

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JUNE 30, 2015**



# LB Finance PLC

## STATEMENT OF COMPREHENSIVE INCOME

| Period ended 30 June 2015   | FOR THE 3 MONTHS ENDED  |                         | VARIANCE |
|---|-------------------------|-------------------------|----------|
|   | 30.06.2015<br>Rs.('000) | 30.06.2014<br>Rs.('000) | %        |
| <b>Income</b>   | <b>3,670,666</b>        | 3,538,597               | 4        |
| Interest Income   | 3,374,244               | 3,282,520               | 3        |
| Interest Expenses   | (1,304,646)             | (1,597,519)             | 18       |
| <b>Net Interest Income</b>  | <b>2,069,598</b>        | 1,685,001               | 23       |
| Fee and Commission Income   | 270,177                 | 222,995                 | 21       |
| Net Trading Income  | 1,861                   | 288                     | 546      |
| Other Operating Income  | 24,384                  | 32,794                  | (26)     |
|   | <b>296,423</b>          | 256,078                 | 16       |
| <b>Total Operating Income</b>   | <b>2,366,021</b>        | 1,941,079               | 22       |
| Impairment (Charges) / Reversal for loans and other losses                          | (233,081)               | (367,039)               | 36       |
| Gold Loan Auction Losses  | (9,127)                 | (131,774)               | 93       |
| <b>Net Operating Income</b>   | <b>2,123,813</b>        | 1,442,266               | 47       |
| <b>Operating Expenses</b>   |                         |                         |          |
| Personnel Expenses  | (411,380)               | (354,590)               | (16)     |
| Depreciation of Property, Plant and Equipment                                       | (84,782)                | (81,847)                | (4)      |
| Amortisation of Intangible Assets   | (3,243)                 | (2,838)                 | (14)     |
| Other Operating Expenses  | (324,175)               | (287,623)               | (13)     |
| <b>Operating Profit before Value Added Tax on Financial Services</b>                | <b>1,300,232</b>        | 715,368                 | 82       |
| Value Added Tax on Financial Services   | (116,283)               | (59,595)                | (95)     |
| <b>Profit before Taxation</b>   | <b>1,183,949</b>        | 655,773                 | 81       |
| Income Tax Expense  | (408,126)               | (206,711)               | (97)     |
| <b>Profit after Taxation</b>  | <b>775,823</b>          | 449,062                 | 73       |
| <b>Other Comprehensive Income / (Expenses)</b>                                      |                         |                         |          |
| <b>Gains and Losses arising on re-measuring Available for Sale Financial Assets</b> |                         |                         |          |
| Sri Lanka Government securities   | -                       | 11,700                  | (100)    |
| Equity Securities   | 45,339                  | 18,224                  | (149)    |
| <b>Other Comprehensive Income / (Expenses) before Taxation</b>                      | <b>45,339</b>           | 29,924                  | 52       |
| Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income | -                       | (8,379)                 | 100      |
| <b>Other Comprehensive Income for the Period, Net of Tax</b>                        | <b>45,339</b>           | 21,545                  | 110      |
|   |                         |                         |          |
| <b>Total Comprehensive Income for the Period, Net of Tax</b>                        | <b>821,162</b>          | 470,607                 | 74       |
|   |                         |                         |          |
| <b>Basic Earnings Per Share (Rs) * [Please refer Note 02]</b>                       | <b>5.60</b>             | 3.24                    |          |
|   |                         |                         |          |

\* Calculated based on the Profit for the Period

# LB Finance PLC

## STATEMENT OF CHANGES IN EQUITY

|                                       | Stated<br>Capital<br>Rs.('000) | Retained<br>Earnings<br>Rs.('000) | Statutory<br>Reserve<br>Rs.('000) | Investment<br>Fund<br>Reserve<br>Rs.('000) | Available for<br>Sale Reserve<br>Rs.('000) | Total<br>Rs.('000) |
|---------------------------------------|--------------------------------|-----------------------------------|-----------------------------------|--|--|--------------------|
| <b>Balance as at 1 April 2014</b>     | 838,282                        | 3,265,274                         | 1,461,057                         | 619,682                                    | 22,393                                     | 6,206,689          |
| Net profit for the period             | -                              | 449,062                           | -                                 | -  | -  | 449,062            |
| Other comprehensive income net of tax | -                              | -                                 | -                                 | -  | 21,545                                     | 21,545             |
| Transfer to Statutory Reserve         | -                              | (89,812)                          | 89,812                            | -  | -  | -                  |
| Transfer to Investment Fund Reserve   | -                              | (26,045)                          | -                                 | 26,045                                     | -  | -                  |
| <b>Balance as at 30 June 2014</b>     | <b>838,282</b>                 | <b>3,598,478</b>                  | <b>1,550,870</b>                  | <b>645,727</b>                             | <b>43,939</b>                              | <b>6,677,296</b>   |
| <b>Balance as at 1 April 2015</b>     | 838,282                        | 5,180,486                         | 1,897,483                         | -  | 10,842                                     | 7,927,092          |
| Net profit for the period             | -                              | 775,823                           | -                                 | -  | -  | 775,823            |
| Other comprehensive income net of tax | -                              | -                                 | -                                 | -  | 45,339                                     | 45,339             |
| Transfer to Statutory Reserve         | -                              | (155,165)                         | 155,165                           | -  | -  | -                  |
| <b>Balance as at 30 June 2015</b>     | <b>838,282</b>                 | <b>5,801,144</b>                  | <b>2,052,647</b>                  | <b>-</b>                                   | <b>56,181</b>                              | <b>8,748,254</b>   |

# LB Finance PLC

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

|  | 30.06.2015<br>Rs.('000) | Audited<br>31.03.2015<br>Rs.('000) |
|--|-------------------------|------------------------------------|
| <b>Assets</b>  |                         |                                    |
| Cash and Cash Equivalents                                    | 5,567,110               | 6,067,670                          |
| Financial Investments - Held for Trading                     | 11,624                  | 10,064                             |
| Loans and Receivables  | 22,281,249              | 22,262,761                         |
| Lease Rentals Receivable and Stock out on Hire               | 36,549,058              | 33,695,517                         |
| Financial Investments - Available for Sale                   | 185,927                 | 140,587                            |
| Other Financial Assets                                       | 2,324,073               | 2,140,178                          |
| Other Non Financial Assets                                   | 1,033,406               | 1,206,275                          |
| Intangible Assets  | 32,338                  | 35,307                             |
| Property, Plant and Equipment                                | 2,034,836               | 1,984,160                          |
| <b>Total Assets</b>  | <b>70,019,621</b>       | <b>67,542,519</b>                  |
| <b>Liabilities</b>   |                         |                                    |
| Due to Banks   | 8,370,769               | 7,703,265                          |
| Due to Customers   | 46,639,313              | 45,430,552                         |
| Debt Issued and Other Borrowed Funds                         | 3,089,341               | 3,529,575                          |
| Other Financial Liabilities                                  | 1,772,547               | 1,776,066                          |
| Other Non Financial Liabilities                              | 518,508                 | 516,719                            |
| Post Employment Benefit Liability                            | 119,966                 | 112,575                            |
| Current Tax Liabilities                                      | 748,992                 | 534,745                            |
| Deferred Tax Liabilities                                     | 11,930                  | 11,930                             |
| <b>Total Liabilities</b>                                     | <b>61,271,366</b>       | <b>59,615,427</b>                  |
| <b>Shareholders' Funds</b>                                   |                         |                                    |
| Stated Capital   | 838,282                 | 838,282                            |
| Retained Earnings  | 5,801,144               | 5,180,486                          |
| Reserves   | 2,108,828               | 1,908,324                          |
| <b>Total Shareholders' Funds</b>                             | <b>8,748,254</b>        | <b>7,927,092</b>                   |
| <b>Total Liabilities and Shareholders' Funds</b>             | <b>70,019,621</b>       | <b>67,542,519</b>                  |
| <b>Net Asset Value per Share (Rs) [Please refer Note 02]</b> | <b>63.16</b>            | <b>57.23</b>                       |
| <b>Commitments and Contingencies</b>                         | <b>1,080,358</b>        | <b>1,105,985</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

30<sup>th</sup> July 2015  
Colombo

| <b>LB Finance PLC</b>   |                                 |                                 |
|---|---------------------------------|---------------------------------|
| <b>CASH FLOW STATEMENT</b>  |                                 |                                 |
| Period ended 30 June 2015   | <b>FOR THE 3 MONTHS ENDED</b>   |                                 |
|   | <b>30.06.2015<br/>Rs.('000)</b> | <b>30.06.2014<br/>Rs.('000)</b> |
| <b>Cash Flows From / (Used in) Operating Activities</b>               |                                 |                                 |
| Profit before Income Tax Expense                                      | 1,229,288                       | 685,697                         |
| Adjustments for   |                                 |                                 |
| Depreciation of Property, Plant and Equipment                         | 84,782                          | 81,847                          |
| Amortisation of Intangible Assets                                     | 3,243                           | 2,838                           |
| Impairment Charges / (Reversal) for Loans and Other Losses            | 233,081                         | 367,039                         |
| Gold Loan Auction Losses  | 9,127                           | 131,774                         |
| Interest Cost on Finance Lease  | 104                             | 539                             |
| Diminution/(Appreciation) in Value of Investments                     | (46,899)                        | (30,022)                        |
| Loss/(Profit) on Disposal of Property, Plant and Equipment            | 13,214                          | (10)                            |
| Provision/(reversal) for Defined Benefit Plans                        | 9,014                           | 9,126                           |
| Dividend Received   | (3,704)                         | (578)                           |
| Interest Income on Investing Activities                               | (121,818)                       | (161,782)                       |
| Notional Tax Credit on Interest on Treasury Bills and Bonds           | (10,210)                        | (11,580)                        |
| Withholding Tax Attributed to Fixed Deposits                          | (1,642)                         | (4,438)                         |
| Operating Profit before Working Capital Changes                       | 1,397,580                       | 1,070,449                       |
| (Increase)/Decrease in Loans and Receivables                          | (56,198)                        | (1,453,241)                     |
| (Increase)/Decrease in Lease Rentals Receivable and Stock out on Hire | (3,038,377)                     | (623,220)                       |
| (Increase)/Decrease in Other Financial Assets                         | (183,895)                       | 2,462,540                       |
| (Increase)/Decrease in Other Non Financial Assets                     | 98,175                          | 137,897                         |
| Increase/(Decrease) in Amounts Due to Customers                       | 1,208,761                       | 1,077,843                       |
| Increase/(Decrease) in Other Financial Liabilities                    | (3,519)                         | (247,439)                       |
| Increase/(Decrease) in Other Non Financial Liabilities                | 9,888                           | 123,478                         |
| Cash Generated from Operations  | (567,584)                       | 2,548,307                       |
| Retirement Benefit Liabilities Paid                                   | (1,623)                         | (4,460)                         |
| Taxes Paid  | (200,000)                       | (112,919)                       |
| Net Cash From/(Used in) Operating Activities                          | (769,207)                       | 2,430,928                       |
| <b>Cash Flows from / (Used in) Investing Activities</b>               |                                 |                                 |
| Acquisition of Property and Equipment                                 | (99,179)                        | (92,652)                        |
| Acquisition of Intangible Assets                                      | (275)                           | (3,614)                         |
| Proceeds from Sales of Property, Plant and Equipment                  | 15,413                          | 38                              |
| Sale/(Purchase) of financial investments- available- for- sale        | -                               | (11,637)                        |
| Interest Received   | 121,818                         | 161,782                         |
| Dividend Received   | 3,704                           | 578                             |
| Net Cash Flows from/(Used in) Investing Activities                    | 41,481                          | 54,496                          |
| <b>Cash Flows from / (Used in) Financing Activities</b>               |                                 |                                 |
| Payment under Finance Lease Liabilities                               | (842)                           | (3,783)                         |
| Net Cash Flow from Syndicated Loans and Other Bank Facilities         | 855,408                         | (577,752)                       |
| Net Cash Flow from Debt Issued and Other borrowings                   | (440,234)                       | (249,162)                       |
| Net Cash Flows from/(Used in) Financing Activities                    | 414,332                         | (830,696)                       |
| <b>Net Increase in Cash and Cash Equivalents</b>                      | <b>(313,394)</b>                | <b>1,654,728</b>                |
| <b>Cash and Cash Equivalents at the beginning of the Period</b>       | <b>5,085,754</b>                | <b>1,243,894</b>                |
| <b>Cash and Cash Equivalents at the end of the Period</b>             | <b>4,772,360</b>                | <b>2,898,622</b>                |
| <b>CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT</b>           |                                 |                                 |
| Notes and Coins Held  | 411,313                         | 330,162                         |
| Balances with Banks   | 424,416                         | 440,780                         |
| Treasury Bills Repurchase Agreements                                  | 4,731,381                       | 2,926,455                       |
| Bank Overdrafts   | (794,750)                       | (798,776)                       |
| <b>Net Cash and Cash Equivalents</b>                                  | <b>4,772,360</b>                | <b>2,898,622</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       |             |
|--|-----------------------------|------------|-----------------------|------------|------------|------------|-------------|-------------|
|  | 30.06.2015                  | 30.06.2014 | 30.06.2015            | 30.06.2014 | 30.06.2015 | 30.06.2014 | 30.06.2015  | 30.06.2014  |
|  | Rs.('000)                   | Rs.('000)  | Rs.('000)             | Rs.('000)  | Rs.('000)  | Rs.('000)  | Rs.('000)   | Rs.('000)   |
| Interest Income                                | 1,996,273                   | 1,992,286  | 1,256,152             | 1,128,451  | 121,818    | 161,782    | 3,374,244   | 3,282,520   |
| Interest Expenses                              | (703,630)                   | (883,595)  | (445,096)             | (580,372)  | (155,920)  | (133,551)  | (1,304,646) | (1,597,519) |
| Net Interest Income/(Expenses)                 | 1,292,643                   | 1,108,691  | 811,056               | 548,079    | (34,102)   | 28,231     | 2,069,598   | 1,685,001   |
| Fee and Commission Income                      | 173,013                     | 95,691     | 92,963                | 126,955    | 4,201      | 349        | 270,177     | 222,995     |
| Net Trading Income and Other Operating Income  | 16,966                      | 30,809     | 59                    | 864        | 9,220      | 1,409      | 26,245      | 33,082      |
| Impairment Charge/Reversal on Loans and Losses | (185,150)                   | (279,629)  | (27,910)              | (87,411)   | (20,020)   | -          | (233,081)   | (367,039)   |
| Gold Loan Auction Losses                       | -                           | -          | (9,127)               | (131,774)  | -          | -          | (9,127)     | (131,774)   |
| Net Operating Income                           | 1,297,472                   | 955,563    | 867,042               | 456,713    | (40,700)   | 29,989     | 2,123,813   | 1,442,266   |
| Other Costs                                    | (403,016)                   | (380,540)  | (322,536)             | (252,039)  | (10,003)   | (9,633)    | (735,555)   | (642,213)   |
| Depreciation                                   | (53,809)                    | (48,835)   | (32,897)              | (32,076)   | (1,319)    | (3,774)    | (88,025)    | (84,685)    |
| Operating Profits Before Taxes                 | 840,646                     | 526,188    | 511,609               | 172,597    | (52,023)   | 16,582     | 1,300,232   | 715,368     |
| Taxes  |                             |            |                       |            |            |            | (524,409)   | (266,306)   |
| Profits for the Period                         |                             |            |                       |            |            |            | 775,823     | 449,062     |
| Segmental Assets                               | 37,678,083                  | 31,749,378 | 22,969,532            | 21,028,250 | 9,372,006  | 8,915,491  | 70,019,621  | 61,693,119  |
| Segmental Liabilities                          | 31,732,063                  | 28,499,586 | 19,344,684            | 18,409,635 | 10,194,619 | 8,106,601  | 61,271,366  | 55,015,823  |

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 three months ended 30 June 2014 or 2015.

## 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 2015.

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

Sub-division of shares as recommended by the Board of Directors whereby each of the 69,257,142 ordinary shares in issue being sub-divided into 2 Ordinary Shares thereby increasing the number of Ordinary Shares in issue to 138,514,284, was approved at the Extraordinary General Meeting of the shareholders held on 8th July 2015, subsequent to the Reporting Date.

Consequent to the sub-division of shares, the Basic Earnings per Ordinary Share (EPS) disclosed in the Statement of Comprehensive Income and the Net Asset Value (NAV) per Share disclosed in the Statement of Financial Position has been adjusted accordingly.

03. The Commitments and Contingencies as at 30th June 2015 was Rs.1,080 Mn and as at 31st March 2015 was Rs.1,106 Mn.

## INFORMATION ON SHARES AND LISTED DEBENTURES

|  |         |     | For the Period Ended |            |
|--|---------|-----|----------------------|------------|
|  |         |     | 30.06.2015           | 30.06.2014 |
| <b><u>Information on Shares</u></b>                            |         |     |                      |            |
| Share Price during the Quarter                                 | Highest | Rs. | 239.00               | 130.00     |
|  | Lowest  | Rs. | 150.30               | 100.50     |
|  | Closing | Rs. | 237.70               | 128.60     |
| Number of Ordinary Shares issued as at                         |         |     | 69,257,142           | 69,257,142 |
| Number of Ordinary Shares after the Subdivision - 138,514,284. |         |     |                      |            |
| <b><u>Information on Listed Debentures</u></b>                 |         |     |                      |            |
| Debt Equity Ratio  |         |     | 200.59%              | 172.09%    |
| Quick Asset Ratio  |         |     | 18.42%               | 16.47%     |
| Interest Cover   |         |     | 1.94                 | 1.43       |
|  |         |     | Interest yield       |            |
|  |         |     | 30.06.2015           | 30.06.2014 |
| <b>Debentures Issued - November 2013</b>                       |         |     |                      |            |
| 5 year fixed rate (14.00 % p.a. Payable Monthly )              |         |     | Not Traded           | 10.90%     |
| 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 |
| <b>Yield of Comparable Government Securities (%)</b>           |         |     |                      |            |
| 05 Year treasury bond  |         |     | 8.16%                | 8.93%      |

## SELECTED PERFORMANCE INDICATORS

|  | As At      | As At      |
|--|------------|------------|
|  | 30.06.2015 | 30.06.2014 |
| <b><u>Capital Adequacy</u></b>                                 |            |            |
| Core Capital to Risk Weighted Asset Ratio (Minimum 5%)         | 15.33%     | 12.22%     |
| Total Capital to Risk Weighted Asset Ratio (Minimum 10%)       | 18.62%     | 17.33%     |
| Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%) | 18.76%     | 14.15%     |
| <b><u>Profitability</u></b>                                    |            |            |
| Return on Avg Shareholders' Funds (After Tax) - Annualized     | 39.40%     | 29.22%     |
| Return on Avg Assets (After Tax) - Annualized                  | 4.78%      | 3.07%      |
| <b><u>Liquidity (Rs.'Mn)</u></b>                               |            |            |
| Required Minimum Amount of Liquid Assets                       | 4,779      | 4,767      |
| Available Amount of Liquid Assets                              | 7,475      | 6,690      |
| Required Minimum Amount of Government Securities               | 3,562      | 3,305      |
| Available Amount of Government Securities                      | 6,145      | 5,094      |

# L B Finance PLC

Interim Financial Statements for the three months ended 30th June 2015

## Additional Notes

### Twenty largest shareholders as at 30th June 2015

| Name   |            | No. of<br>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 Janashakthi Insurance PLC (Policy Holders)           |            | 250,000           | 0.361          |
| 8 Mr. A A Page   |            | 157,400           | 0.227          |
| 9 Mr. E Bianchi  |            | 154,400           | 0.223          |
| 10 Waldock Mackenzie Ltd /Mrs G Soysa                  |            | 111,252           | 0.161          |
| 11 Global Sea Foods (Pvt) Ltd                          |            | 110,000           | 0.159          |
| 12 Mrs. P C Cooray                                     |            | 95,716            | 0.138          |
| 13 Mr. K Sabaratnam                                    |            | 80,000            | 0.116          |
| 14 Mr. T Jeremiah                                      |            | 77,582            | 0.112          |
| 15 Mr. P Somadasa                                      |            | 76,672            | 0.111          |
| 16 Mr. K Karunanayake and Miss. P N Karunanayake       |            | 74,162            | 0.107          |
| 17 Mr. A R Gunasekara and Mrs. S R Gunasekara          |            | 62,684            | 0.091          |
| 18 Mr. P A J Kumara                                    |            | 60,000            | 0.087          |
| 19 Mr. J A S S Adhihetty                               |            | 53,060            | 0.077          |
| 20 Mr. T G Thoradeniya                                 |            | 50,912            | 0.074          |
|  |            | <hr/>             | <hr/>          |
|  |            | 65,641,238        | 94.781         |
| Others   |            | 3,615,904         | 5.219          |
| <b>Total</b>   |            | <b>69,257,142</b> | <b>100.000</b> |

### Directors' and Chief Executive Officer's holding in shares as at 30th June 2015

| Name                         | No. of<br>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 30th June 2015 being 22.74% comprising of 1,782 shareholders.