

**INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2014**



LB Finance PLC

STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 December 2014

	FOR THE 3 MONTHS ENDED		VARIANCE	FOR THE 9 MONTHS ENDED		VARIANCE
	31.12.2014	31.12.2013		%	31.12.2014	
	Rs.('000)	Rs.('000)		Rs.('000)	Rs.('000)	
Income	3,736,130	3,504,527	7	10,971,688	10,152,585	8
Interest Income	3,455,038	3,274,617	6	10,154,865	9,514,130	7
Interest Expenses	(1,469,490)	(1,804,066)	19	(4,545,259)	(5,387,446)	16
Net Interest Income	1,985,548	1,470,552	35	5,609,606	4,126,684	36
Fee and Commission Income	246,331	198,290	24	707,626	531,058	33
Net Fee and Commission Income	246,331	198,290	24	707,626	531,058	33
Net Trading Income	101	107	(6)	2,574	(642)	501
Other Operating Income	34,660	31,512	10	106,623	108,039	(1)
Total Operating Income	2,266,640	1,700,461	33	6,426,429	4,765,139	35
Impairment (Charges) / Reversal for loans and other losses	(502,841)	(193,177)	(160)	(1,328,239)	(454,743)	(192)
Gold Loan Auction Losses	(19,555)	(378,936)	95	(204,557)	(1,132,640)	82
Net Operating Income	1,744,244	1,128,348	55	4,893,634	3,177,757	54
Operating Expenses						
Personnel Expenses	(393,082)	(332,602)	(18)	(1,126,953)	(979,527)	(15)
Depreciation of Property, Plant and Equipment	(86,301)	(88,700)	3	(253,023)	(244,696)	(3)
Amortisation of Intangible Assets	(3,285)	(2,476)	(33)	(9,308)	(6,361)	(46)
Other Operating Expenses	(329,438)	(264,733)	(24)	(902,254)	(751,613)	(20)
Operating Profit before Value Added Tax on Financial Services	932,138	439,837	112	2,602,096	1,195,560	118
Value Added Tax on Financial Services	(97,652)	(27,639)	(253)	(237,034)	(66,128)	(258)
Profit before Taxation	834,486	412,197	102	2,365,063	1,129,432	109
Income Tax Expense	(284,542)	(145,859)	(95)	(811,534)	(344,800)	(135)
Profit after Taxation	549,944	266,338	106	1,553,529	784,632	98
Other Comprehensive Income / (Expenses)						
Gains & Losses arising on re-measuring Available for Sale Financial Assets						
Sri Lanka Government securities	(16,726)	52,507	(132)	52,360	51,116	2
Equity Securities	(12,892)	(893)	(1,343)	36,524	(7,261)	603
Other comprehensive income / (expenses) before taxation	(29,618)	51,614	(157)	88,884	43,855	103
Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income	-	-	100	-	-	0
Other Comprehensive Income for the Period, Net of Tax	(29,618)	51,614	(157)	88,884	43,855	103
Total Comprehensive Income for the Period, Net of Tax	520,326	317,952	64	1,642,413	828,486	98
Basic Earnings Per Share (Rs)	7.94	3.85		22.43	11.33	

LB Finance PLC

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Retained Earnings	Statutory Reserve	Investment Fund Reserve	Available for Sale Reserve	Total
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Balance as at 1 April 2013	838,282	2,822,303	1,193,051	440,801	4,065	5,298,502
Net profit for the period	-	784,632	-	-	-	784,632
Other comprehensive income net of tax	-	-	-	-	43,855	43,855
Transfer to Statutory Reserve	-	(159,382)	159,382	-	-	-
Transfer to Investment Fund Reserve	-	(135,494)	-	135,494	-	-
Dividend for 2012/13	-	(450,171)	-	-	-	(450,171)
Balance as at 31 December 2013	838,282	2,861,887	1,352,434	576,295	47,919	5,676,817
Balance as at 1 April 2014	838,282	3,265,274	1,461,057	619,682	22,393	6,206,689
Net profit for the period	-	1,553,529	-	-	-	1,553,529
Other comprehensive income net of tax	-	-	-	-	88,884	88,884
Transfer to Statutory Reserve	-	(310,706)	310,706	-	-	-
Transfer to Investment Fund Reserve	-	(26,045)	-	26,045	-	-
Dividend for 2013/14	-	(450,171)	-	-	-	(450,171)
Balance as at 31 December 2014	838,282	4,031,880	1,771,763	645,727	111,277	7,398,930

LB Finance PLC		
STATEMENT OF FINANCIAL POSITION		
As at 31 December 2014		
	31.12.2014	Audited
	Rs.('000)	31.03.2014
	Rs.('000)	Rs.('000)
Assets		
Cash and Cash Equivalents	6,585,776	1,865,100
Financial Investments - Held for Trading	9,885	7,595
Loans and Receivables	21,970,194	18,893,238
Lease Rentals Receivable & Stock out on Hire	31,672,614	30,299,456
Financial Investments - Available for Sale	891,706	1,468,602
Other Financial Assets	3,149,852	5,083,136
Other Non Financial Assets	1,025,353	921,042
Intangible Assets	38,661	36,426
Property, Plant and Equipment	2,020,899	2,067,929
Deferred Tax Assets	171,857	171,857
Total Assets	67,536,799	60,814,381
Liabilities		
Due to Banks	7,022,875	4,034,675
Due to Customers	48,260,766	46,095,205
Debt Issued and Other Borrowed Funds	2,544,176	2,864,872
Other Financial Liabilities	1,408,986	586,347
Other Non Financial Liabilities	235,893	829,677
Post Employment Benefit Liability	115,891	93,199
Current Tax Liabilities	549,282	103,717
Total Liabilities	60,137,868	54,607,692
Shareholders' Funds		
Stated Capital	838,282	838,282
Retained Earnings	4,031,880	3,265,274
Reserves	2,528,768	2,103,133
Total Shareholders' Funds	7,398,930	6,206,689
Total Liabilities and Shareholders' Funds	67,536,799	60,814,381
Net asset value per share (Rs)	106.83	89.62
Commitments and Contingencies	944,065	637,847

The information contained in these statements have been extracted from the unaudited Financial Statements of the Company unless indicated as "Audited".

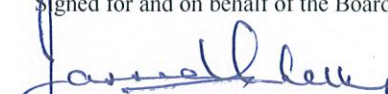
CERTIFICATION:

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




Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
 Signed for and on behalf of the Board of Directors by,



Managing Director



Director

22nd January 2015
 Colombo

LB Finance PLC		
CASH FLOW STATEMENT		
Period ended 31 December 2014	FOR THE 9 MONTHS ENDED	
	31.12.2014 Rs.('000)	31.12.2013 Rs.('000)
Cash Flows From / (Used in) Operating Activities		
Profit before Income Tax Expense	2,453,947	1,173,287
Adjustments for		
Depreciation of Property, Plant and Equipment	253,024	244,696
Amortisation of Intangible Assets	9,308	6,361
Impairment Provision	1,328,239	454,743
Gold Loan Auction Losses	204,557	1,132,640
Interest Cost on Finance Lease	1,329	2,380
Diminution/(Appreciation) in Value of Investments	(91,174)	(43,104)
Loss/(Profit) on Disposal of Property, Plant and Equipment	(97)	(1,795)
Provision/(reversal) for Defined Benefit Plans	29,701	32,374
Dividend Received	(741)	(2,403)
Interest Income on Investing Activities	(441,690)	(542,932)
Notional Tax Credit on Interest on Treasury Bills	(29,015)	(28,570)
Withholding Tax Attributed to Fixed Deposits	(431)	(201)
Operating Profit before Working Capital Changes	3,716,955	2,427,474
(Increase)/Decrease in Loans and Receivables	(3,487,705)	(2,380,492)
(Increase)/Decrease in Lease Rentals Receivable & Stock out on Hire	(2,469,920)	(2,072,202)
(Increase)/Decrease in Other Financial Assets	2,047,674	(4,207,527)
(Increase)/Decrease in Other Non Financial Assets	(228,860)	71,662
Increase/(Decrease) in Amounts Due to Customers	2,165,561	6,474,709
Increase/(Decrease) in Other Financial Liabilities	27,241	(173,697)
Increase/(Decrease) in Other Non Financial Liabilities	202,125	59,544
Cash Generated from Operations	1,973,071	199,472
Retirement Benefit Liabilities Paid	(8,419)	(2,997)
Taxes Paid	(370,136)	(363,644)
Net Cash From/(Used in) Operating Activities	1,594,516	(167,169)
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property and Equipment	(184,777)	(235,365)
Acquisition of Intangible Assets	(11,543)	(17,928)
Proceeds from Sales of Property, Plant and Equipment	133	3,626
Sale/(Purchase) of financial investments- available- for- sale	665,780	(890,967)
Interest Received	441,690	542,932
Dividend Received	741	2,403
Net Cash Flows from/(Used in) Investing Activities	912,023	(595,299)
Cash Flows from / (Used in) Financing Activities		
Payment under Finance Lease Liabilities	(10,617)	(12,784)
Net Cash Flow from Securitised Borrowings, Syndicated Loans and Other Bank Facilities	2,818,761	(1,388,081)
Net Cash Flow from Debt Issued and Other borrowings	(323,429)	907,622
Dividends Paid	(450,171)	(450,171)
Net Cash Flows from/(Used in) Financing Activities	2,034,543	(943,415)
Net Increase in Cash and Cash Equivalents	4,541,083	(1,705,883)
Cash and Cash Equivalents at the beginning of the Period	1,244,760	3,141,180
Cash and Cash Equivalents at the end of the Period	5,785,843	1,435,297
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT		
Notes and Coins Held	341,462	297,633
Balances with Banks	596,780	402,658
Treasury Bills Repurchase Agreements	5,647,534	1,278,151
Bank Overdrafts	(799,933)	(543,145)
Net Cash and Cash Equivalents	5,785,843	1,435,297

LB Finance PLC

SEGMENTAL INFORMATION

For management purposes, the Company is organised into three operating segments based on services offered to customers as follows. The following table presents income and profit and certain asset and liability information regarding the Company's operating segments.

	Leasing & Stock out on Hire		Loans & Receivables		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.('000)		Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Interest Income	6,104,986	5,816,518	3,608,189	3,154,680	441,690	542,932	10,154,865	9,514,130
Interest Expenses	(2,458,135)	(3,171,707)	(1,745,002)	(1,903,787)	(342,122)	(311,952)	(4,545,259)	(5,387,446)
Net Interest Income/(Expenses)	3,646,850	2,644,811	1,863,188	1,250,893	99,568	230,980	5,609,606	4,126,684
Fee and Commission Income	403,937	308,600	303,210	195,045	479	27,414	707,626	531,058
Net Trading Income and Other Operating Income	100,481	91,787	1,989	12,084	6,727	3,527	109,197	107,398
Impairment Charge/Reversal on Loans and Losses	(1,130,583)	(368,368)	(197,656)	(86,375)	-	-	(1,328,239)	(454,743)
Gold Loan Auction Losses	-	-	(204,557)	(1,132,640)	-	-	(204,557)	(1,132,640)
Net Operating Income	3,020,685	2,676,829	1,766,174	239,007	106,774	261,921	4,893,634	3,177,757
Other Costs	(1,061,545)	(989,223)	(944,477)	(723,322)	(23,183)	(18,596)	(2,029,206)	(1,731,141)
Depreciation	(162,438)	(165,796)	(97,284)	(84,123)	(2,609)	(1,137)	(262,332)	(251,057)
Operating Profits Before Taxes	1,796,702	1,521,810	724,413	(568,438)	80,982	242,188	2,602,096	1,195,560
Taxes							(1,048,567)	(410,928)
Profits for the Period							1,553,529	784,632
Segmental Assets	32,687,418	31,117,473	22,674,129	18,255,293	12,175,251	10,735,926	67,536,799	60,108,692
Segmental Liabilities	29,021,993	28,450,251	19,786,734	16,504,890	11,329,142	9,446,636	60,137,868	54,401,776

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2013 or 2014.

EXPLANATORY NOTES

1. These Interim Financial Statement of the Company have been prepared in accordance with Sri Lanka Accounting Standards that came into effect from April 1, 2012. Further, these Interim Financial Statements have been prepared in compliance with the requirements of Sri Lanka Accounting Standards - LKAS 34 on 'Interim Financial Reporting' & the accounting policies and methods of computation followed in preparing the above Interim Financial Statements are the same as those disclosed in our Annual Report for the year ended 31st March 2014.

2. There have been no material events occurring after the balance sheet date that require adjustments to or disclosure in the Financial Statements.

3. The Commitments & Contingencies as at 31st December 2014 was Rs.944 Mn & as at 31st March 2014 was Rs.638 Mn.

4. Retained Earnings 31 March 2013, as reported previously (Rs '000)	2,852,402
Correction of under depreciation for the prior period (Rs '000)	(30,099)
Adjusted Balance of Retained Earnings as at 01 April 2013 (Rs '000)	<u>2,822,303</u>

INFORMATION ON SHARES AND LISTED DEBENTURES

			For the Period Ended	
			31.12.2014	31.12.2013
<u>Information on Shares</u>				
Share Price during the Quarter	Highest	Rs.	183.00	110.00
	Lowest	Rs.	151.60	97.00
	Closing	Rs.	166.00	102.80
No of Ordinary Share issued as at			69,257,142	69,257,142
<u>Information on Listed Debentures</u>				
Debt Equity Ratio			213.23%	188.55%
Quick Asset Ratio			22.39%	16.35%
Interest Cover			1.54	1.22
Interest yield				
			31.12.2014	31.12.2013
Debentures Issued - November 2013				
5 year fixed rate (14.00 % p.a. Payable Monthly)			Not Traded	Not Traded
5 year fixed rate (14.50 % p.a. Payable Semi-Annualy)			Not Traded	Not Traded
5 year fixed rate (15.00 % p.a. Payable Annually)			Not Traded	Not Traded
Yield of Comparable Government Securities (%)				
05 Year treasury bond			7.23%	10.64%

SELECTED PERFORMANCE INDICATORS

	As At	As At
	31.12.2014	31.12.2013
<u>Capital Adequacy</u>		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	12.06%	11.21%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	15.98%	16.63%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	15.33%	12.62%
<u>Profitability</u>		
Return on Avg Shareholders' Funds (After Tax) - Annualized	32.19%	20.02%
Return on Avg Assets (After Tax) - Annualized	4.47%	1.93%
<u>Liquidity (Rs.'Mn)</u>		
Required Minimum Amount of Liquid Assets	4,952	4,555
Available Amount of Liquid Assets	9,299	7,667
Required Minimum Amount of Government Securities	3,305	2,484
Available Amount of Government Securities	7,230	3,278

L B Finance PLC

Interim Financial Statements for the nine months ended 31st December 2014

Additional Notes

Twenty largest shareholders as at 31st December 2014

Name		No. of Shares	(%)
1 Vallibel One PLC		35,321,200	51.000
2 Royal Ceramics Lanka PLC	15,713,616	18,061,616	26.079
Commercial Bank of Ceylon PLC/Royal Ceramics Lanka PLC	2,348,000		
3 Esna Holdings (Pvt) Ltd		7,031,200	10.152
4 Sri Lanka Insurance Corporation Ltd - Life Fund		1,842,900	2.661
5 Commercial Bank of Ceylon PLC/Dunamis Capital PLC		1,016,882	1.468
6 Mercantile Investments and Finance PLC		953,600	1.377
7 Pan Asia Banking Corporation PLC/Mrs. M Mathews		381,399	0.551
8 Janashakthi Insurance PLC (Policy Holders)		250,000	0.361
9 Mr. A A Page		157,400	0.227
10 Mr. E Bianchi		154,400	0.223
11 Waldock Mackenzie Ltd /Mrs G Soysa		111,252	0.161
12 Mr. K D A Perera		100,000	0.144
13 Mrs. P C Cooray		95,716	0.138
14 Mr. T Ono		93,475	0.135
15 Mr.T Jeremiah		77,582	0.112
16 Mr. K Karunanayake and Miss. P N Karunanayake		74,162	0.107
17 Mr. P Somadasa		72,372	0.104
18 Mr. P A J Kumara		55,615	0.080
19 Mr. J A S S Adhihetty		53,060	0.077
20 Mrs. F A A Mack		51,440	0.074
		<hr/>	<hr/>
		65,955,271	95.231
Others		3,301,871	4.769
Total		69,257,142	100.000

Directors' and Chief Executive Officer's holding in shares as at 31st December 2014

Name	No. of Shares	(%)
Mr. Thosapala Hewage	-	-
Mr. K D D Perera	-	-
Mr. L N De Silva Wijeyeratne	-	-
Mr. J A S S Adhihetty	53,060	0.077
Mr. Nimal Perera	-	-
Mr. N Udage	11,700	0.017
Mr. B D A Perera	-	-
Mrs. K Fernando	1,600	0.002
Mrs. Shirani Jayasekara	-	-
Mrs. A K Gunawardhana	-	-

PUBLIC HOLDING

Public Holding percentage as at 31st December 2014 being 22.59% comprising of 1,544 shareholders.