

**INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2017**



LB Finance PLC

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2017	FOR THE 3 MONTHS ENDED		VARIANCE
	30.06.2017 Rs.('000)	30.06.2016 Rs.('000)	%
Income	5,534,727	4,315,838	28
Interest Income	5,213,003	4,040,714	29
Interest Expenses	(2,639,958)	(1,709,411)	(54)
Net Interest Income	2,573,045	2,331,303	10
Fee and Commission Income	299,759	265,166	13
Net Trading Income	920	786	17
Other Operating Income	21,045	9,171	129
Total Operating Income	2,894,769	2,606,426	11
Impairment (Charges) / Reversal for loans and other losses	(68,625)	(22,462)	(206)
Gold Loan Auction Losses	(470)	(2,122)	78
Net Operating Income	2,825,675	2,581,843	9
Operating Expenses			
Personnel Expenses	(546,305)	(467,178)	(17)
Depreciation of Property, Plant and Equipment	(81,599)	(81,315)	(0)
Amortisation of Intangible Assets	(4,373)	(3,914)	(12)
Other Operating Expenses	(511,075)	(421,473)	(21)
Operating Profit before Tax on Financial Services	1,682,323	1,607,964	5
Tax on Financial Services	(295,579)	(227,304)	(30)
Profit before Taxation	1,386,744	1,380,660	0
Income Tax Expense	(446,749)	(468,952)	5
Profit after Taxation	939,995	911,708	3
Other Comprehensive Income			
Other Comprehensive Income to be reclassified to Profit or			
Gains and Losses arising on re-measuring Available for Sale Financial Assets			
Equity Securities	17,220	7,545	128
Other Comprehensive Income before Taxation	17,220	7,545	128
Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income		-	
Other Comprehensive Income for the Period, Net of Tax	17,220	7,545	128
Total Comprehensive Income for the Period, Net of Tax	957,215	919,253	4
Basic Earnings Per Share (Rs) *	6.79	6.58	3

* Calculated based on the Profit for the Period

LB Finance PLC

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.('000)	Retained Earnings Rs.('000)	Statutory Reserve Rs.('000)	Available for Sale Reserve Rs.('000)	Total Rs.('000)
Balance as at 01 April 2016	838,282	6,970,499	2,641,042	29,496	10,479,319
Net profit for the Period	-	911,708	-	-	911,708
Other comprehensive income net of tax	-	-	-	7,545	7,545
Transfer to Statutory Reserve	-	(182,342)	182,342	-	-
Balance as at 30 June 2016	838,282	7,699,866	2,823,384	37,041	11,398,572
Balance as at 01 April 2017	838,282	8,259,079	3,424,683	(12,365)	12,509,679
Net profit for the Period	-	939,995	-	-	939,995
Other comprehensive income net of tax	-	-	-	17,220	17,220
Transfer to Statutory Reserve	-	(187,999)	187,999	-	-
Balance as at 30 June 2017	838,282	9,011,075	3,612,682	4,855	13,466,894

LB Finance PLC**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2017

	30.06.2017 Rs.(‘000)	Audited 31.03.2017 Rs.(‘000)
Assets		
Cash and Cash Equivalents	4,016,316	2,895,085
Financial Investments - Held for Trading	10,901	10,068
Loans and Receivables	35,036,991	33,488,779
Lease Rentals Receivable and Stock out on Hire	57,442,718	55,660,963
Financial Investments - Available for Sale	135,242	118,021
Other Financial Assets	7,374,184	6,721,526
Other Non Financial Assets	468,618	305,048
Property, Plant and Equipment	4,096,221	3,514,356
Intangible Assets	44,816	49,189
Total Assets	108,626,006	102,763,035
Liabilities		
Due to Banks	23,732,886	23,778,147
Due to Customers	65,197,424	60,401,955
Debt Instruments Issued and Other Borrowed Funds	2,040,468	2,044,216
Other Financial Liabilities	1,948,207	2,007,402
Other Non Financial Liabilities	884,676	673,436
Current Tax Liabilities	689,539	691,091
Deferred Tax Liabilities	503,488	503,488
Post Employment Benefit Liability	162,425	153,621
Total Liabilities	95,159,112	90,253,356
Shareholders' Funds		
Stated Capital	838,282	838,282
Retained Earnings	9,011,075	8,259,079
Reserves	3,617,537	3,412,318
Total Shareholders' Funds	13,466,894	12,509,679
Total Liabilities and Shareholders' Funds	108,626,006	102,763,035
Net Asset Value per Share (Rs)	97.22	90.31
Commitments and Contingencies	1,183,387	994,135

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.



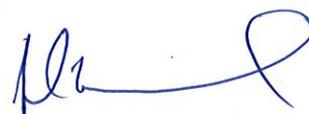
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Chief Financial Officer

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

28th July 2017

Colombo

LB Finance PLC**CASH FLOW STATEMENT**

Period ended 30 June 2017

FOR THE 3 MONTHS ENDED**30.06.2017**
Rs.('000)**30.06.2016**
Rs.('000)**Cash Flows From / (Used in) Operating Activities**

Profit and Other Comprehensive Income/(Expenses) before Taxation

1,403,964

1,388,205

Adjustments for

Depreciation of Property, Plant and Equipment

81,599

81,315

Amortisation of Intangible Assets

4,373

3,914

Impairment Charges / (Reversal) for Loans and Other Losses

68,625

22,462

Gold Loan Auction Losses

470

2,122

Diminution/(Appreciation) in Value of Investments

(18,054)

(7,938)

Loss/(Profit) on Disposal of Property, Plant and Equipment

(238)

(306)

Provision/(Reversal) for Defined Benefit Plans

11,870

9,541

Dividend Received

(88)

(414)

Interest Income on Investing Activities

(219,186)

(165,103)

Notional Tax Credit on Interest on Treasury Bills and Bonds

(14,325)

(12,413)

Withholding Tax Attributed to Fixed Deposits

(9,575)

(5,598)

Operating Profit before Working Capital Changes

1,309,434

1,315,786

(Increase)/Decrease in Loans and Receivables

(1,573,017)

(805,364)

(Increase)/Decrease in Lease Rentals Receivable and Stock out on Hire

(1,826,043)

(2,451,469)

(Increase)/Decrease in Other Financial Assets

(523,735)

820,614

(Increase)/Decrease in Other Non Financial Assets

(183,375)

(128,778)

Increase/(Decrease) in Amounts Due to Customers

4,795,469

(923,264)

Increase/(Decrease) in Other Financial Liabilities

(59,194)

(11,463)

Increase/(Decrease) in Other Non Financial Liabilities

211,240

115,747

Cash Generated from Operations

2,150,779

(2,068,191)

Retirement Benefit Liabilities Paid

(3,066)

(3,062)

Income Tax and Super Gain Tax Paid

(404,596)

(401,834)

Net Cash From/(Used in) Operating Activities

1,743,117

(2,473,087)

Cash Flows from / (Used in) Investing Activities

Acquisition of Property, Plant and Equipment

(663,514)

(92,207)

Acquisition of Intangible Assets

-

(18,933)

Proceeds from Sale of Property, Plant and Equipment

287

397

Interest Received

90,262

142,525

Dividend Received

88

414

Net Cash Flows from/(Used in) Investing Activities

(572,876)

32,196

Cash Flows from / (Used in) Financing Activities

Net Cash Flow from Syndicated Loans and Other Bank Facilities

(15,312)

(254,641)

Net Cash Flow from Debt Issued and Other Borrowings

(3,749)

6,806

Net Cash Flows from/(Used in) Financing Activities

(19,061)

(247,835)

Net Increase in Cash and Cash Equivalents

1,151,180

(2,688,726)

Cash and Cash Equivalents at the Beginning of the Period

1,859,818

5,352,627

Cash and Cash Equivalents at the End of the Period

3,010,997

2,663,902

CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Notes and Coins Held

734,757

477,349

Balances with Banks

915,643

737,995

Treasury Bills Repurchase Agreements

2,365,916

3,229,549

Bank Overdrafts

(1,005,318)

(1,780,991)

Net Cash and Cash Equivalents

3,010,997

2,663,902

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 and Receivables		Others		Total	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Interest Income	3,080,749	2,433,997	1,889,168	1,423,462	243,086	183,254	5,213,003	4,040,714
Interest Expenses	(1,489,000)	(986,160)	(903,206)	(578,041)	(247,752)	(145,210)	(2,639,958)	(1,709,411)
Net Interest Income	1,591,749	1,447,837	985,962	845,421	(4,666)	38,045	2,573,045	2,331,303
Fee and Commission Income	149,700	138,805	148,707	126,056	1,353	305	299,759	265,166
Net Trading Income and Other Operating Income	14,036	5,464	197	53	7,732	4,440	21,965	9,957
Impairment Charge/Reversal on Loans and Other Losses	(44,289)	(20,295)	(27,289)	(2,167)	2,953	-	(68,625)	(22,462)
Gold Loan Auction Losses	-	-	(470)	(2,122)	-	-	(470)	(2,122)
Net Operating Income	1,711,195	1,571,812	1,107,107	967,241	7,373	42,790	2,825,675	2,581,843
Other Costs	(604,585)	(512,800)	(437,026)	(361,161)	(15,769)	(14,689)	(1,057,380)	(888,650)
Depreciation	(44,545)	(45,609)	(36,967)	(37,856)	(4,460)	(1,763)	(85,972)	(85,229)
Operating Profits Before Taxes	1,062,065	1,013,403	633,114	568,224	(12,856)	26,337	1,682,323	1,607,964
Taxes							(742,328)	(696,256)
Profits for the Period							939,995	911,708
Segmental Assets	59,988,386	49,150,219	36,589,712	28,175,597	12,047,908	8,216,416	108,626,006	85,542,232
Segmental Liabilities	52,551,334	42,600,912	32,053,508	24,421,176	10,554,271	7,121,572	95,159,112	74,143,660

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 during the three months ended 30th June 2017 or 2016.

EXPLANATORY NOTES

01. 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 2017.

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

03. The Commitments and Contingencies as at 30th June 2017 was Rs. 1,183 Mn and as at 31st March 2017 was Rs. 994 Mn.

INFORMATION ON SHARES AND LISTED DEBENTURES

INFORMATION ON SHARES

			For the Quarter ended	
			30.06.2017	30.06.2016
Share Price	Highest	Rs.	145.00	134.00
	Lowest	Rs.	118.20	105.10
	Closing	Rs.	135.10	128.30
			As at	As at
			30.06.2017	30.06.2016
Number of Ordinary Shares Issued			138,514,284	138,514,284

INFORMATION ON LISTED DEBENTURES

			For the Quarter ended	
			30.06.2017	30.06.2016
Debenture Prices				
Debentures Issued - November 2013				
5 Year Fixed Rate (14.00 % p.a. Payable Monthly)	Highest	Rs.	Not Traded	Not Traded
	Lowest	Rs.	Not Traded	Not Traded
	Closing	Rs.	Not Traded	Not Traded
5 Year Fixed Rate (14.50 % p.a. Payable Semi-Annually)	Highest	Rs.	Not Traded	Not Traded
	Lowest	Rs.	Not Traded	Not Traded
	Closing	Rs.	Not Traded	Not Traded
5 Year Fixed Rate (15.00 % p.a. Payable Annually)	Highest	Rs.	Not Traded	Not Traded
	Lowest	Rs.	Not Traded	Not Traded
	Closing	Rs.	Not Traded	Not Traded
Interest yield				
5 Year Fixed Rate (14.00 % p.a. Payable Monthly)			Not Traded	Not Traded
5 Year Fixed Rate (14.50 % p.a. Payable Semi-Annually)			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			11.42%	11.89%
			As at	As at
			30.06.2017	30.06.2016
Ratios				
Debt Equity Ratio			248.24%	204.46%
Quick Asset Ratio			18.87%	15.66%
Interest Cover			1.53	1.81

SELECTED PERFORMANCE INDICATORS

	As At	As At
	30.06.2017	30.06.2016
Capital Adequacy		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	15.34%	16.20%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	16.22%	18.09%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	20.66%	21.73%
Profitability		
Return on Avg Shareholders' Funds (After Tax) - Annualized	29.48%	33.61%
Return on Avg Assets (After Tax) - Annualized	3.62%	4.32%
Liquidity (Rs.'Mn)		
Required Minimum Amount of Liquid Assets	6,768	5,374
Available Amount of Liquid Assets	10,639	6,916
Required Minimum Amount of Government Securities	4,208	3,671
Available Amount of Government Securities	5,500	4,860

L B Finance PLC

Interim Financial Statements for the three months ended 30th June 2017

Additional Notes

Twenty largest shareholders as at 30th June 2017

Name		No. of Shares	(%)
1 Vallibel One PLC		71,682,400	51.751
2 Royal Ceramics Lanka PLC	31,427,232	36,123,232	26.079
Commercial Bank of Ceylon PLC/Royal Ceramics Lanka PLC	4,696,000		
3 Esna Holdings (Pvt) Ltd		14,062,400	10.152
4 SBI Ven Holdings Pte Ltd		1,600,000	1.155
5 Bnymсанv Re-Forntaura Global Frontier Fund LLC		1,282,286	0.926
6 Sterling Holdings (Private) Limited		1,040,062	0.751
7 AIA Insurance Lanka PLC A/C No. 07		777,843	0.562
8 Mr. H A Van Starrex		600,813	0.434
9 Janashakthi Insurance PLC (Policy Holders)		500,000	0.361
10 Mr. K D A Perera		373,776	0.270
11 Mr. N P D E Samaranyake		350,000	0.253
12 Waldock Mackenzie Limited /Mr. K R E M D M B Jayasundara		318,647	0.230
13 Mr. A A Page		314,800	0.227
14 Mr. E Bianchi		308,800	0.223
15 Waldock Mackenzie Ltd /Mrs G Soysa		222,504	0.161
16 Mrs. P C Cooray		208,632	0.151
17 Mellon Bank N A - Commonwealth of Massachusetts		207,243	0.150
18 J B Cocoshell (Pvt) Ltd		189,100	0.137
19 Guardian Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Provident Fund		180,000	0.130
20 Mr. N Udage		173,837	0.126
		<hr/>	
		130,516,375	94.229
Others		7,997,909	5.771
Total		138,514,284	100.000

Directors' and Chief Executive Officer's holding in shares as at 30th June 2017

Name	No. of Shares	(%)
Mrs. K Fernando	3,200	0.002
Mr. Thosapala Hewage	-	-
Mr. K D D Perera	-	-
Mr. L N De Silva Wijeyeratne	-	-
Mr. J A S S Adhietty	106,120	0.077
Mr. N Udage	173,837	0.126
Mr. B D A Perera	-	-
Mrs. Shirani Jayasekara	-	-
Mrs. A K Gunawardhana	-	-
Mr. R S Yatawara	-	-
Mrs. Y Bhaskaran	-	-

PUBLIC HOLDING

Public Holding percentage as at 30th June 2017 being 21.94% comprising of 1,959 shareholders.