

MELSTA REGAL FINANCE LTD

Head Office : Level 1, No 33, Park Street, Colombo 02
 Registered Office : No 110, Norris Canal Road, Colombo 10,
 Tel : 0115 200 100, Fax : 0115 200 111, Web : www.melstaregalfinance.lk

Audited Financial Statements as at 31st March 2016



KPMG
 Chartered Accountants,
 32A, Sir Mohamed Macan Markar Mawatha,
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 Sri Lanka.
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MELSTA REGAL FINANCE LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Melsta Regal Finance Limited, ("the Company"), which comprise the statement of financial position as at March 31, 2016, and the income statement, statements of profit or loss and other comprehensive income, changes in equity and, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility,

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act No 7 of 2007.

KPMG

CHARTERED ACCOUNTANTS
 Colombo
 27th May 2016

KPMG, a Sri Lanka partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
 M.P. Mulla: FCA, J.S. Mathura: FCA, Ma. S. M.B. Jayasinghe ACA, G.A.J. Karunaratne ACA, R.P. Rajan ACA, P.Y.S. Perera FCA, W.A.J.C. Perera FCA, M.A.L.B. Jayasinghe ACA, N.M.L.B. Jayasinghe ACA, S.P.J. Perera FCA, S.L.U.L. Perera FCA, Ma. B.R.J.T.M. Rodrigo ACA, C.P. Jayatilaka FCA, Ma. S. Joseph FCA, S.L.U.L. Perera FCA, Ma. B.R.J.T.M. Rodrigo ACA, Principals - S.P.J. Perera FCA, J.C. Jayasinghe, LL.B., Attorney-at-Law, P.S. Gooneratne ACA.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended,	31.03.2016 Rs'000	31.03.2015 Rs'000
Gross income	742,384	442,047
Income		
Interest income	695,077	422,911
Interest expenses	(264,312)	(118,430)
Net interest income	430,765	304,481
Other income	47,307	19,136
Total Operating Income	478,073	323,617
Allowance for impairment of loans and receivables		
Individual impairment	(119,793)	(8,742)
Collective impairment	(8,126)	(9,934)
Net Operating income	350,154	304,941
Operating expenses		
Personnel expenses		
Premises, equipment and establishment expenses	(43,888)	(32,143)
Depreciation and amortisation cost	(16,580)	(11,506)
Other operating expenses	(95,482)	(64,996)
Operating profit before VAT and NBT on financial services and income tax	91,979	116,343
Value Added Tax on financial services	(16,073)	(15,541)
Profit before income tax	75,906	100,802
Income tax expense	(8,111)	(16,930)
Profit for the year	67,796	83,872
Basic earnings per share	0.51	0.63
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Actuarial gains/ (losses) on defined benefit obligations	3,318	304
Tax on other comprehensive income	(929)	(85)
Other Comprehensive income for the year, net of tax	2,389	219
Total comprehensive income for the year	70,185	84,092

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

As at 31st March	2016	2015
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital) Rs. '000	1,279,023	1,210,860
Total Capital Base Rs. '000	1,279,023	1,210,860
Core capital Adequacy Ratio, as % of Risk Weighted Assets	25%	34%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets	25%	34%
Capital funds to deposit Liabilities Ratio (minimum requirement, 10%)	111%	250%
Assets Quality (Quality of Loan Portfolio)		
Gross Non performing Accommodations, Rs. '000	232,253	55,538
Gross Non performing Accommodations Ratio %	4.66%	1.94%
Net Non performing Accommodations Ratio %	1.71%	1.21%
Profitability		
Net Interest Margin	8.64%	8.89%
Return on Assets (before tax)	1.4%	2%
Return on Equity (after tax)	5%	7%
Regulatory Liquidity (Rs. '000)		
Required minimum amount of liquid assets	124,271	77,023
Available amount of liquid assets	302,316	246,633
Required minimum amount of Government securities	153,259	50,516
Available amount of Government securities	161,473	205,152
Memorandum information		
Number of employees	141	115
Number of branches	7	5
Number of service centers	1	-
Number of paving centers	-	-

STATEMENT OF FINANCIAL POSITIONS

As at	31.03.2016 Rs'000	31.03.2015 Rs'000
ASSETS		
Cash and cash equivalents	140,843	41,481
Other financial assets	-	1,483,200
Financial investments - Held-to-maturity	48,473	59,152
Financial investments - Loans and receivables	113,000	146,000
Financial investments - Available-for-sale	331	331
Financial investments - Fair value through profit or loss	111,040	305,503
Finance lease receivables	2,453,747	940,378
Hire purchase receivables	111,674	239,846
Loans and advances	1,982,685	1,418,685
Factoring receivables	291,252	265,571
Other receivables	40,805	31,384
Tax recoverable	20,583	27,462
Investment property	5,200	3,900
Deferred tax asset	-	159
Intangible assets	34,554	21,603
Property, plant and equipment	47,456	28,120
Total assets	5,401,643	5,012,775
LIABILITIES		
Bank overdrafts	92,986	1,383,690
Other financial liabilities due to customers	1,206,189	485,094
Interest bearing loans and borrowings	2,640,783	1,781,203
Liabilities of FBIL customers	885	26,695
Trade and other payables	178,774	120,501
Retirement benefit obligations	3,003	4,733
Total liabilities	4,122,620	3,801,915
SHAREHOLDERS' FUNDS		
Stated capital	1,340,295	1,340,295
Reserve fund	9,382	5,992
Retained earnings	(70,653)	(135,427)
Total shareholders' fund	1,279,023	1,210,860
Total liabilities and shareholders' funds	5,401,643	5,012,775
Net assets per share	9.54	9.03

I certify that the financial statements have been prepared in accordance with the requirements of Companies Act No. 7 of 2007.

(Sgd.)
D.J. Withanachchi
 AGM - Finance & Planning

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of the Board

(Sgd.)
A.L. Gooneratne
 Chairman

(Sgd.)
D.M.N.P. Karunapala
 Director/Chief Executive Officer

27th May 2016
 Colombo



Melsta Regal
 Finance Ltd
 "In safe hands"



Colombo	Kurunegala	Matara	Kandy	Negombo	Kegalle	Kuliyapitiya	Kiribathgoda
Level 1, No 33, Park Street, Colombo 02	Level 1, No 252, Negombo Road, Kurunegala	No. 469 A, Angarika Dharmapala Mawatha, Pamburana, Matara	No.206, Katugastota Road, Kandy, Sri Lanka	No. 600 A,1/1, Chilaw Road, Kattuwa, Negombo	No 440 B, Kandy Road, Meepitiya, Kegalle	No.47 1/1, Kurunegala Road, Kuliyapitiya	No. 107, Makola Road, Kiribathgoda

LC's | Import Loans | Pledge Loans | Short Term Loans | Corporate Finance | Project Loans | SME Finance | Debt Factoring | Credit Guarantees | AUTO ඉඩ-ඉඩ | Leasing | Operating Lease | Leasing | Personal Loans | Fixed Deposits | Savings

Fitch Rating A+(Ika)

Date of Incorporation: 29/03/2007, (Reg. No. PB 878)
 Licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011

