

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**



**LB Finance PLC**
**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March 2016

	FOR THE 3 MONTHS ENDED		VARIANCE	FOR THE YEAR ENDED		VARIANCE
	31.03.2016 Rs.(‘000)	31.03.2015 Rs.(‘000)		%	31.03.2016 Rs.(‘000)	
<b>Income</b>	<b>4,226,586</b>	<b>3,816,070</b>	<b>11</b>	<b>15,646,432</b>	<b>14,787,757</b>	<b>6</b>
Interest Income	3,913,814	3,532,206	11	14,428,730	13,687,071	5
Interest Expenses	(1,619,318)	(1,404,238)	(15)	(5,773,255)	(5,949,496)	3
<b>Net Interest Income</b>	<b>2,294,495</b>	<b>2,127,969</b>	<b>8</b>	<b>8,655,475</b>	<b>7,737,574</b>	<b>12</b>
Fee and Commission Income	299,297	252,213	19	1,168,682	959,839	22
Net Trading Income	(2,159)	178	(1,313)	968	2,752	(65)
Other Operating Income	15,635	31,473	(50)	48,053	138,095	(65)
	312,772	283,864	10	1,217,702	1,100,687	11
<b>Total Operating Income</b>	<b>2,607,268</b>	<b>2,411,832</b>	<b>8</b>	<b>9,873,177</b>	<b>8,838,261</b>	<b>12</b>
Impairment (Charges) / Reversal for loans and other losses	7,136	(476,600)	101	(382,435)	(1,804,838)	79
Gold Loan Auction Losses	(3,762)	(10,372)	64	(29,358)	(214,929)	86
<b>Net Operating Income</b>	<b>2,610,641</b>	<b>1,924,860</b>	<b>36</b>	<b>9,461,383</b>	<b>6,818,494</b>	<b>39</b>
<b>Operating Expenses</b>						
Personnel Expenses	(482,009)	(389,064)	(24)	(1,837,554)	(1,516,016)	(21)
Depreciation of Property, Plant and Equipment	(77,614)	(85,927)	10	(318,296)	(338,950)	6
Amortisation of Intangible Assets	(3,656)	(3,165)	(16)	(14,129)	(12,473)	(13)
Other Operating Expenses	(364,834)	(445,419)	18	(1,373,373)	(1,303,969)	(5)
<b>Operating Profit before Tax on Financial Services</b>	<b>1,682,528</b>	<b>1,001,285</b>	<b>68</b>	<b>5,918,032</b>	<b>3,647,086</b>	<b>62</b>
Tax on Financial Services	(180,665)	(34,494)	(424)	(593,452)	(315,232)	(88)
<b>Profit before Taxation</b>	<b>1,501,863</b>	<b>966,791</b>	<b>55</b>	<b>5,324,580</b>	<b>3,331,854</b>	<b>60</b>
Income Tax Expense	(288,343)	(338,194)	15	(1,606,823)	(1,149,728)	(40)
<b>Profit after Taxation</b>	<b>1,213,520</b>	<b>628,597</b>	<b>93</b>	<b>3,717,757</b>	<b>2,182,126</b>	<b>70</b>
<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>						
Sri Lanka Government securities	-	(91,019)	100	-	(38,659)	100
Equity Securities	(37,247)	(18,155)	(105)	(2,321)	18,369	(113)
Reclassification Adjustments for Loss	4,662	-	100	4,662	-	100
	(32,585)	(109,174)	70	2,342	(20,290)	112
<b>Other Comprehensive Income not to be reclassified to Profit or Loss</b>						
<b>Actuarial Gains and Losses on Defined Benefit Plans</b>	<b>12,403</b>	<b>(2,897)</b>	<b>528</b>	<b>12,403</b>	<b>(2,897)</b>	<b>528</b>
<b>Other Comprehensive Income / (Expenses) before Taxation</b>	<b>(20,182)</b>	<b>(112,071)</b>	<b>82</b>	<b>14,745</b>	<b>(23,187)</b>	<b>164</b>
Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income	(3,473)	11,636	(130)	(3,473)	11,636	(130)
<b>Other Comprehensive Income for the Year, Net of Tax</b>	<b>(23,655)</b>	<b>(100,436)</b>	<b>76</b>	<b>11,272</b>	<b>(11,552)</b>	<b>198</b>
<b>Total Comprehensive Income for the Year, Net of Tax</b>	<b>1,189,865</b>	<b>528,162</b>	<b>125</b>	<b>3,729,029</b>	<b>2,170,574</b>	<b>72</b>
<b>Basic Earnings Per Share (Rs) * [Please refer Note 02]</b>	<b>8.76</b>	<b>4.54</b>		<b>26.84</b>	<b>15.75</b>	

\* Calculated based on the Profit for the Year

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

	Stated Capital Rs.(‘000)	Retained Earnings Rs.(‘000)	Statutory Reserve Rs.(‘000)	Investment Fund Reserve Rs.(‘000)	Available for Sale Reserve Rs.(‘000)	Total 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	-	2,182,126	-	-	-	2,182,126
Other comprehensive income net of tax	-	-	-	-	(11,552)	(11,552)
Transfer to Statutory Reserve	-	(436,425)	436,425	-	-	-
Transfer to Investment Fund Reserve	-	(26,045)	-	26,045	-	-
Transfer to Retained Earnings	-	645,727	-	(645,727)	-	-
Dividend for 2013/14	-	(450,171)	-	-	-	(450,171)
<b>Balance as at 31 March 2015</b>	<b>838,282</b>	<b>5,180,486</b>	<b>1,897,483</b>	<b>-</b>	<b>10,842</b>	<b>7,927,092</b>
<b>Balance as at 01 April 2015</b>	<b>838,282</b>	<b>5,180,486</b>	<b>1,897,483</b>	<b>-</b>	<b>10,842</b>	<b>7,927,092</b>
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>-</b>	<b>10,842</b>	<b>7,442,861</b>
Net profit for the period	-	3,717,757	-	-	-	3,717,757
Other comprehensive income net of tax	-	-	-	-	11,272	11,272
Transfer to Statutory Reserve	-	(743,551)	743,551	-	-	-
Dividend for 2014/15	-	(692,571)	-	-	-	(692,571)
<b>Balance as at 31 March 2016</b>	<b>838,282</b>	<b>6,977,889</b>	<b>2,641,034</b>	<b>-</b>	<b>22,114</b>	<b>10,479,319</b>

# LB Finance PLC

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	31.03.2016 Rs.('000)	Audited 31.03.2015 Rs.('000)
<b>Assets</b>		
Cash and Cash Equivalents	6,051,899	6,067,670
Financial Investments - Held for Trading	10,646	10,064
Loans and Receivables	26,449,169	22,262,761
Lease Rentals Receivable and Stock out on Hire	45,104,836	33,695,517
Financial Investments - Available for Sale	138,411	140,587
Other Financial Assets	4,142,716	2,140,178
Other Non Financial Assets	538,898	1,206,275
Intangible Assets	34,766	35,307
Property, Plant and Equipment	2,045,295	1,984,160
<b>Total Assets</b>	<b>84,516,637</b>	<b>67,542,519</b>
<b>Liabilities</b>		
Due to Banks	14,577,234	7,703,265
Due to Customers	53,379,801	45,430,552
Debt Instruments Issued and Other Borrowed Funds	2,601,283	3,529,575
Other Financial Liabilities	1,869,941	1,776,066
Other Non Financial Liabilities	597,807	516,719
Post Employment Benefit Liability	126,859	112,575
Current Tax Liabilities	741,252	534,745
Deferred Tax Liabilities	143,142	11,930
<b>Total Liabilities</b>	<b>74,037,318</b>	<b>59,615,427</b>
<b>Shareholders' Funds</b>		
Stated Capital	838,282	838,282
Retained Earnings	6,977,889	5,180,486
Reserves	2,663,148	1,908,324
<b>Total Shareholders' Funds</b>	<b>10,479,319</b>	<b>7,927,092</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>84,516,637</b>	<b>67,542,519</b>
<b>Net Asset Value per Share (Rs) [Please refer Note 02]</b>	<b>75.66</b>	<b>57.23</b>
<b>Commitments and Contingencies</b>	<b>1,275,614</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".

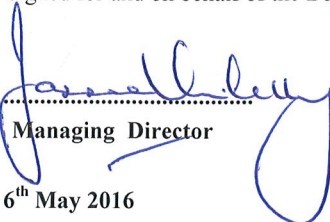
### CERTIFICATION:

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**

6<sup>th</sup> May 2016

Colombo

  
.....  
**Director**

<b>LB Finance PLC</b>		
<b>CASH FLOW STATEMENT</b>		
Year ended 31 March 2016	<b>31.03.2016</b> <b>Rs.('000)</b>	<b>Audited</b> <b>31.03.2015</b> <b>Rs.('000)</b>
<b>Cash Flows From / (Used in) Operating Activities</b>		
Profit before Income Tax Expense	5,339,325	3,308,666
Adjustments for		
Depreciation of Property, Plant and Equipment	318,296	338,950
Amortisation of Intangible Assets	14,129	12,473
Loss on Fixed Assets Write-offs	-	1,799
Impairment Charges / (Reversal) for Loans and Other Losses	382,435	1,804,838
Gold Loan Auction Losses	29,358	214,929
Interest Cost on Finance Lease	134	1,470
Diminution/(Appreciation) in Value of Investments	1,738	17,822
Loss/(Profit) on Disposal of Property, Plant and Equipment	35,143	3,383
Provision/(reversal) for Defined Benefit Plans	20,637	29,799
Dividend Received	(8,075)	(806)
Interest Income on Investing Activities	(457,706)	(655,234)
Notional Tax Credit on Interest on Treasury Bills and Bonds	(39,556)	(45,029)
Withholding Tax Attributed to Fixed Deposits	(10,099)	(12,525)
Operating Profit before Working Capital Changes	5,625,759	5,020,535
(Increase)/Decrease in Loans and Receivables	(4,265,228)	(3,770,832)
(Increase)/Decrease in Lease Rentals Receivable and Stock out on Hire	(11,678,796)	(5,014,461)
(Increase)/Decrease in Other Financial Assets	(1,969,173)	3,009,950
(Increase)/Decrease in Other Non Financial Assets	649,109	(359,600)
Increase/(Decrease) in Amounts Due to Customers	7,949,250	(664,654)
Increase/(Decrease) in Other Financial Liabilities	91,353	610,539
Increase/(Decrease) in Other Non Financial Liabilities	67,924	266,223
Cash Generated from Operations	(3,529,802)	(902,300)
Retirement Benefit Liabilities Paid	(6,353)	(10,423)
Income Tax and Super Gain Tax Paid	(1,736,696)	(494,828)
Net Cash From/(Used in) Operating Activities	(5,272,851)	(1,407,551)
<b>Cash Flows from / (Used in) Investing Activities</b>		
Acquisition of Property, Plant and Equipment	(499,456)	(260,481)
Acquisition of Intangible Assets	(13,589)	(11,353)
Proceeds from Sales of Property, Plant and Equipment	84,883	118
Sale/(Purchase) of financial investments- available- for- sale	(144)	1,288,246
Interest Received	424,340	711,133
Dividend Received	8,075	806
Net Cash Flows from/(Used in) Investing Activities	4,108	1,728,469
<b>Cash Flows from / (Used in) Financing Activities</b>		
Payment under Finance Lease Liabilities	(1,122)	(9,831)
Net Cash Flow from Syndicated Loans and Other Bank Facilities	7,157,602	5,927,273
Net Cash Flow from Debt Issued and Other borrowings	(928,293)	(1,946,329)
Dividends Paid	(692,571)	(450,171)
Net Cash Flows from/(Used in) Financing Activities	5,535,615	3,520,941
<b>Net Increase in Cash and Cash Equivalents</b>	<b>266,873</b>	<b>3,841,859</b>
<b>Cash and Cash Equivalents at the beginning of the Year</b>	<b>5,085,754</b>	<b>1,243,894</b>
<b>Cash and Cash Equivalents at the end of the Year</b>	<b>5,352,627</b>	<b>5,085,754</b>
<b>CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT</b>		
Notes and Coins Held	458,449	391,917
Balances with Banks	627,980	506,957
Treasury Bills Repurchase Agreements	4,965,470	5,168,796
Bank Overdrafts	(699,272)	(981,917)
<b>Net Cash and Cash Equivalents</b>	<b>5,352,627</b>	<b>5,085,754</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	
	2016	2015	2016	2015	2016	2015	2016	2015
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Interest Income	8,742,046	8,197,150	5,179,323	4,834,687	507,361	655,234	14,428,730	13,687,071
Interest Expenses	(3,126,391)	(3,221,744)	(1,949,973)	(2,098,979)	(696,891)	(628,774)	(5,773,255)	(5,949,496)
Net Interest Income/(Expenses)	5,615,655	4,975,407	3,229,351	2,735,707	(189,531)	26,460	8,655,475	7,737,574
Fee and Commission Income	485,645	390,036	401,238	361,929	281,798	207,875	1,168,682	959,839
Net Trading Income and Other Operating Income	2,460	134,027	471	2,179	46,089	4,642	49,020	140,847
Impairment Charge/Reversal on Loans and Other Losses	(304,286)	(1,618,400)	(70,084)	(186,379)	(8,065)	(59)	(382,435)	(1,804,838)
Gold Loan Auction Losses	-	-	(29,358)	(214,929)	-	-	(29,358)	(214,929)
Net Operating Income	5,799,474	3,881,070	3,531,618	2,698,507	130,292	238,918	9,461,383	6,818,494
Other Costs	(1,781,674)	(1,515,331)	(1,385,023)	(1,269,106)	(44,230)	(35,548)	(3,210,927)	(2,819,985)
Depreciation	(185,527)	(220,800)	(140,315)	(126,929)	(6,583)	(3,694)	(332,425)	(351,423)
Operating Profits Before Taxes	3,832,273	2,144,938	2,006,281	1,302,471	79,478	199,676	5,918,032	3,647,086
Taxes							(2,200,274)	(1,464,960)
Profits for the Year							3,717,757	2,182,126
Segmental Assets	46,547,218	35,385,481	27,294,972	23,379,327	10,674,447	8,777,711	84,516,637	67,542,519
Segmental Liabilities	40,775,772	31,232,482	23,910,636	20,635,425	9,350,909	7,747,520	74,037,318	59,615,427

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 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 2015.

02. 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. 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 have been adjusted accordingly.

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

04. The Commitments and Contingencies as at 31st March 2016 were Rs.1,276 Mn and as at 31st March 2015, it was Rs.1,106 Mn.

## INFORMATION ON SHARES AND LISTED DEBENTURES

			For the Year Ended	
			31.03.2016	31.03.2015
<b><u>Information on Shares</u></b>				
Share Price during the Quarter	Highest	Rs.	120.50	177.00
	Lowest	Rs.	97.50	149.70
	Closing	Rs.	106.10	150.20
Number of Ordinary Shares issued as at			138,514,284	69,257,142
<b><u>Information on Listed Debentures</u></b>				
Debt Equity Ratio			223.62%	216.13%
Quick Asset Ratio			20.56%	19.62%
Interest Cover			1.92	1.56
			Interest yield	
			31.03.2016	31.03.2015
<b>Debenture Prices during the Quarter</b>				
<b>Debentures Issued - November 2013</b>				
5 year fixed rate (14.00 % p.a. Payable Monthly )	Highest	Rs.	102.00	Not Traded
	Lowest	Rs.	102.00	
	Closing	Rs.	102.00	
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 )	Highest	Rs.	104.00	Not Traded
	Lowest	Rs.	104.00	
	Closing	Rs.	104.00	
<b>Yield of Comparable Government Securities (%)</b>				
05 Year treasury bond			13.00%	8.67%

## SELECTED PERFORMANCE INDICATORS

	As At	As At
	31.03.2016	31.03.2015
<b><u>Capital Adequacy</u></b>		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	13.39%	11.56%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	15.36%	15.23%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	19.63%	17.45%
<b><u>Profitability</u></b>		
Return on Avg Shareholders' Funds (After Tax) - Annualized	40.52%	30.71%
Return on Avg Assets (After Tax) - Annualized	4.90%	3.38%
<b><u>Liquidity (Rs.'Mn)</u></b>		
Required Minimum Amount of Liquid Assets	5,470	4,666
Available Amount of Liquid Assets	9,633	7,728
Required Minimum Amount of Government Securities	3,562	3,305
Available Amount of Government Securities	5,720	6,000

# **L B Finance PLC**

**Interim Financial Statements for the year ended 31st March 2016**

## **Additional Notes**

### **Twenty largest shareholders as at 31st March 2016**

<b>Name</b>		<b>No. of Shares</b>	<b>(%)</b>
1 Vallibel One PLC		70,642,400	51.000
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		3,685,800	2.661
5 Mercantile Investments and Finance PLC		1,746,148	1.261
6 Commercial Bank of Ceylon PLC/Dunamis Capital PLC		1,090,830	0.788
7 Janashakthi Insurance PLC (Policy Holders)		500,000	0.361
8 Mr. H A Van Starrex		354,370	0.256
9 Mr. A A Page		314,800	0.227
10 Mr. E Bianchi		308,800	0.223
11 Mr. N P D E Samaranyake		292,500	0.211
12 Waldo Mackenzie Ltd /Mrs G Soysa		222,504	0.161
13 Global Sea Foods (Pvt) Ltd		219,700	0.159
14 Mrs. P C Cooray		208,632	0.151
15 Mellon Bank N A - Commonwealth of Massachusetts		207,243	0.150
16 Mr. K Sabaratnam		177,690	0.128
17 Mr. P Somadasa		155,444	0.112
18 Mr. T Jeremiah		155,164	0.112
19 Mr. K D A Perera		149,422	0.108
20 Mr. K Karunanayake and Miss. P N Karunanayake		148,324	0.107
		<hr/>	<hr/>
		130,765,403	94.407
Others		7,748,881	5.593
<b>Total</b>		<b>138,514,284</b>	<b>100.000</b>

### **Directors' and Chief Executive Officer's holding in shares as at 31st March 2016**

<b>Name</b>		<b>No. of Shares</b>	<b>(%)</b>
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		58,719	0.042
Mr. B D A Perera		-	-
Mrs. K Fernando		3,200	0.002
Mrs. Shirani Jayasekara		-	-
Mrs. A K Gunawardhana		-	-
Mr. R S Yatawara (Appointed w.e.f. 15.03.2016)		-	-
Mrs. Y Bhaskaran (Appointed w.e.f. 15.03.2016)		-	-

### **PUBLIC HOLDING**

Public Holding percentage as at 31st March 2016 being 22.78% comprising of 2,089 shareholders.