

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2018



LB Finance PLC

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2018

	FOR THE 3 MONTHS ENDED			VARIANCE
	Group	Company		
	30.06.2018 Rs.('000)	30.06.2018 Rs.('000)	30.06.2017 Rs.('000)	%
Income	6,900,453	6,895,553	5,534,727	25
Interest Income	6,482,606	6,478,182	5,213,003	24
Interest Expenses	(3,069,428)	(3,069,291)	(2,639,958)	16
Net Interest Income	3,413,178	3,408,891	2,573,045	32
Fee and Commission Income	386,380	385,706	299,759	29
Net Trading Income	(575)	(575)	920	(163)
Other Operating Income	32,043	32,240	21,045	53
Total Operating Income	3,831,025	3,826,262	2,894,769	32
Impairment (Charge)/Reversal for Loans and Other Losses	(279,572)	(278,995)	(68,625)	307
Gold Loan Auction Losses	(453)	(453)	(470)	(4)
Net Operating Income	3,551,000	3,546,814	2,825,675	26
Operating Expenses				
Personnel Expenses	(642,947)	(640,484)	(546,305)	17
Depreciation of Property, Plant and Equipment	(99,255)	(99,161)	(81,599)	22
Amortisation of Intangible Assets	(5,060)	(4,801)	(4,373)	10
Other Operating Expenses	(606,934)	(604,519)	(511,075)	18
Operating Profit before Tax on Financial Services	2,196,803	2,197,849	1,682,323	31
Tax on Financial Services	(383,766)	(383,766)	(295,579)	30
Profit before Taxation	1,813,038	1,814,083	1,386,744	31
Income Tax Expense	(655,428)	(655,428)	(446,749)	47
Profit for the Period	1,157,610	1,158,655	939,995	23
Profit Attributable to:				
Equity Holders of the Company	1,157,613	1,158,655	939,995	23
Non-Controlling Interest	(3)	-	-	
Profit for the Period	1,157,610	1,158,655	939,995	23
Basic Earnings Per Share (Rs.)	8.36	8.36	6.79	23
Other Comprehensive Income				
Other Comprehensive Income to be reclassified to Profit or Loss				
Net Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	(6,891)	-	-	
Fair Value Gains and Losses arising on re-measuring Available for Sale Financial Assets				
Equity Securities	(13,619)	(13,619)	17,220	(179)
Net Other Comprehensive Income that will be Reclassified to the Income Statement	(20,510)	(13,619)	17,220	(179)
Other Comprehensive Income not to be reclassified to Profit or Loss				
Actuarial Gains/(Losses) on Defined Benefit Plans				
Deferred Tax (Charge)/Reversal on above	-	-	-	
Net Other Comprehensive Income not to be reclassified to Profit or Loss	-	-	-	
Other Comprehensive Income for the Period, Net of Tax	(20,510)	(13,619)	17,220	(179)
Total Comprehensive Income for the Period, Net of Tax	1,137,099	1,145,036	957,215	20
Attributable to:				
Equity Holders of the Company	1,137,123	1,145,036	957,215	20
Non-Controlling Interest	(24)	-	-	
Total Comprehensive Income for the Period, Net of Tax	1,137,099	1,145,036	957,215	20

LB Finance PLC**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2018

	Company		Group	
	30.06.2018 Rs.('000)	Audited 31.03.2018 Rs.('000)	30.06.2018 Rs.('000)	Audited 31.03.2018 Rs.('000)
Assets				
Cash and Cash Equivalents	5,422,484	5,874,375	5,481,021	5,990,295
Financial Investments - Held for Trading	8,856	9,682	8,856	9,682
Loans and Receivables	41,113,937	39,855,398	41,205,933	39,894,276
Lease Rentals Receivable and Stock out on Hire	63,730,827	62,489,686	63,730,827	62,489,686
Financial Investments - Available for Sale	108,005	121,624	108,005	121,624
Other Financial Assets	6,483,133	6,772,554	6,477,289	6,766,710
Other Non Financial Assets	818,829	815,808	819,436	816,463
Investment in Subsidiary	152,915	152,915	-	-
Property, Plant and Equipment	5,671,523	4,680,619	5,673,395	4,681,849
Intangible Assets	43,604	48,119	47,884	52,861
Total Assets	123,554,112	120,820,780	123,552,645	120,823,446
Liabilities				
Due to Banks	21,432,947	22,838,038	21,432,947	22,838,038
Due to Customers	75,602,031	72,943,833	75,607,450	72,946,011
Debt Instruments Issued and Other Borrowed Funds	5,051,961	5,152,832	5,051,961	5,152,832
Other Financial Liabilities	1,793,105	1,761,418	1,793,105	1,761,418
Other Non Financial Liabilities	985,384	852,715	986,397	853,165
Current Tax Liabilities	894,354	633,058	894,354	633,058
Deferred Tax Liabilities	1,058,750	1,058,750	1,058,750	1,058,750
Post Employment Benefit Liability	241,647	231,240	241,647	231,240
Total Liabilities	107,060,179	105,471,884	107,066,611	105,474,512
Equity				
Stated Capital	838,282	838,282	838,282	838,282
Reserves	4,488,635	4,270,522	4,486,995	4,275,753
Retained Earnings	11,167,016	10,240,092	11,160,321	10,234,440
Total Equity Attributable to Equity Holders of the Company	16,493,933	15,348,896	16,485,599	15,348,475
Non Controlling Interest	-	-	435	459
Total Equity	16,493,933	15,348,896	16,486,034	15,348,934
Total Liabilities and Equity	123,554,112	120,820,780	123,552,645	120,823,446
Net Asset Value per Share (Rs.)	119.08	110.81	119.02	110.81
Commitments and Contingencies	1,432,781	1,261,981	1,432,781	1,261,981

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

CERTIFICATION:

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

(Sgd.)

T Hasitha Athapattu
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,

(Sgd.)

J A S Sumith Adhietty
Managing Director

(Sgd.)

Mrs. Yogadinusha Bhaskaran
Director

31st July 2018

Colombo

LB Finance PLC**STATEMENT OF CHANGES IN EQUITY - COMPANY**

	Stated Capital Rs.('000)	Retained Earnings Rs.('000)	Statutory Reserve Rs.('000)	Available for Sale Reserve Rs.('000)	Total Equity Rs.('000)
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
Transfers During the Period	-	(160,857)	187,999	(27,142)	-
Balance as at 30 June 2017	838,282	9,038,217	3,612,682	(22,287)	13,466,894
Balance as at 01 April 2018	838,282	10,240,092	4,274,827	(4,305)	15,348,896
Net Profit for the Period	-	1,158,655	-	-	1,158,655
Other Comprehensive Income Net of Tax	-	-	-	(13,619)	(13,619)
Transfers During the Period	-	(231,731)	231,731	-	-
Balance as at 30 June 2018	838,282	11,167,016	4,506,558	(17,924)	16,493,932

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital Rs.('000)	Retained Earnings Rs.('000)	Statutory Reserve Rs.('000)	Available for Sale Reserve Rs.('000)	Foreign Currency Translation Reserve Rs.('000)	Total Equity Attributable to Equity Holders of the Company Rs.('000)	Non- Controlling Interest Rs.('000)	Total Equity Rs.('000)
Balance as at 01 April 2018	838,282	10,234,440	4,274,827	(4,305)	5,231	15,348,475	459	15,348,934
Net Profit for the Period	-	1,157,613	-	-	-	1,157,613	(3)	1,157,610
Other Comprehensive Income Net of Tax	-	-	-	(13,619)	(6,871)	(20,490)	(21)	(20,510)
Transfers During the Period	-	(231,731)	231,731	-	-	-	-	-
Non-Controlling Interest Contribution for Subsidiary Share Issues	-	-	-	-	-	-	-	-
Balance as at 30 June 2018	838,282	11,160,321	4,506,558	(17,924)	(1,640)	16,485,599	435	16,486,034

LB Finance PLC

CASH FLOW STATEMENT

Period ended 30 June 2018

	FOR THE 3 MONTHS ENDED		
	Company		Group
	30.06.2018 Rs.('000)	30.06.2017 Rs.('000)	30.06.2018 Rs.('000)
Cash Flows from/(Used in) Operating Activities			
Profit and Other Comprehensive Income/(Expenses) before Taxation	1,800,464	1,403,964	1,792,527
Adjustments for			
Depreciation of Property, Plant and Equipment	99,161	81,599	99,255
Amortisation of Intangible Assets	4,801	4,373	5,060
Impairment Charges/(Reversal) for Loans and Other Losses	278,995	68,625	279,572
Gold Loan Auction Losses	453	470	453
Diminution/(Appreciation) in Value of Investments	14,445	(18,054)	14,445
Loss/(Profit) on Disposal of Property, Plant and Equipment	(93)	(238)	(93)
Provision/(Reversal) for Defined Benefit Plans	13,666	11,870	13,666
Foreign Currency Exchange (Gain)/Loss	-	-	196
Dividend Received	(427)	(88)	(427)
Interest Income on Investing Activities	(232,874)	(219,186)	(232,874)
Notional Tax Credit on Interest on Treasury Bills and Bonds	-	(14,325)	-
Withholding Tax Attributed to Fixed Deposits	(4,690)	(9,575)	(4,690)
Net Unrealised Gains/(Losses) Arising from Translating the Financial Statements of Foreign Operations	-	-	6,891
Operating Profit before Working Capital Changes	1,973,903	1,309,434	1,973,984
(Increase)/Decrease in Loans and Receivables	(1,398,538)	(1,573,017)	(1,452,233)
(Increase)/Decrease in Lease Rentals Receivable and Stock out on Hire	(1,380,590)	(1,826,043)	(1,380,590)
(Increase)/Decrease in Other Financial Assets	310,132	(523,735)	310,132
(Increase)/Decrease in Other Non Financial Assets	(53,550)	(183,375)	(60,388)
Increase/(Decrease) in Amounts Due to Customers	2,658,198	4,795,469	2,661,439
Increase/(Decrease) in Other Financial Liabilities	31,687	(59,194)	31,687
Increase/(Decrease) in Other Non Financial Liabilities	132,669	211,240	133,232
Cash Generated from Operations	2,273,912	2,150,779	2,217,264
Retirement Benefit Liabilities Paid	(3,260)	(3,066)	(3,260)
Income Tax Paid	(338,913)	(404,596)	(338,913)
Net Cash from/(Used in) Operating Activities	1,931,740	1,743,117	1,875,091
Cash Flows from/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	(1,090,275)	(663,514)	(1,091,010)
Acquisition of Intangible Assets	(286)	-	(286)
Proceeds from Sale of Property, Plant and Equipment	302	287	302
Interest Received	212,163	90,262	212,163
Dividend Received	427	88	427
Net Cash Flows from/(Used in) Investing Activities	(877,669)	(572,876)	(878,404)
Cash Flows from/(Used in) Financing Activities			
Net Cash Flow from Syndicated Loans and Other Bank Facilities	(1,174,200)	(15,312)	(1,174,200)
Net Cash Flow from Debt Issued and Other Borrowings	(100,870)	(3,749)	(100,870)
Capital Contribution from Non-Controlling Interest of a Newly Incorporated Subsidiary	-	-	-
Net Cash Flows from/(Used in) Financing Activities	(1,275,070)	(19,061)	(1,275,070)
Net Increase in Cash and Cash Equivalents	(220,999)	1,151,180	(278,383)
Cash and Cash Equivalents at the Beginning of the Period	4,589,020	1,859,818	4,704,940
Cash and Cash Equivalents at the End of the Period	4,368,020	3,010,997	4,426,557
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT			
Notes and Coins Held	836,305	734,757	836,452
Balances with Banks	1,275,580	915,643	1,333,970
Treasury Bills Repurchase Agreements	3,310,599	2,365,916	3,310,599
Bank Overdrafts	(1,054,464)	(1,005,318)	(1,054,464)
Net Cash and Cash Equivalents	4,368,020	3,010,997	4,426,557

LB Finance PLC

SEGMENTAL INFORMATION

For management purposes, the Group 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 Group's operating segments.

	Leasing & Stock out on Hire		Loans and Receivables		Others		Total	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Interest Income	3,920,907	3,080,749	2,324,135	1,889,168	237,564	243,086	6,482,606	5,213,003
Interest Expenses	(1,709,043)	(1,489,000)	(1,098,090)	(903,206)	(262,295)	(247,752)	(3,069,428)	(2,639,958)
Net Interest Income	2,211,865	1,591,749	1,226,045	985,962	(24,732)	(4,666)	3,413,178	2,573,045
Fee and Commission Income	184,155	149,700	199,180	148,707	3,045	1,353	386,380	299,759
Net Trading Income and Other Operating Income	10,895	14,036	(79)	197	20,652	7,732	31,468	21,965
Impairment Charge/Reversal on Loans and Other Losses	(139,449)	(44,289)	(140,123)	(27,289)	-	2,953	(279,572)	(68,625)
Gold Loan Auction Losses	-	-	(453)	(470)	-	-	(453)	(470)
Net Operating Income	2,267,466	1,711,195	1,284,570	1,107,107	(1,036)	7,373	3,551,000	2,825,675
Other Costs	(704,065)	(604,585)	(535,703)	(437,026)	(10,114)	(15,769)	(1,249,882)	(1,057,380)
Depreciation	(55,369)	(44,545)	(47,099)	(36,967)	(1,848)	(4,460)	(104,315)	(85,972)
Operating Profits Before Taxes	1,508,032	1,062,065	701,768	633,114	(12,997)	(12,856)	2,196,803	1,682,323
Taxes							(1,039,194)	(742,328)
Profits for the Period							1,157,610	939,995
Non Controlling Interest							(3)	-
Profit Attributable to Equity Holders of the Company							1,157,613	939,995
Profits for the Period							1,157,610	939,995
Segmental Assets	67,293,967	59,988,386	43,411,118	36,589,712	12,847,560	12,047,908	123,552,645	108,626,006
Segmental Liabilities	58,382,774	52,551,334	37,670,241	32,053,508	11,013,596	10,554,271	107,066,611	95,159,112

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 period ended 30th June 2018 or 2017.

EXPLANATORY NOTES

01. These Interim Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards. 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 2018.

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 2018 was Rs. 1,433 Mn and as at 31st March 2018 was Rs. 1,262 Mn.

INFORMATION ON SHARES AND LISTED DEBENTURES

INFORMATION ON SHARES			For the Quarter ended	
			30.06.2018	30.06.2017
Share Price	Highest	Rs.	126.00	145.00
	Lowest	Rs.	118.50	118.20
	Closing	Rs.	120.30	135.10
			As at	As at
			30.06.2018	30.06.2017
Number of Ordinary Shares Issued			138,514,284	138,514,284
INFORMATION ON LISTED DEBENTURES			For the Quarter ended	
			30.06.2018	30.06.2017
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
Debentures Issued - December 2017				
5 Year Fixed Rate (12.75 % p.a. Payable Semi-Annually)	Highest	Rs.	Not Traded	N/A
	Lowest	Rs.	Not Traded	N/A
	Closing	Rs.	Not Traded	N/A
5 Year Fixed Rate (13.25 % p.a. Payable Semi-Annually)	Highest	Rs.	Not Traded	N/A
	Lowest	Rs.	Not Traded	N/A
	Closing	Rs.	Not Traded	N/A
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
5 Year Fixed Rate (12.75 % p.a. Payable Semi-Annually)			Not Traded	N/A
5 Year Fixed Rate (13.25 % p.a. Payable Semi-Annually)			Not Traded	N/A
Yield of Comparable Government Securities (%)				
05 Year Treasury Bond			10.36%	11.42%
			As at	As at
			30.06.2018	30.06.2017
Ratios				
Debt Equity Ratio			197.46%	248.24%
Quick Asset Ratio			16.47%	18.87%
Interest Cover			1.59	1.53

SELECTED PERFORMANCE INDICATORS

	As at	As at
	30.06.2018	30.06.2017
Capital Adequacy		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	16.80%	15.34%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	19.18%	16.22%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	21.82%	20.66%
Profitability		
Return on Avg Shareholders' Funds (After Tax) - Annualized	28.77%	29.48%
Return on Avg Assets (After Tax) - Annualized	3.75%	3.62%
Liquidity (Rs. Mn)		
Required Minimum Amount of Liquid Assets	8,040	6,768
Available Amount of Liquid Assets	10,732	10,639
Required Minimum Amount of Government Securities	5,284	4,208
Available Amount of Government Securities	5,340	5,500

L B Finance PLC

Interim Financial Statements for the period ended 30th June 2018

Additional Notes

Twenty largest shareholders as at 30th June 2018

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 Bnynsanv Re-Frontaura Global Frontier Fund LLC		2,290,135	1.653
5 SBI Ven Holdings Pte Ltd		1,600,000	1.155
6 AIA Insurance Lanka PLC A/C No. 07		777,843	0.562
7 Sterling Holdings (Private) Limited		502,826	0.363
8 Janashakthi Insurance PLC (Policy Holders)		500,000	0.361
9 Mr. K A D A Perera		438,996	0.317
10 J B Cocoshell (Pvt) Ltd		429,100	0.310
11 Hatton National Bank PLC/Mr. K R E M D M B Jayasundara		344,297	0.249
12 Mr. A A Page		314,800	0.227
13 Mr. N P De A Samaranayake		300,000	0.217
14 Mr. N Udage		250,325	0.181
15 People's Leasing & Finance PLC/Dr. H S D Soysa & Mrs. G Soysa		230,816	0.167
16 Mrs. P C Cooray		208,632	0.151
17 Guardian Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Provident Fund		180,000	0.130
18 Commercial Credit and Finance PLC		161,297	0.116
19 Mr. T Jeremiah		155,164	0.112
20 Mr. P Somadasa		153,626	0.111
		<u>130,705,889</u>	<u>94.363</u>
Others		7,808,395	5.637
Total		<u>138,514,284</u>	<u>100.000</u>

Directors' and Chief Executive Officer's holding in shares as at 30th June 2018

Name	No. of Shares	(%)
Mrs. Shirani Jayasekara	-	-
Mr. K D D Perera	-	-
Mr. J A S S Adhihetty	106,120	0.077
Mr. Thosapala Hewage	-	-
Mr. N Udage	250,325	0.181
Mr. B D A Perera	-	-
Mr. R S Yatawara	-	-
Mrs. A K Gunawardhana	-	-
Mrs. Y Bhaskaran	-	-
Mr. M A J W Jayasekara	-	-

Public Holding percentage as at 30th June 2018 being 21.89% comprising of 2,013 shareholders.

The Float adjusted market capitalization as at 30th June 2018 - Rs. 3,647,255,159.40

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.13.1 (a), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.