

**INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016**



<b>LB Finance PLC</b>						
<b>STATEMENT OF COMPREHENSIVE INCOME</b>						
Period ended 30 September 2016	FOR THE 3 MONTHS ENDED		VARIANCE	FOR THE 6 MONTHS ENDED		VARIANCE
	30.09.2016 Rs.('000)	30.09.2015 Rs.('000)	%	30.09.2016 Rs.('000)	30.09.2015 Rs.('000)	%
<b>Income</b>	<b>4,628,282</b>	<b>3,726,265</b>	24	<b>8,944,120</b>	<b>7,396,931</b>	21
Interest Income	4,312,261	3,459,444	25	8,352,975	6,833,688	22
Interest Expenses	(1,894,195)	(1,390,237)	(36)	(3,603,606)	(2,694,882)	(34)
<b>Net Interest Income</b>	<b>2,418,066</b>	<b>2,069,207</b>	17	<b>4,749,369</b>	<b>4,138,805</b>	15
Fee and Commission Income	303,387	276,664	10	568,554	546,841	4
Net Trading Income	752	1,432	(47)	1,539	3,293	(53)
Other Operating Income	11,881	(11,276)	205	21,052	13,109	61
	316,021	266,821	18	591,144	563,243	5
<b>Total Operating Income</b>	<b>2,734,087</b>	<b>2,336,028</b>	17	<b>5,340,513</b>	<b>4,702,049</b>	14
Impairment (Charges) / Reversal for loans and other losses	7,453	(113,817)	107	(15,009)	(346,897)	96
Gold Loan Auction Losses	272	(9,213)	103	(1,850)	(18,340)	90
<b>Net Operating Income</b>	<b>2,741,812</b>	<b>2,212,998</b>	24	<b>5,323,654</b>	<b>4,336,811</b>	23
<b>Operating Expenses</b>						
Personnel Expenses	(552,593)	(467,517)	(18)	(1,069,925)	(878,897)	(22)
Depreciation of Property, Plant and Equipment	(81,064)	(81,192)	0	(162,379)	(165,974)	2
Amortisation of Intangible Assets	(4,166)	(3,608)	(15)	(8,080)	(6,851)	(18)
Other Operating Expenses	(443,980)	(327,287)	(36)	(815,299)	(651,463)	(25)
<b>Operating Profit before Tax on Financial Services</b>	<b>1,660,008</b>	<b>1,333,394</b>	24	<b>3,267,972</b>	<b>2,633,626</b>	24
Tax on Financial Services	(206,408)	(132,899)	(55)	(433,712)	(249,182)	(74)
<b>Profit before Taxation</b>	<b>1,453,600</b>	<b>1,200,495</b>	21	<b>2,834,260</b>	<b>2,384,444</b>	19
Income Tax Expense	(505,493)	(411,246)	(23)	(974,445)	(819,371)	(19)
<b>Profit after Taxation</b>	<b>948,107</b>	<b>789,249</b>	20	<b>1,859,815</b>	<b>1,565,072</b>	19
<b>Other Comprehensive Income / (Expenses)</b>						
<b>Other Comprehensive Income to be reclassified to Profit or Loss</b>						
<b>Gains and Losses arising on re-measuring Available for Sale Financial Assets</b>						
Equity Securities	8,632	(7,870)	210	16,177	37,469	(57)
<b>Other Comprehensive Income not to be reclassified to Profit or Loss</b>						
<b>Actuarial Gains and Losses on Defined Benefit Plans</b>	-	-	0	-	-	0
<b>Other Comprehensive Income / (Expenses) before Taxation</b>	<b>8,632</b>	<b>(7,870)</b>	210	<b>16,177</b>	<b>37,469</b>	(57)
Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income	-	-	0	-	-	0
<b>Other Comprehensive Income for the Period, Net of Tax</b>	<b>8,632</b>	<b>(7,870)</b>	210	<b>16,177</b>	<b>37,469</b>	(57)
<b>Total Comprehensive Income for the Period, Net of Tax</b>	<b>956,739</b>	<b>781,379</b>	22	<b>1,875,992</b>	<b>1,602,541</b>	17
<b>Basic Earnings Per Share (Rs) *</b>	<b>6.84</b>	<b>5.70</b>		<b>13.43</b>	<b>11.30</b>	
* Calculated based on the Profit for the Period						

<b>LB Finance PLC</b>					
<b>STATEMENT OF CHANGES IN EQUITY</b>					
	Stated Capital Rs.('000)	Retained Earnings Rs.('000)	Statutory Reserve Rs.('000)	Available for Sale Reserve Rs.('000)	Total Rs.('000)
<b>Balance as at 1 April 2015</b>	838,282	5,180,486	1,897,483	10,842	7,927,092
Super Gain Tax Paid	-	(484,231)	-	-	(484,231)
<b>Balance after Super Gain Tax</b>	<b>838,282</b>	<b>4,696,255</b>	<b>1,897,483</b>	<b>10,842</b>	<b>7,442,861</b>
Net profit for the period	-	1,565,072	-	-	1,565,072
Other comprehensive income net of tax	-	-	-	37,469	37,469
Transfer to Statutory Reserve	-	(313,014)	313,014	-	-
Dividend for 2014/15	-	(692,571)	-	-	(692,571)
<b>Balance as at 30 September 2015</b>	<b>838,282</b>	<b>5,255,741</b>	<b>2,210,497</b>	<b>48,311</b>	<b>8,352,831</b>
<b>Balance as at 01 April 2016</b>	<b>838,282</b>	<b>6,977,889</b>	<b>2,641,034</b>	<b>22,114</b>	<b>10,479,319</b>
Net profit for the period	-	1,859,815	-	-	1,859,815
Other comprehensive income net of tax	-	-	-	16,177	16,177
Transfer to Statutory Reserve	-	(371,963)	371,963	-	-
Dividend for 2015/16	-	(1,038,857)	-	-	(1,038,857)
<b>Balance as at 30 September 2016</b>	<b>838,282</b>	<b>7,426,884</b>	<b>3,012,997</b>	<b>38,290</b>	<b>11,316,454</b>

# LB Finance PLC

## STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	30.09.2016 Rs.('000)	Audited 31.03.2016 Rs.('000)
<b>Assets</b>		
Cash and Cash Equivalents	3,948,940	6,051,899
Financial Investments - Held for Trading	11,792	10,647
Loans and Receivables	29,231,097	26,449,169
Lease Rentals Receivable and Stock out on Hire	49,814,379	45,104,836
Financial Investments - Available for Sale	154,588	138,411
Other Financial Assets	3,929,722	4,142,716
Other Non Financial Assets	746,989	538,898
Property, Plant and Equipment	2,071,008	2,045,295
Intangible Assets	46,319	34,766
<b>Total Assets</b>	<b>89,954,833</b>	<b>84,516,637</b>
<b>Liabilities</b>		
Due to Banks	19,285,942	14,577,234
Due to Customers	53,081,542	53,379,800
Debt Instruments Issued and Other Borrowed Funds	2,662,155	2,601,283
Other Financial Liabilities	2,074,938	1,869,941
Other Non Financial Liabilities	645,292	597,807
Current Tax Liabilities	608,068	741,252
Deferred Tax Liabilities	143,142	143,142
Post Employment Benefit Liability	137,300	126,859
<b>Total Liabilities</b>	<b>78,638,379</b>	<b>74,037,318</b>
<b>Shareholders' Funds</b>		
Stated Capital	838,282	838,282
Retained Earnings	7,426,884	6,970,499
Reserves	3,051,287	2,670,538
<b>Total Shareholders' Funds</b>	<b>11,316,454</b>	<b>10,479,319</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>89,954,833</b>	<b>84,516,637</b>
<b>Net Asset Value per Share (Rs)</b>	<b>81.70</b>	<b>75.66</b>
<b>Commitments and Contingencies</b>	<b>985,180</b>	<b>1,275,614</b>

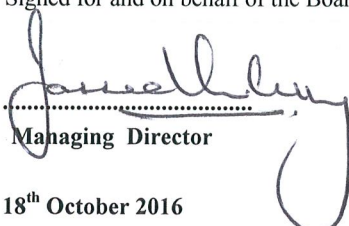
The information contained in these statements have been extracted from the unaudited Financial Statements of the Company unless indicated as "Audited".

### 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

18<sup>th</sup> October 2016

Colombo

<b>LB Finance PLC</b>		
<b>CASH FLOW STATEMENT</b>		
Period ended 30 September 2016	<b>FOR THE 6 MONTHS ENDED</b>	
	<b>30.09.2016</b> <b>Rs.('000)</b>	<b>30.09.2015</b> <b>Rs.('000)</b>
<b>Cash Flows From / (Used in) Operating Activities</b>		
Profit and Other Comprehensive Income/(Expenses) before Taxation	2,850,437	2,421,913
Adjustments for		
Depreciation of Property, Plant and Equipment	162,379	165,974
Amortisation of Intangible Assets	8,080	6,851
Impairment Charges / (Reversal) for Loans and Other Losses	15,009	346,897
Gold Loan Auction Losses	1,850	18,340
Interest Cost on Finance Lease	-	104
Diminution/(Appreciation) in Value of Investments	(17,323)	(40,455)
Loss/(Profit) on Disposal of Property, Plant and Equipment	(376)	46,645
Provision/(Reversal) for Defined Benefit Plans	19,082	18,029
Dividend Received	(2,786)	(3,858)
Interest Income on Investing Activities	(315,088)	(245,220)
Notional Tax Credit on Interest on Treasury Bills and Bonds	(25,192)	(20,983)
Withholding Tax Attributed to Fixed Deposits	(9,194)	(2,995)
Operating Profit before Working Capital Changes	2,686,878	2,711,241
(Increase)/Decrease in Loans and Receivables	(2,791,201)	(722,981)
(Increase)/Decrease in Lease Rentals Receivable and Stock out on Hire	(4,717,128)	(6,656,452)
(Increase)/Decrease in Other Financial Assets	300,507	310,450
(Increase)/Decrease in Other Non Financial Assets	(178,327)	262,634
Increase/(Decrease) in Amounts Due to Customers	(298,260)	1,662,822
Increase/(Decrease) in Other Financial Liabilities	204,998	102,624
Increase/(Decrease) in Other Non Financial Liabilities	47,485	18,766
Cash Generated from Operations	(4,745,048)	(2,310,896)
Retirement Benefit Liabilities Paid	(8,641)	(3,488)
Taxes Paid	(1,103,006)	(820,927)
Net Cash From/(Used in) Operating Activities	(5,856,694)	(3,135,310)
<b>Cash Flows from / (Used in) Investing Activities</b>		
Acquisition of Property, Plant and Equipment	(188,698)	(228,004)
Acquisition of Intangible Assets	(19,633)	(8,725)
Proceeds from Sale of Property, Plant and Equipment	982	78,244
Sale/(Purchase) of Financial Investments - Available for Sale	(0)	-
Interest Received	227,574	245,220
Dividend Received	2,786	3,858
Net Cash Flows from/(Used in) Investing Activities	23,011	90,593
<b>Cash Flows from / (Used in) Financing Activities</b>		
Payment under Finance Lease Liabilities	-	(842)
Net Cash Flow from Syndicated Loans and Other Bank Facilities	4,016,432	3,580,976
Net Cash Flow from Debt Issued and Other Borrowings	60,873	(871,038)
Dividends Paid	(1,038,857)	(692,571)
Net Cash Flows from/(Used in) Financing Activities	3,038,447	2,016,525
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(2,795,235)</b>	<b>(1,028,192)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>5,352,627</b>	<b>5,085,754</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>2,557,392</b>	<b>4,057,562</b>
<b>CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT</b>		
Notes and Coins Held	482,772	390,771
Balances with Banks	1,058,094	964,657
Treasury Bills Repurchase Agreements	2,408,074	3,907,991
Bank Overdrafts	(1,391,548)	(1,205,858)
<b>Net Cash and Cash Equivalents</b>	<b>2,557,392</b>	<b>4,057,562</b>

## 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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Interest Income	5,058,992	4,097,322	2,944,509	2,491,146	349,474	245,220	8,352,975	6,833,688
Interest Expenses	(2,077,368)	(1,528,524)	(1,227,906)	(936,430)	(298,332)	(229,928)	(3,603,606)	(2,694,882)
Net Interest Income/(Expenses)	2,981,624	2,568,798	1,716,603	1,554,716	51,143	15,292	4,749,369	4,138,805
Fee and Commission Income	287,026	348,183	277,134	193,486	4,394	5,172	568,554	546,841
Net Trading Income and Other Operating Income	11,221	(13,366)	157	340	11,213	29,429	22,591	16,403
Impairment Charge/Reversal on Loans and Other Losses	(7,586)	(265,933)	(7,423)	(60,944)	-	(20,020)	(15,009)	(346,897)
Gold Loan Auction Losses	-	-	(1,850)	(18,340)	-	-	(1,850)	(18,340)
Net Operating Income	3,272,285	2,637,681	1,984,620	1,669,258	66,750	29,873	5,323,654	4,336,812
Other Costs	(1,069,818)	(852,490)	(780,431)	(655,610)	(34,975)	(22,261)	(1,885,224)	(1,530,360)
Depreciation	(89,906)	(107,067)	(77,000)	(65,016)	(3,553)	(742)	(170,459)	(172,825)
Operating Profits Before Taxes	2,112,561	1,678,124	1,127,188	948,632	28,222	6,871	3,267,972	2,633,626
Taxes							(1,408,156)	(1,068,554)
Profits for the Period							1,859,815	1,565,072
Segmental Assets	51,452,721	41,240,511	30,192,477	23,565,286	8,309,635	8,443,982	89,954,833	73,249,778
Segmental Liabilities	44,979,891	36,014,568	26,394,218	20,579,124	7,264,271	7,819,024	78,638,379	64,412,716

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 six months ended 30<sup>th</sup> September 2015 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 2016.

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 September 2016 was Rs.985 Mn and as at 31st March 2016 was Rs.1,276 Mn.

**INFORMATION ON SHARES AND LISTED DEBENTURES**

<b>INFORMATION ON SHARES</b>			<b>For the Quarter ended</b>	
			<b>30.09.2016</b>	<b>30.09.2015</b>
<b>Share Price</b>	Highest	Rs.	128.00	234.00
	Lowest	Rs.	116.00	110.00
	Closing	Rs.	126.90	115.40
			<b>As at</b>	<b>As at</b>
			<b>30.09.2016</b>	<b>30.09.2015</b>
Number of Ordinary Shares Issued			138,514,284	138,514,284
<b>INFORMATION ON LISTED DEBENTURES</b>			<b>For the Quarter ended</b>	
			<b>30.09.2016</b>	<b>30.09.2015</b>
<b>Debtenture Prices</b>				
Debtentures 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	112.98
	Lowest	Rs.	Not Traded	112.98
	Closing	Rs.	Not Traded	112.98
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
<b>Interest yield</b>				
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	9.79%
5 Year Fixed Rate (15.00 % p.a. Payable Annually )			Not Traded	Not Traded
<b>Yield of Comparable Government Securities (%)</b>				
05 Year Treasury Bond			11.76%	9.50%
			<b>As at</b>	<b>As at</b>
			<b>30.09.2016</b>	<b>30.09.2015</b>
<b>Ratios</b>				
Debt Equity Ratio			217.55%	238.60%
Quick Asset Ratio			14.83%	16.66%
Interest Cover			1.79	1.90

**SELECTED PERFORMANCE INDICATORS**

	<b>As At</b>	<b>As At</b>
	<b>30.09.2016</b>	<b>30.09.2015</b>
<b>Capital Adequacy</b>		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	13.84%	13.06%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	15.64%	16.14%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	21.32%	18.76%
<b>Profitability</b>		
Return on Avg Shareholders' Funds (After Tax) - Annualized	34.43%	38.24%
Return on Avg Assets (After Tax) - Annualized	4.30%	4.55%
<b>Liquidity (Rs.'Mn)</b>		
Required Minimum Amount of Liquid Assets	5,562	4,824
Available Amount of Liquid Assets	7,264	6,564
Required Minimum Amount of Government Securities	3,743	3,562
Available Amount of Government Securities	4,450	4,240

# L B Finance PLC

Interim Financial Statements for the period ended 30th September 2016

## Additional Notes

### Twenty largest shareholders as at 30th September 2016

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 Sri Lanka Insurance Corporation Ltd - Life Fund		2,185,800	1.578
5 Sterling Holdings (Private) Limited		1,500,000	1.083
6 AIA Insurance Lanka PLC A/C No. 07		624,779	0.451
7 Janashakthi Insurance PLC (Policy Holders)		500,000	0.361
8 Mr. N P D E Samaranyake		350,000	0.253
9 Seylan Bank PLC/Dr. Thirugnanasambandar Senthilverl		331,884	0.240
10 Mr. A A Page		314,800	0.227
11 Mr. E Bianchi		308,800	0.223
12 Mr. H A Van Starrex		265,318	0.192
13 Bnym Sa/Nv-Forntaura Global Frontier Fund LLC		240,000	0.173
14 Waldock Mackenzie Ltd /Mrs G Soysa		222,504	0.161
15 Waldock Mackenzie Limited /Mr. K R E M D M B Jayasundara		220,000	0.159
16 Mrs. P C Cooray		208,632	0.151
17 Mellon Bank N A - Commonwealth of Massachusetts		207,243	0.150
18 Mr. P Somadasa		155,444	0.112
19 Mr. T Jeremiah		155,164	0.112
20 Mr. N Udage		151,837	0.110
		<u>129,810,237</u>	<u>93.718</u>
Others		8,704,047	6.282
<b>Total</b>		<b><u>138,514,284</u></b>	<b><u>100.000</u></b>

### Directors' and Chief Executive Officer's holding in shares as at 30th September 2016

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. Nimal Perera	-	-
Mr. N Udage	151,837	0.110
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 September 2016 being 21.96% comprising of 2,115 shareholders.