expenses" method has been adopted, on the basis that it presents fairly the element of the company's performance.

2.3.14 Taxes

a. Current Tax

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

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

b. Deferred Tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the

extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted at the reporting date.

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

c. Value Added Tax on Financial Services

Value Added Tax on Financial Services is calculated at the rate of 12% in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

2.3.15 Related Party Transactions

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

2.3.16 Event Occurring After the Reporting Date

All the material events after the reporting date of the statement of Financial Position have been considered and appropriate adjustments/ disclosures have been made in Note 34 to the Financial Statements.

2.3.17 Accounting Standards Issued but not Effective As Reporting Date

Standards issued but not yet effective up to the date of issuance of the financial statements are set out

below. The company will adopt these standards when they become effective. Pending a detailed review the financial impact is not reasonably estimable as at the date of publication of these financial statements.

(i) SLFRS 9 -Financial Instruments:

Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. SLFRS 9 will be effective for financial periods beginning on or after 01 January 2015.

(ii) SLFRS 14 -Regulatory Deferral Accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

(iii) SLFRS 15 -Revenue from Contracts with Customers

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

Notes to the Financial Statements

Year ended 31 March 2015

3.	INCOME	2015 Rs.	2014 Rs.
	Interest Income (4.1)	167,630,354	126,993,449
	Fee and Commission Income (5)	2,214,672	1,530,022
	Other Operating Income (6)	5,652,533	2,733,636
	Total Income	175,497,559	131,257,107
4.	NET INTEREST INCOME	2015 Rs.	2014 Rs.
4.1	Interest Income		
	From Placements with Banks and Other Financial Institutions	7,022,753	22,454,684
	From Lease Rental Receivable & Stock Out on Hire	153,626,099	101,170,308
	From Loans and Advances	6,672,272	3,110,233
	From Other Receivables	309,230	258,224
	Total Interest Income	167,630,354	126,993,449
	Interest Income from Other Receivables purely comprise of imputed notional interest on "Refundable Deposits".		
4.2	Interest Expense	2015 Rs.	2014 Rs.
	Due to Banks	5,193,888	1,732,997
	Due to Customers	23,623,873	12,564,280
	Total Interest Expenses	28,817,761	14,297,277
	Net Interest Income	138,812,593	112,696,172
5.	FEE AND COMMISSION INCOME	2015 Rs.	2014 Rs.
	Commission Income	2,214,672	1,530,022
	Net Fee and Commission Income	2,214,672	1,530,022
6.	OTHER OPERATING INCOME	2015 Rs.	2014 Rs.
	Dealership Commission	1,661,929	1,583,835
	Dividend Income	40,000	-
	Net Income from Real Estate Operations	2,906,951	974,936
	Other Operating Income	1,043,653	174,866
	Total Other Operating Income	5,652,533	2,733,636

Other Operating Income includes 85,714 from Cheque Return charges and 957,939 from Early Settlements.

Notes to the Financial Statements cont....

Year ended 31 March 2015

7. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES	2015 Rs.	2014 Rs.
Lease Rental's Receivable, Stock Out on Hire, and Loans and Receivables	2,100,000	2,469,331
	2,100,000	2,469,331
8. PERSONNEL EXPENSES	2015 Rs.	2014 Rs.
Salaries	32,706,527	27,009,474
Employers' Contribution to Employee's Provident Fund	3,924,783	3,280,568
Employers' Contribution to Employee's Trust Fund	981,196	820,142
Gratuity Charge for the year	1,023,168	633,608
Other Staff Related Expenses	15,271,778	12,851,835
	53,907,452	44,595,627
9. OTHER OPERATING EXPENSES	2015 Rs.	2014 Rs.
Directors' Emoluments	2,827,029	1,947,000
Auditors' Remuneration	377,500	387,300
Non Audit Fees for auditors	460,000	350,000
Professional and Legal Expenses	3,037,346	2,716,279
Office Administration and Establishment Expenses	16,752,901	13,276,266
Advertising and Promotional Expenses	2,567,889	5,933,966
Other Expenses	7,949,191	6,618,764
	33,971,856	31,229,574
Other Expenses includes 3,323,257 of Fuel & Travelling expenses, 2,398,132 of Printing & stationery cost and Rs. 831,500 of License & Renewal Fees		
10. INCOME TAX EXPENSES	2015 Rs.	2014 Rs.
10.1 The major component of income tax for the year ended 31 March 2014 as follows;		
Current Income Tax		
Income Tax for the year	1,743,953	1,447,128
Deferred Tax		
Deferred Tax Charge -(Note-26)	6,236,674	3,655,037
Income Tax Expenses	7,980,627	5,102,165

Year ended 31 March 2015**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 2015 as follows.

	2015 Rs.	2014 Rs.
Accounting Profit / (Loss) Before Income Taxation and VAT on FS	40,366,141	25,304,685
Aggregate allowable expenditure	(49,710,750)	(36,152,019)
Aggregate disallowable expenditure	20,874,319	18,798,588
Tax loss utilised	(2,876,976)	(2,782,939)
	8,652,734	5,168,315
Tax at applicable rate of 28%	2,422,765	1,447,128
Prior year adjustments	(678,813)	-
Deferred taxation charged	6,236,674	3,655,037
Income tax expense reported	7,980,627	5,102,165

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;

	2015 Rs.	2014 Rs.
Amount Used as Numerators		
Profit attributable to Ordinary Share Holders for Basic Earning Per Share	28,922,605	17,832,057
Number of Ordinary shares used as Denominators for Basic Earning Per Share		
Weighted Average Number of Ordinary Shares	80,000,000	80,000,000
Basic Earning Per Ordinary Shares	0.36	0.22

Year ended 31 March 2015

12. CASH AND BANK BALANCES	2015 Rs.	2014 Rs.
Cash In Hand	272,828	174,571
Bank Balances	2,934,677	22,017,210
	3,207,505	22,191,781
12.1 GOVERNMENT SECURITIES		
Treasury Bills - at amortized cost	10,942,112	3,579,720
	10,942,112	3,579,720
13 PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	2015 Rs.	2014 Rs.
Placement With Banks (Fixed Deposit)	115,144,113	13,962,230
Placement With Other Financial Institutions (Fixed Deposit)	50,000,000	82,998,723
	165,144,113	96,960,953
14. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE	2015 Rs.	2014 Rs.
Rental Receivable on Lease	761,176,186	645,792,829
Rental Receivable on Hire Purchase	213,902,861	195,251,529
Gross Rentals Receivables	975,079,047	841,044,358
Less: Unearned Income	(247,662,661)	(257,747,845)
	727,416,386	583,296,513
Less : Rentals Received in Advance	(12,836,302)	(5,166,376)
Net Rentals Receivables before charging Allowance for Impairment Losses	714,580,084	578,130,137
Less : Allowance for Impairment Losses (Note 14.1)	(5,854,147)	(3,754,147)
Total Net Rentals Receivable	708,725,937	574,375,990
14.1 Allowance for Impairment Losses	2015 Rs.	2014 Rs.
As at 01 April	3,754,147	1,415,507
Charge / (Reversal) for the Period	2,100,000	2,338,640
As at 31 March	5,854,147	3,754,147
Individual Impairment	1,275,356	-
Collective Impairment	4,578,791	3,754,147
	5,854,147	3,754,147

Notes to the Financial Statements cont....

Year ended 31 March 2015

14.2 RENTAL RECEIVABLE ON LEASE	Within One Year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gross Rentals Receivables	306,850,259	451,640,913	-	758,491,173
Less: Unearned Income	(98,512,392)	(95,650,510)	-	(194,162,903)
	208,337,867	355,990,403	-	564,328,270
Less : Rentals Received in Advance				(10,029,525)
Net Rentals Receivable before charging Allowance for Impairment Losses				554,298,745
14.3 RENTAL RECEIVABLE ON HIRE PURCHASE	Within One Year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gross Rentals Receivables	82,034,360	133,911,272		215,945,632
Less: Unearned Income	(25,689,328)	(27,168,187)		(52,857,516)
	56,345,032	106,743,084	-	163,088,116
Less : Rentals Received in Advance				(2,806,777)
Net Rentals Receivable before charging Allowance for Impairment Losses				160,281,339
Total Net Rentals Receivables before charging Allowance for Impairment Losses				714,580,084
15 LOANS AND ADVANCES			2015 Rs.	2014 Rs.
Loan Rental Receivable			39,676,844	46,660,224
Less: Unearned Interest Income			(9,586,052)	(13,694,600)
Net Receivable			30,090,792	32,965,624
Less: Rental Received In Advance			(1,511,909)	(657,794)
Net Rentals Receivables before charging Allowance for Impairment Losses			28,578,883	32,307,831
Less : Allowance for Impairment Losses (Note 15.1)			(130,691)	(130,691)
Total Net Rentals Receivable			28,448,192	32,177,140
15.1 ALLOWANCE FOR IMPAIRMENT LOSSES			2015 Rs.	2014 Rs.
			(130,691)	(130,691)
As at 01 April			130,691	-
Charge / (Reversal) for the Period			-	130,691
As at 31 March			130,691	130,691

Year ended 31 March 2015

15.2 RENTAL RECEIVABLE ON LOAN STOCK	Within One Year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gross Rentals Receivables	13,685,107	25,991,737	-	39,676,844
Less: Unearned Income	(4,481,622)	(5,104,430)	-	(9,586,052)
	9,203,485	20,887,307	-	30,090,792
Less : Rentals Received in Advance				(1,511,909)
Net Rentals Receivable before charging Allowance for Impairment Losses				28,578,882

16. OTHER FINANCIAL ASSETS	2015 Rs.	2014 Rs.
Refundable Deposit	2,043,582	2,946,027
Sundry Debtors	843,427	3,024,099
	2,887,009	5,970,126

17. OTHER NON FINANCIAL ASSETS	2015 Rs.	2014 Rs.
Value Added Tax	13,703,811	25,686,748
With Holding Tax	657,750	3,614,774
Income Tax Refundable	2,803,806	-
Advances and Prepayment	5,012,551	3,910,462
Other Receivable	4,044,999	2,011,853
	26,222,917	35,223,837

Other Receivables include Recoverable Insurance of 1,149,355 from customers.

18. FINANCIAL INVESTMENT-AVAILABLE FOR SALE	2015 Rs.	No. of Shares
Equities-Unquoted		
Credit Information Bureau of Sri Lanka	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.

Year ended 31 March 2015

19.	INVENTORIES			2015 Rs.	2014 Rs.
	Stationeries			401,906	338,328
	Vehicle Stock			-	861,000
	Land stock			22,470,952	33,325,260
				22,872,858	34,524,588
20.	PROPERTY, PLANT & EQUIPMENT				
20.1	GROSS CARRYING AMOUNTS	Balance As at 01.04.2014 Rs.	Additions / Transfers / Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
	At Cost or Valuation				
	Freehold Assets				
	Furniture & Fittings	25,036,652	785,761	-	25,822,413
	Office Equipment	10,332,756	516,066	-	10,848,822
	Computer System	18,133,612	486,670	-	18,620,282
	Motor Vehicles	424,540	-	-	424,540
		53,927,560	1,788,497	-	55,716,057
	Assets on Finance Leases				
	Motor Vehicles	5,988,303	-	-	5,988,303
	Total Value of Depreciable Assets	59,915,863	1,788,497	-	61,704,360
20.2	In the Cause of Construction	Balance As at 01.04.2014 Rs.	Incurred during the year Rs.	Reclassified/ transferred Rs.	Balance As at 31.03.2015 Rs.
	Capital Work in Progress	-	-	-	-
		-	-	-	-
20.3	Depreciation	Balance As at 01.04.2014 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
	At Cost or Valuation				
	Freehold Assets				
	Furniture & Fittings	4,810,673	5,103,964	-	9,914,637
	Office Equipment	1,608,126	2,145,198	-	3,753,324
	Computer System	5,897,013	3,673,174	-	9,570,187
	Motor Vehicles	114,424	84,908	-	199,332
		12,430,236	11,007,244	-	23,437,480
	Assets On Finance Leases				
	Motor Vehicles	1,397,682	1,197,661	-	2,595,343
	Total Depreciation	13,827,918	12,204,905	-	26,032,823

Year ended 31 March 2015

20.3 NET BOOK VALUES	2015	2014
At Cost or Valuation	Rs.	Rs.
Furniture & Fittings	15,907,776	20,225,979
Office Equipment	7,095,498	8,724,630
Computer System	9,050,095	12,236,599
Motor Vehicles	225,208	310,116
	32,278,577	41,497,324
Assets on Finance Leases		
Motor Vehicles	3,392,960	4,590,621
Total Carrying Amount of Property, Plant & Equipment	35,671,537	46,087,945
In the Cause of Construction		
Capital Work in Progress	-	-
Total Carrying Amount of Property, Plant & Equipment	35,671,537	46,087,945
20.4 INTANGIBLE ASSETS	2015	2014
	Rs.	Rs.
Computer System Software		
<i>Cost:</i>		
Balance As At 1 April	40,524,609	40,034,664
Addition	1,366,648	489,945
Disposal	-	-
Balance As At 31 March	41,891,257	40,524,609
Less: Amortization & Impairment		
Balance As At 1 April	7,383,251	3,344,664
Amortization Charge for the Period	4,129,444	4,038,587
Balance As At 31 March	11,512,695	7,383,251
Net Book Value As At 31 March	30,378,562	33,141,358
21. DUE TO BANKS	2015	2014
	Rs.	Rs.
Finance Lease (21.1)	3,947,558	4,944,448
Bank Over Draft	39,295,810	17,386,631
Bank Borrowings	115,104,165	-
	158,347,533	22,331,079

Year ended 31 March 2015

21.1 FINANCE LEASE	2015 Rs.	2014 Rs.
Gross liability	4,991,922	6,724,828
Less: Finance Charge Allocated to Future Period	(1,044,364)	(1,780,380)
Net Liability	3,947,558	4,944,448
Repayable within one year		
Gross Liability	1,732,896	1,732,896
Less: Finance Charge Allocated to Future Period	(560,198)	(699,459)
Net Liability	1,172,698	1,033,437
Repayable after one year		
Gross Liability	3,259,026	4,991,932
Less: Finance Charge Allocated to Future Period	(484,166)	(1,080,921)
Net Liability	2,774,860	3,911,011
Total Net Liability	3,947,558	4,944,448
21.2 Bank Borrowings		
Gross liability	139,021,470	-
Less: Finance Charge Allocated to Future Period	(23,917,305)	-
Net Liability	115,104,165	-
Repayable within one year		
Gross Liability	42,371,807	-
Less: Finance Charge Allocated to Future Period	(11,121,803)	-
Net Liability	31,250,004	-
Repayable after one year		
Gross Liability	96,649,663	-
Less: Finance Charge Allocated to Future Period	(12,795,502)	-
Net Liability	83,854,161	-
Total Net Liability	115,104,165	-
22. DUE TO CUSTOMERS	2015 Rs.	2014 Rs.
Fixed Deposit	170,192,825	205,445,700
	170,192,825	205,445,700

Year ended 31 March 2015

23. OTHER FINANCIAL LIABILITIES	2015 Rs.	2014 Rs.
Trade Payable	27,803,157	18,638,696
Accrued Expense	4,608,284	4,735,761
Sundry Creditors	7,719,535	4,816,764
	40,130,976	28,191,221
24. OTHER NON-FINANCIAL LIABILITIES	2015 Rs.	2014 Rs.
WHT Payable	27,658	79,250
Stamp Duty Payable	382,820	521,500
Income Tax Payable	2,422,765	1,447,130
Other Liabilities	1,838,992	1,619,686
	4,672,235	3,667,566
Other Liabilities includes Rs. 1,667,307 of advances collected from lease customers.		
25. POST EMPLOYMENT BENEFIT	2015 Rs.	2014 Rs.
25.1 Defined Benefit Obligation		
Defined Benefit Liability (25.2)	2,681,532	1,281,514
	2,681,532	1,281,514
25.2 Changes in the Defined benefit obligation are as follows		
Opening Liability	1,281,514	497,918
Net Benefit expense (25.3)	1,400,018	783,596
Benefit paid	-	-
Defined Benefit Liability as of 31 March	2,681,532	1,281,514
25.3 Net Benefit Expense		
Interest Cost	134,558	57,260
Current Service Cost	888,610	576,348
Actuarial Loss on obligations	376,850	149,988
	1,400,018	783,596

Year ended 31 March 2015**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 2015. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Long Term Interest Rate	9.75%	10.50%
Future Salary Increment Rate	9%	10%
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 2015

	Present Value of Defined Benefit Obligation		
	31-Mar-15	31-Mar-15	31-Mar-15
Discount Rate	9.0%	9.0%	9.0%
Basic Salary Scale	8.75%	9.75%	10.75%
Census at	31-Mar-15	31-Mar-15	31-Mar-15
Total PVDBO	2,853,181	2,681,532	2,530,127

	Present Value of Defined Benefit Obligation		
	31-Mar-15	31-Mar-15	31-Mar-15
Discount Rate	9.75%	9.75%	9.75%
Basic Salary Scale	8.0%	9.0%	10.0%
Census at	31-Mar-15	31-Mar-15	31-Mar-15
Total PVDBO	2,529,407	2,681,532	2,850,740

26. DEFERRED TAX LIABILITY	Statement of Financial Position		Statement of Comprehensive Income	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Deferred Tax Liability				
Property Plant & Equipment	2,942,235	2,252,958	689,275	1,559,232
Intangible Assets	5,991,980	4,285,839	1,706,140	1,348,919
Lease Rental	21,010,675	15,806,272	5,204,402	8,398,377
	29,944,890	22,345,069	7,599,817	11,306,528

Year ended 31 March 2015

	Statement of Financial Position		Statement of Comprehensive Income	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Deferred Tax Assets				
Defined Benefit Plan Obligation	750,829	358,824	(252,000)	(219,407)
Impairment of Loans and Receivables	1,675,754	-	(1,675,755)	-
Brought Forward Tax Loss	16,744,538	17,449,155	704,617	(7,432,084)
	19,171,121	17,807,979	(1,223,138)	(7,651,491)
Deferred Income Tax Income/(Expense)			6,376,679	3,655,038
Net Deferred Tax (Asset)/Liabilities	10,773,769	4,537,090		

27. STATED CAPITAL

	No of Shares	Rs.
Issued and Fully Paid-Ordinary Shares		
Balance as of 1 April 2013	80,000,000	603,247,125
Issued during the Period	-	-
Share issue	-	-
Balance as of 31 March 2014	80,000,000	603,247,125
Balance as of 1 April 2014	80,000,000	603,247,125
Issued during the Period	-	-
Balance as of 31 March 2015	80,000,000	603,247,125

Transaction cost on share issued is deducted from the equity.

28. RESERVES	2015 Rs.	2014 Rs.
Investment Fund Reserve	-	1,859,802
Statutory Reserve Fund	2,337,733	891,603
Closing Balance	2,337,733	2,751,405

Notes to the Financial Statements cont. . . .

Year ended 31 March 2015

29. CASH AND CASH EQUIVALENTS FOR THE PURPOSE OF CASH FLOW STATEMENT	2015 Rs.	2014 Rs.
Components of cash and cash Equivalents		
Favorable Cash & Cash Equivalents Balance		
Cash and Bank Balance (Note 12)	3,207,505	22,191,781
Investment in government securities	10,942,112	3,579,720
Investment in FD with short Term Maturities (Note 13)	165,144,113	96,960,953
	179,293,730	122,732,454
Un-Favorable Cash & Cash Equivalents Balance		
Bank Over Draft (Note 21)	39,295,810	17,386,631
	39,295,810	17,386,631
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	139,997,920	105,345,823

30. ANALYSIS OF FINANCIAL ASSETS & LIABILITIES BY MEASUREMENT BASIS

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

Year ended 31 March 2015

As at 31 March 2014	Available for Sale Financial Assets at Fair Value Rs.	Financial Assets and Liabilities at Amortizes Cost Rs.	Total Rs.
Financial Assets			
Cash & Bank Balances	-	22,191,781	22,191,781
Investment in government Securities	-	3,579,720	3,579,720
Placements with Other Banks & Financial Institutions	-	96,960,953	96,960,953
Lease Rentals Receivable and Stock out on Hire	-	574,375,990	574,375,990
Loan Stock		32,177,140	32,177,140
Financial Investments-Available for Sale	457,700	-	457,700
Other Financial Assets	-	5,970,126	5,970,126
Total Financial Assets	457,700	735,255,710	735,713,410
Financial Liabilities			
Due to Bank	-	22,331,079	22,331,079
Due to the Customers	-	205,445,700	205,445,700
Other Financial Liabilities	-	28,191,221	28,191,221
Total Financial Liabilities	-	255,967,999	255,967,999

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 2015	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 2014.

As at 31 March 2014	Level 1	Level 2	Level 3	Total
Financial Investments - Available for Sale				
Unquoted Equity	-	-	457,700	457,700
	-	-	457,700	457,700

Year ended 31 March 2015**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 2015	Level	Carrying Amount Rs.	Fair Value Rs.
Financial Assets			
Lease Rentals Receivable and Stock out on Hire	Level 02	708,725,937	725,243,392
Loans Stock	Level 02	28,448,192	28,605,589
As at 31 March 2014			
Financial Assets			
Lease Rentals Receivable and Stock out on Hire	Level 02	574,375,990	618,259,490
Loans Stock	Level 02	32,177,140	33,069,778
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.			
Assets			
Cash and Bank Balances			
Investment in government Securities			
Placements with Banks and Other Financial Institutions			
Other Financial Assets			
Financial Liabilities			
Due to Bank			
Due to the Customers			
Other Financial Liabilities			

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the Financial Statements.

Assets for which fair Value Approximates Carrying Value

For the financial assets and financial liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and call deposit without a specific maturity period.

Year ended 31 March 2015

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 2015	2015 - within 12 Months Rs.	2015 - after 12 Months Rs.	Total as at 31.03.2015 Rs.
ASSETS			
Cash and Bank Balances	3,207,505	-	3,207,505
Investment In Government Securities	10,942,112	-	10,942,112
Placements with Banks and Other Financial Institutions	165,144,113	-	165,144,113
Lease Rentals Receivable and Stock out on Hire and Loan Stock	259,538,172	477,635,957	737,174,130
Other Financial Assets	843,427	2,043,582	2,887,009
Other Non Financial Assets	21,378,852	4,844,065	26,222,917
Financial Investments-Available for Sale	-	457,700	457,700
Inventories	22,872,858	-	22,872,858
Property, Plant and Equipment	-	35,671,537	35,671,537
Intangible Assets	-	30,378,562	30,378,562
TOTAL ASSETS	483,927,039	551,031,404	1,034,958,443
LIABILITIES			
Due to Bank	71,718,511	86,629,022	158,347,533
Due to the Customers	159,942,825	10,250,000	170,192,825
Other Financial Liabilities	40,130,976	-	40,130,976
Other Non Financial Liabilities	4,672,235	-	4,672,235
Retirement Benefit Liability	-	2,681,532	2,681,532
Deferred Tax Liabilities	-	10,773,769	10,773,769
Total Liabilities	276,464,547	110,334,323	386,798,870
Net Assets	207,462,492	440,697,081	648,159,573
As at 31 March 2014			
	2014 - within 12 Months Rs.	2014 - after 12 Months Rs.	Total as at 31.03.2014 Rs.
ASSETS			
Cash and Bank Balances	22,191,781	-	22,191,781
Investment In Government Securities	3,579,720	-	3,579,720
Placements with Banks and Other Financial Institutions	96,960,953	-	96,960,953
Lease Rentals Receivable and Stock out on Hire	157,637,688	448,915,441	606,553,130
Other Financial Assets	3,024,099	2,946,027	5,970,126
Other Non Financial Assets	9,537,089	25,686,748	35,223,837
Financial Investments-Available for Sale	-	457,700	457,700
Inventories	34,524,588	-	34,524,588
Property, Plant and Equipment	-	46,087,945	46,087,945
Intangible Assets	-	33,141,358	33,141,358
TOTAL ASSETS	327,455,918	557,235,219	884,691,138

Year ended 31 March 2015

As at 31 March 2014	2014 - within 12 Months Rs.	2014 - after 12 Months Rs.	Total as at 31.03.2014 Rs.
LIABILITIES			
Due to Bank	18,420,068	3,911,010	22,331,078
Due to the Customers	204,445,701	1,000,000	205,445,701
Other Financial Liabilities	28,191,220	-	28,191,220
Other Non Financial Liabilities	3,667,567	-	3,667,567
Retirement Benefit Liability	-	1,281,514	1,281,514
Deferred Tax Liabilities	-	882,052	882,052
Total Liabilities	254,724,556	7,074,576	261,799,132
Net Assets	72,731,363	550,160,643	622,892,006

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.

34. EVENT OCCURRING AFTER THE REPORTING DATE

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

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:

Terms and Conditions

The Company carries out transactions with related parties in ordinary course of its business on an arms length basis at commercial rates.

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 and Chief Executive Officer have been identified as "Key Management Personnel".

	2015 Rs.	2014 Rs.
Short Term Employment Benefits	12,355,716	10,070,500

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.

Year ended 31 March 2015

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 31-3-2015	Outstanding Receivable/ (Payable) Balance as at 31-3-2014
Ideal Motors (pvt) Ltd.		Affiliate Company		
Lease Rentals Receivable and Stock out on Hire		8,012,006	-	8,012,006
Fixed Deposits		47,547,000	(10,000,000)	(57,547,000)
Receivables from Dealership Commission		1,673,500	434,000	408,500
Finance Lease Equipment Purchase		108,306,000	(11,024,056)	(4,198,556)
Interest Expenses - Fixed Deposits		9,853,133	(2,603)	(311,002)
Interest Income - Lease Facility		232,394	-	5,656
Purchase of vehicles		-	-	3,166,000
Ideal Automobile (pvt) Ltd.		Affiliate Company		
Finance Lease Equipment Purchase		24,200,000	-	-
Fixed Deposits		15,000,000	(10,000,000)	(25,000,000)
Interest Expenses - Fixed Deposits		1,652,604	51,781	(221,918)
Ideal Wheels (pvt) Ltd.		Affiliate Company		
Fixed Deposits		11,357,613	-	(11,357,613)
Interest Expenses - Fixed Deposits		562,652	-	(346,238)
Ideal 2Wheels (pvt) Ltd.		Affiliate Company		
Finance Lease Equipment Purchase		2,905,650	179,950	-
Ideal Chery Automobiles (Pvt)		Affiliate Company		
Finance Lease Equipment Purchase		1,125,000	200,000	-
Ideal Investment Lanka (pvt) Ltd.		Affiliate Company		
Rent Expenses		3,273,556	549,796	524,576
P. A. De Silva		Director		
Fixed Deposits		6,000,000	-	(6,000,000)
Interest Expenses		324,140	-	(106,918)

Year ended 31 March 2015**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.

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 2015	Note	Neither Past Due Not Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
ASSETS					
Cash and Bank Balances	12	3,207,505	-	-	3,207,505
Placements with Banks and Other Financial Institutions	13	176,086,225	-	-	176,086,225
Lease Rentals Receivable, Stock out on Hire and Loan Stock	14	720,074,130	17,099,999	-	737,174,129
Other Financial Assets	15	2,887,009	-	-	2,887,009
Financial Investments-Available for Sale	17	457,700	-	-	457,700
		902,712,569	17,099,999	-	919,812,568

Year ended 31 March 2015

As at 31 March 2014	Note	Neither Past Due Not Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
ASSETS					
Cash and Bank Balances	12	22,191,781	-	-	22,191,781
Placements with Banks and Other Financial Institutions	13	100,540,673	-	-	100,540,673
Lease Rentals Receivable, Stock out on Hire and Loan Stock	14	599,599,274	6,953,856	-	606,553,130
Other Financial Assets	15	5,970,126	-	-	5,970,126
Financial Investments-Available for Sale	17	457,700	-	-	457,700
		728,759,554	6,953,856	-	735,713,410

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

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

Past Due Not Impaired					
As at 31 March 2014	Less than 31 days Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 90 days Rs.	Total Rs.
Lease Rentals Receivable, Stock out on Hire and Loan Stock	981,582	3,522,041	1,029,376	1,420,856	6,953,855
	981,582	3,522,041	1,029,376	1,420,856	6,953,855

37.2.2 Analysis of Risk Concentration

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

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

Province	Lease Rental Receivable & Stock Out On Hire	Loan Stock
Central	13,638,628	
North Central	99,883,542	2,972,801
North Western	186,925,970	172,371
Northern	38,513,863	326,697
Sabaragamuwa	24,514,323	
Southern	58,628,581	967,940
Uva	152,926,336	743,399
Western	133,694,694	23,264,985
Total	708,725,937	28,448,192

Sector wise Break Down as at 31 March 2014	Cash & Bank Balances	Placement with Bank & Other Financial Institutions	Lease Rental Receivable & Stock out on Hire	Financial Assets- Available for Sale	Other Financial Assets	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	67,626,139	-	-	67,626,139
Manufacturing	-	-	22,039,788	-	-	22,039,788
Construction	-	-	31,557,665	-	-	31,557,665
Financial Services	22,191,781	100,540,673	21,419,764	-	-	144,152,218
Trading	-	-	185,789,945	-	2,713,500	188,503,445
Hotels	-	-	3,098,691	-	-	3,098,691
Services	-	-	175,669,429	457,700	3,256,626	179,383,755
Transport	-	-	11,389,362	-	-	11,389,362
Consumer	-	-	87,993,008	-	5,970,126	93,963,134
Total	22,191,781	100,540,673	606,583,791	457,700	11,940,252	741,714,196

Year ended 31 March 2015

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

Province	Lease Rental Receivable & Stock Out On Hire	Loan Stock
Central	25,079,057	-
North Central	63,878,668	757,124
North Western	143,873,559	-
Northern	23,794,680	-
Sabaragamuwa	21,210,461	-
Southern	46,408,198	-
Uva	86,693,378	199,800
Western	167,222,798	31,350,907
Total	578,160,799	32,307,830

Maximum Exposure to Credit	2015		2014	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Cash and Bank Balances	3,207,505	-	22,191,781	-
Placements with Banks and Other Financial Institutions and Government Securities	176,086,225	176,086,225	100,540,673	100,540,673
Lease Rentals Receivable, Stock out on Hire and Loan Stock	737,174,129	-	606,553,130	-
Other Financial Assets	2,887,009	2,887,009	5,970,126	5,970,126
Financial Investments-Available for Sale	457,700	457,700	457,700	457,700

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 of Undiscounted Cash Flows

As at 31 March 2015	On Demand Rs.	Less Than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets						
Cash and Bank Balances	3,207,505	-	-	-	-	3,207,505
Placements with Banks and Other Financial Institutions and Investment in Government Securities	100,000,000	76,509,766	228,254	-	-	176,738,020
Lease Rentals Receivable and Stock out on Hire	20,749,455	99,167,443	256,131,419	585,552,183	-	961,600,500
Loans Stock	-	3,309,720	8,863,478	25,991,737	-	38,164,935
Financial Investments-Available for Sale	-	-	-	-	457,700	457,700
Other Financial Assets	-	843,427	-	2,043,582	-	2,887,009
Total Financial Assets	123,956,960	179,830,356	265,223,151	613,587,502	457,700	1,183,055,669

Year ended 31 March 2015

37.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities of Undiscounted Cash Flows
Contd...

As at 31 March 2015	On Demand Rs.	Less Than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 years Rs.	Over 5 Years Rs.	Total Rs.
Financial Liabilities						
Due to Banks	39,295,810	11,364,903	32,739,800	99,908,689	-	183,309,202
Due to the Customers	-	33,138,436	138,015,576	16,001,604	-	187,155,617
Other Financial Liabilities	-	39,944,663	-	-	-	39,944,663
Total Financial Liabilities	39,295,810	84,448,002	170,755,377	115,910,293	-	410,409,482
Total Net Financial Assets/ (Liabilities)	84,661,150	95,382,353	94,467,774	497,677,209	457,700	772,646,187
As at 31 March 2014	On Demand Rs.	Less Than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets						
Cash and Bank Balances	22,191,781	-	-	-	-	22,191,781
Placements with Banks and Other Financial Institutions and Investment in Government Securities	-	102,325,646	212,690	-	-	102,538,336
Lease Rentals Receivable and Stock out on Hire	14,514,537	65,199,387	191,997,150	568,102,638	220,916	840,034,626
Loans Stock	196,555	2,564,308	7,692,924	31,556,494	-	42,010,281
Financial Investments-Available for Sale	-	-	-	-	457,700	457,700
Other Financial Assets	-	-	3,024,099	2,946,027	-	5,970,126
Total Financial Assets	36,902,873	170,089,341	202,926,863	602,575,081	678,616	1,013,202,850
Financial Liabilities						
Due to Banks	-	17,819,855	1,299,672	4,991,922	-	24,111,449
Due to the Customers	-	120,391,262	91,944,573	1,461,796	-	213,797,630
Other Financial Liabilities	-	28,191,220	-	-	-	28,191,220
Total Financial Liabilities	-	166,402,337	93,244,245	6,453,718	-	266,100,300
Total Net Financial Assets/ (Liabilities)	36,902,873	3,687,003	109,682,619	596,121,363	678,616	747,102,550

Year ended 31 March 2014**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 reprising or maturity dates.

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

Notes to the Financial Statements cont....

Year ended 31 March 2015

As at 31 March 2014	Total As at 31-03-2014 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.	
Financial Assets						
Cash and Bank Balances	22,191,781	-	-	-	-	22,191,781
Placements with Banks and Other Financial Institutions	100,540,673	100,331,500	209,173	-	-	-
Lease Rentals Receivable and Stock out on Hire	583,296,513	43,997,515	109,792,311	429,276,038	230,650	-
Retained Earnings	32,965,625	2,012,402	7,659,630	23,293,592	-	-
Financial Investments- Available for Sale	457,700	-	-	-	-	457,700
Other Financial Assets	5,970,126	-	-	-	-	5,970,126
Total Financial Assets	745,422,417	146,341,417	117,661,114	452,569,629	230,650	28,619,607
Financial Liabilities						
Due to Banks	22,331,079	17,620,887	762,637	3,947,556	-	-
Due to the Customers	205,445,700	119,075,064	85,369,828	1,000,808	-	-
Other Financial Liabilities	28,191,220	-	-	-	-	28,191,220
Total Financial Liabilities	255,967,999	136,695,951	86,132,465	4,948,364	-	28,191,220
Interest Sensitivity Gap	489,454,418	9,645,466	31,528,650	447,621,266	230,650	428,386

38. OPERATING SEGMENTS

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

As at 31 March 2015	Finance Lease Rs.	Hire Purchase Rs.	Loans and Advances	Other Rs.	Total Rs.
Interest Income	118,856,804	34,769,295	6,672,272	7,331,983	167,630,354
Commission Income	1,649,608	522,586	42,477	-	2,214,672
Other Income	-	-	-	5,652,533	5,652,533
	120,506,413	35,291,882	6,714,749	12,984,516	175,497,559
As at 31 March 2014	Finance Lease Rs.	Hire Purchase Rs.	Loans and Advances	Other Rs.	Total Rs.
Interest Income	80,751,524	20,418,785	3,110,233	22,712,908	126,993,450
Commission Income	293,550	1,215,959	20,512	-	1,530,021
Other Income	-	-	-	2,733,636	2,733,636
	81,045,074	21,634,744	3,130,745	25,446,544	131,257,107

Year ended 31 March 2015

38.2 Entity-Wide Disclosures: Analysis of Gross Income and Non Current Assets on Geographical Areas				
Gross Income	Domestic Rs.	Oversees Rs.	Domestic Rs.	Oversees Rs.
	2015	2015	2014	2014
Interest Income	167,630,354	-	126,993,449	-
Commission Income	2,214,672	-	1,530,022	-
Other Income	5,652,533	-	2,733,636	-
	175,497,559	-	131,257,107	-
Non-Current Assets	Domestic Rs.	Oversees Rs.	Domestic Rs.	Oversees Rs.
Property, Plant and Equipment	35,671,537	-	46,087,945	-
Intangible Assets	30,378,562	-	33,141,358	-
	66,050,099	-	79,229,303	-

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

Value Added Statement

<i>Value Added</i>	<i>2015</i>	<i>2014</i>
	<i>Rs.</i>	<i>Rs.</i>
Income from Interest Related Activities	167,630,354	126,993,449
Income from Other Activities	7,867,205	4,263,658
	175,497,559	131,257,107
Depositors & Lenders	28,817,761	14,297,277
Cost of Sales & Services	33,971,856	31,229,574
Provision for Bad & Doubtful Debts	2,100,000	2,469,331
	64,889,617	47,996,182
Total Value Added	110,607,942	83,260,925
<i>Distribution of Value Added</i>		
To Employees as Remuneration	54,284,302	44,745,615
To Government as Taxation	11,066,686	7,322,640
To Expansion & Growth		
Depreciation	16,334,349	13,360,613
Retained Profits	28,922,605	17,832,057
Total Distribution of Value Added	110,607,942	83,260,925

Capital Adequacy

TOTAL RISK WEIGHTED ASSET COMPUTATION

As at 31 March 2015

<i>Assets</i>	<i>Amount</i>	<i>Risk Weight %</i>	<i>Risk weighted Assets Amount</i>
Cash & Current Accounts with Banks	3,207,505	0%	-
Sri Lanka Govt/Central Bank Securities	10,942,112	0%	-
Deposits with Banks	115,144,113	20%	23,028,823
Deposit with Finance Companies	50,000,000	20%	10,000,000
Loans and Advances :	737,174,129	100%	737,174,129
Fixed Assets	66,050,099	100%	66,050,099
Other Assets	52,440,484	100%	52,440,484
Total Risk Weighted Assets	1,034,958,442		888,693,535

<i>Constituents of Capital</i>	<i>Amount</i>
Issued and Paid-up Ordinary Shares/Common Stock (Cash)	603,247,125
Statutory Reserve Fund	2,337,733
Published Retained Profits/(Accumulated Losses)	15,150,365
Tier I : Core Capital	620,735,223
Tier 2 : Supplementary Capital	-
Total Capital	620,735,223
Capital Base	620,735,223

<i>Capital Adequacy Ratio</i>	<i>Amount</i>
Core Capital Ratio (Minimum 5%)	70%
Total Risk Weighted Capital Ratio (Minimum 10%)	70%

Information of Ordinary Shares

DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2015

Shares	31 March 2015			
	No of Shareholders	% Shareholders	No of Shares	% Shareholders
Up to 2,000,000	1	14.29%	1,600,000	2.00%
2,000,001 - 6,000,000	2	28.57%	10,400,000	13.00%
6,000,001 - 14,000,000	2	28.57%	26,800,000	33.50%
Over 14,000,000	2	28.57%	41,200,000	51.50%
	7	100.00%	80,000,000	100.00%

CATEGORIES OF SHAREHOLDERS

Type of Investor	31 March 2015			
	No of Shareholders	% Shareholders	No of Shares	% Shareholders
Local Individuals	4	57.14%	24,800,000	31.00%
Local Institutions	2	28.57%	28,400,000	35.50%
Foreign Institutions	1	14.29%	26,800,000	33.50%
	7	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 provision 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 practice for maintenance of capital for financial institutions, to suit the local requirements.

Interest in suspense

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

Earnings per Share

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

Deferred Tax

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

Related Parties

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

Distribution Channels



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

Notice of Annual General Meeting

IDEAL FINANCE LIMITED

Notice is hereby given that the Third Annual General Meeting of Ideal Finance Limited will be held at the Board Room of Ideal Motors (Pvt) Limited on Tuesday, 23rd June, 2015 at 3.00pm. 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 2015 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. H.M.C. De Alwis who retires by rotation in terms of Article No.24(6) of the Articles of Association of the Company.
3. To re-elect as a Director Mr. D.M. Weerasekare, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
4. To re-elect as a Director Dr. P.L. Suren Peter who retires in terms of Article 24(2) 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
.....2015

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.

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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. Pinnaduwa Aravinda De Silva	of Colombo or failing him
Mr. Kiyoshi Matsui	of Colombo or failing him
Mr. John Viraj Winston Malawana	of Colombo or failing him
Mr. Duminda Mahali Weerasekera	of Colombo or failing him
Mr. Hiran Manil Camillus De Alwis	of Colombo or failing him
Mr. Paul Leslie Suren Peter	of Colombo or failing him
Mr. Ajith Nissanka Dias	of Colombo or failing him
Mr. Norihiro Yoshino	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 23rd June 2015 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 2015 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director Mr. H.M.C. De Alwis 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"/>
3. To re-elect as a Director Mr. D.M. Weerasekera who retires by rotation in terms 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 Dr. P.L. Suren Peter who retires in terms of Article 24(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Fifteen.

.....
Signature

Note :

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

INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

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

Note:

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

Corporate Information

Name of the Company	:	IDEAL FINANCE LIMITED																					
Date of incorporation	:	24 th 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 07																					
Bankers	:	Bank of Ceylon Seylan Bank PLC Commercial Bank 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. Kiyoshi Matsui (Deputy Chairman) Mr. Duminda Weerasekare (Chief Executive Officer) Mr. Aravinda De Silva (Non-Executive Director) Mr. Viraj Malawana (Non-Executive Director) Mr. Norihiro Yoshino (Non-Executive Director) Mr. Hiran De Alwis (Independent Non-Executive Director) Mr. Ajith Dias (Independent Non-Executive Director) Dr. Suren Peter (Independent Non-Executive Director)																					
Share Holding	:	<table><tr><td>Nishiya Holdings (Pvt) Ltd.</td><td>-</td><td>33.5%</td></tr><tr><td>Ideal Motors (Pvt) Ltd</td><td>-</td><td>18.0%</td></tr><tr><td>Ideal Investments Lanka (Pvt) Ltd</td><td>-</td><td>17.5%</td></tr><tr><td>Mr. Nalin J Welgama</td><td>-</td><td>06.5%</td></tr><tr><td>Mr. Aravinda De Silva</td><td>-</td><td>06.5%</td></tr><tr><td>Mr. Viraj Malawana</td><td>-</td><td>16.0%</td></tr><tr><td>Mr. Duminda Weerasekare</td><td>-</td><td>02.0%</td></tr></table>	Nishiya Holdings (Pvt) Ltd.	-	33.5%	Ideal Motors (Pvt) Ltd	-	18.0%	Ideal Investments Lanka (Pvt) Ltd	-	17.5%	Mr. Nalin J Welgama	-	06.5%	Mr. Aravinda De Silva	-	06.5%	Mr. Viraj Malawana	-	16.0%	Mr. Duminda Weerasekare	-	02.0%
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Mr. Duminda Weerasekare	-	02.0%																					



IDEAL Finance Limited

299, Union Place, Colombo 02, Sri Lanka

T : +9411 2396060 F : +9411 2396757

W: www.idealfinance.lk