

**INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017**



# LB Finance PLC

## STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2017	FOR THE 3 MONTHS ENDED		VARIANCE	FOR THE 6 MONTHS ENDED		VARIANCE
	30.09.2017	30.09.2016	%	30.09.2017	30.09.2016	%
	Rs.('000)	Rs.('000)		Rs.('000)	Rs.('000)	
<b>Income</b>	<b>6,021,459</b>	4,628,282	30	<b>11,556,187</b>	8,944,120	29
Interest Income	5,628,373	4,312,261	31	10,841,376	8,352,975	30
Interest Expenses	(2,863,516)	(1,894,195)	(51)	(5,503,474)	(3,603,606)	(53)
<b>Net Interest Income</b>	<b>2,764,857</b>	2,418,066	14	<b>5,337,902</b>	4,749,369	12
Fee and Commission Income	347,067	303,387	14	646,826	568,554	14
Net Trading Income	(444)	752	(159)	476	1,539	(69)
Other Operating Income	46,463	11,881	291	67,508	21,052	221
<b>Total Operating Income</b>	<b>3,157,943</b>	2,734,087	16	<b>6,052,713</b>	5,340,513	13
Impairment (Charges) / Reversal for loans and other losses	(127,628)	7,453	(1,813)	(196,253)	(15,009)	(1,208)
Gold Loan Auction Losses	40	272	(85)	(430)	(1,850)	77
<b>Net Operating Income</b>	<b>3,030,355</b>	2,741,812	11	<b>5,856,030</b>	5,323,654	10
<b>Operating Expenses</b>						
Personnel Expenses	(601,436)	(498,987)	(21)	(1,147,741)	(966,165)	(19)
Depreciation of Property, Plant and Equipment	(91,625)	(81,064)	(13)	(173,224)	(162,379)	(7)
Amortisation of Intangible Assets	(4,479)	(4,166)	(8)	(8,852)	(8,080)	(10)
Other Operating Expenses	(582,344)	(497,587)	(17)	(1,093,418)	(919,059)	(19)
<b>Operating Profit before Tax on Financial Services</b>	<b>1,750,472</b>	1,660,008	5	<b>3,432,795</b>	3,267,972	5
Tax on Financial Services	(311,740)	(206,408)	(51)	(607,320)	(433,712)	(40)
<b>Profit before Taxation</b>	<b>1,438,731</b>	1,453,600	(1)	<b>2,825,475</b>	2,834,260	(0)
Income Tax Expense	(487,741)	(505,493)	4	(934,490)	(974,445)	4
<b>Profit after Taxation</b>	<b>950,990</b>	948,107	0	<b>1,890,985</b>	1,859,815	2
<b>Other Comprehensive Income</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	(4,718)	8,632	(155)	12,502	16,177	(23)
<b>Other Comprehensive Income before Taxation</b>	<b>(4,718)</b>	8,632	(155)	<b>12,502</b>	16,177	(23)
Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income		-				
<b>Other Comprehensive Income for the Period, Net of Tax</b>	<b>(4,718)</b>	8,632	(155)	<b>12,502</b>	16,177	(23)
<b>Total Comprehensive Income for the Period, Net of Tax</b>	<b>946,272</b>	956,739	(1)	<b>1,903,487</b>	1,875,992	1
<b>Basic Earnings Per Share (Rs) *</b>	<b>6.87</b>	6.84	0	<b>13.65</b>	13.43	2
* 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)
<b>Balance as at 01 April 2016</b>	<b>838,282</b>	<b>6,970,499</b>	<b>2,641,042</b>	<b>29,496</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	-	-
First and Final Dividend for 2015/16	-	(1,038,857)	-	-	(1,038,857)
<b>Balance as at 30 September 2016</b>	<b>838,282</b>	<b>7,419,494</b>	<b>3,013,005</b>	<b>45,673</b>	<b>11,316,454</b>
<b>Balance as at 01 April 2017</b>	<b>838,282</b>	<b>8,259,079</b>	<b>3,424,683</b>	<b>(12,365)</b>	<b>12,509,679</b>
Net Profit for the Period	-	1,890,985	-	-	1,890,985
Other Comprehensive Income Net of Tax	-	-	-	12,502	12,502
Transfer to Statutory Reserve	-	(378,197)	378,197	-	-
Final Dividend for 2016/17	-	(415,543)	-	-	(415,543)
<b>Balance as at 30 September 2017</b>	<b>838,282</b>	<b>9,356,324</b>	<b>3,802,880</b>	<b>137</b>	<b>13,997,623</b>

# LB Finance PLC

## STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	30.09.2017 Rs.('000)	Audited 31.03.2017 Rs.('000)
<b>Assets</b>		
Cash and Cash Equivalents	3,627,591	2,895,085
Financial Investments - Held for Trading	10,458	10,068
Loans and Receivables	35,588,604	33,488,779
Lease Rentals Receivable and Stock out on Hire	59,441,436	55,660,963
Financial Investments - Available for Sale	130,521	118,021
Other Financial Assets	8,361,245	6,721,526
Other Non Financial Assets	427,203	305,048
Property, Plant and Equipment	4,297,421	3,514,356
Intangible Assets	54,333	49,189
<b>Total Assets</b>	<b>111,938,812</b>	<b>102,763,035</b>
<b>Liabilities</b>		
Due to Banks	22,921,831	23,778,147
Due to Customers	68,555,172	60,401,955
Debt Instruments Issued and Other Borrowed Funds	2,091,699	2,044,216
Other Financial Liabilities	2,201,118	2,007,402
Other Non Financial Liabilities	867,118	673,436
Current Tax Liabilities	631,275	691,091
Deferred Tax Liabilities	503,488	503,488
Post Employment Benefit Liability	169,488	153,621
<b>Total Liabilities</b>	<b>97,941,189</b>	<b>90,253,356</b>
<b>Shareholders' Funds</b>		
Stated Capital	838,282	838,282
Retained Earnings	9,356,324	8,259,079
Reserves	3,803,017	3,412,318
<b>Total Shareholders' Funds</b>	<b>13,997,623</b>	<b>12,509,679</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>111,938,812</b>	<b>102,763,035</b>
<b>Net Asset Value per Share (Rs)</b>	<b>101.06</b>	<b>90.31</b>
<b>Commitments and Contingencies</b>	<b>1,231,229</b>	<b>994,135</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

24<sup>th</sup> October 2017

Colombo

  
.....  
Director

**LB Finance PLC****CASH FLOW STATEMENT**

Period ended 30 September 2017

**FOR THE 6 MONTHS ENDED****30.09.2017**  
**Rs.('000)****30.09.2016**  
**Rs.('000)****Cash Flows From / (Used in) Operating Activities**

Profit and Other Comprehensive Income/(Expenses) before Taxation	2,837,977	2,850,437
Adjustments for		
Depreciation of Property, Plant and Equipment	173,224	162,379
Amortisation of Intangible Assets	8,852	8,080
Impairment Charges / (Reversal) for Loans and Other Losses	196,253	15,009
Gold Loan Auction Losses	430	1,850
Diminution/(Appreciation) in Value of Investments	(12,892)	(17,323)
Loss/(Profit) on Disposal of Property, Plant and Equipment	(4,285)	(376)
Provision/(Reversal) for Defined Benefit Plans	24,761	19,082
Dividend Received	(1,972)	(2,786)
Interest Income on Investing Activities	(476,201)	(315,088)
Notional Tax Credit on Interest on Treasury Bills and Bonds	(29,438)	(25,192)
Withholding Tax Attributed to Fixed Deposits	(22,389)	(9,194)

Operating Profit before Working Capital Changes	2,694,320	2,686,878
(Increase)/Decrease in Loans and Receivables	(2,204,053)	(2,791,201)
(Increase)/Decrease in Lease Rentals Receivable and Stock out on Hire	(3,872,926)	(4,717,128)
(Increase)/Decrease in Other Financial Assets	(1,397,331)	300,507
(Increase)/Decrease in Other Non Financial Assets	(110,914)	(178,327)
Increase/(Decrease) in Amounts Due to Customers	8,153,218	(298,260)
Increase/(Decrease) in Other Financial Liabilities	193,716	204,998
Increase/(Decrease) in Other Non Financial Liabilities	193,683	47,485

Cash Generated from Operations	3,649,712	(4,745,048)
Retirement Benefit Liabilities Paid	(8,895)	(8,641)
Income Tax Paid	(953,722)	(1,103,006)

Net Cash From/(Used in) Operating Activities	2,687,095	(5,856,694)
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**Cash Flows from / (Used in) Investing Activities**

Acquisition of Property, Plant and Equipment	(961,560)	(188,698)
Acquisition of Intangible Assets	(13,996)	(19,633)
Proceeds from Sale of Property, Plant and Equipment	9,556	982
Sale/(Purchase) of Financial Investments - Available for Sale	2	-
Interest Received	233,812	227,574
Dividend Received	1,972	2,786

Net Cash Flows from/(Used in) Investing Activities	(730,213)	23,011
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**Cash Flows from / (Used in) Financing Activities**

Net Cash Flow from Syndicated Loans and Other Bank Facilities	(708,492)	4,016,432
Net Cash Flow from Debt Issued and Other Borrowings	47,483	60,873
Dividends Paid	(415,543)	(1,038,857)

Net Cash Flows from/(Used in) Financing Activities	(1,076,552)	3,038,447
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Net Increase in Cash and Cash Equivalents	880,330	(2,795,235)
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Cash and Cash Equivalents at the Beginning of the Period	1,859,818	5,352,627
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Cash and Cash Equivalents at the End of the Period	2,740,148	2,557,392
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**CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT**

Notes and Coins Held	769,835	482,772
Balances with Banks	818,322	1,058,094
Treasury Bills Repurchase Agreements	2,039,434	2,408,074
Bank Overdrafts	(887,443)	(1,391,548)

Net Cash and Cash Equivalents	2,740,148	2,557,392
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## 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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Interest Income	6,426,064	5,058,992	3,887,284	2,944,509	528,028	349,474	10,841,376	8,352,975
Interest Expenses	(3,150,637)	(2,077,368)	(1,893,549)	(1,227,906)	(459,288)	(298,332)	(5,503,474)	(3,603,606)
Net Interest Income	3,275,428	2,981,624	1,993,735	1,716,603	68,739	51,143	5,337,902	4,749,369
Fee and Commission Income	318,812	287,026	326,044	277,134	1,969	4,394	646,826	568,554
Net Trading Income and Other Operating Income	50,615	11,221	358	157	17,011	11,213	67,984	22,591
Impairment Charge/Reversal on Loans and Other Losses	(92,454)	(7,586)	(103,880)	(7,423)	81	-	(196,253)	(15,009)
Gold Loan Auction Losses	-	-	(430)	(1,850)	-	-	(430)	(1,850)
Net Operating Income	3,552,402	3,272,285	2,215,828	1,984,620	87,801	66,750	5,856,030	5,323,654
Other Costs	(1,286,522)	(1,069,818)	(915,646)	(780,431)	(38,991)	(34,975)	(2,241,159)	(1,885,224)
Depreciation	(96,653)	(89,906)	(81,798)	(77,000)	(3,625)	(3,553)	(182,076)	(170,459)
Operating Profits Before Taxes	2,169,227	2,112,561	1,218,383	1,127,188	45,184	28,222	3,432,795	3,267,972
Taxes							(1,541,810)	(1,408,156)
Profits for the Period							1,890,985	1,859,815
Segmental Assets	62,092,317	51,452,721	37,175,731	30,192,477	12,670,763	8,309,635	111,938,812	89,954,833
Segmental Liabilities	54,327,854	44,979,891	32,527,014	26,394,218	11,086,321	7,264,271	97,941,189	78,638,379

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 six months ended 30<sup>th</sup> September 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 30<sup>th</sup> September 2017 was Rs. 1,231 Mn and as at 31<sup>st</sup> March 2017 was Rs. 994 Mn.

**INFORMATION ON SHARES AND LISTED DEBENTURES**

**INFORMATION ON SHARES**

			For the Quarter ended	
			30.09.2017	30.09.2016
<b>Share Price</b>	Highest	Rs.	139.80	128.00
	Lowest	Rs.	128.50	116.00
	Closing	Rs.	129.70	126.90
			<b>As at</b>	<b>As at</b>
			<b>30.09.2017</b>	<b>30.09.2016</b>
Number of Ordinary Shares Issued			138,514,284	138,514,284

**INFORMATION ON LISTED DEBENTURES**

			For the Quarter ended	
			30.09.2017	30.09.2016
<b>Debenture Prices</b>				
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
<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	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			10.01%	11.76%
			<b>As at</b>	<b>As at</b>
			<b>30.09.2017</b>	<b>30.09.2016</b>
<b>Ratios</b>				
Debt Equity Ratio			224.17%	217.55%
Quick Asset Ratio			18.37%	14.83%
Interest Cover			1.52	1.79

**SELECTED PERFORMANCE INDICATORS**

	As At	As At
	30.09.2017	30.09.2016
<b>Capital Adequacy</b>		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	14.44%	13.84%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	15.29%	15.64%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	20.42%	21.32%
<b>Profitability</b>		
Return on Avg Shareholders' Funds (After Tax) - Annualized	28.72%	34.43%
Return on Avg Assets (After Tax) - Annualized	3.55%	4.30%
<b>Liquidity (Rs.'Mn)</b>		
Required Minimum Amount of Liquid Assets	7,109	5,562
Available Amount of Liquid Assets	10,759	7,264
Required Minimum Amount of Government Securities	4,208	3,743
Available Amount of Government Securities	4,722	4,450

# L B Finance PLC

Interim Financial Statements for the period ended 30<sup>th</sup> September 2017

## Additional Notes

### Twenty largest shareholders as at 30<sup>th</sup> September 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 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 Mr. H A Van Starrex		606,813	0.438
8 Sterling Holdings (Private) Limited		502,826	0.363
9 Janashakthi Insurance PLC (Policy Holders)		500,000	0.361
10 Mr. K D A Perera		373,776	0.270
11 Waldock Mackenzie Limited /Mr. K R E M D M B Jayasundara		318,647	0.230
12 Mr. A A Page		314,800	0.227
13 Mr. N P D E Samaranyake		300,000	0.217
14 Mr. N Udage		250,325	0.181
15 Waldock Mackenzie Ltd /Mrs. G Soysa		222,504	0.161
16 Elgin Investments Limited		211,920	0.153
17 Mrs. P C Cooray		208,632	0.151
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 Commercial Credit and Finance PLC		161,297	0.116
		<u>130,876,650</u>	<u>94.487</u>
Others		7,637,634	5.513
<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 30<sup>th</sup> September 2017

Name	No. of Shares	(%)
Mr. K D D Perera	-	-
Mrs. Shirani Jayasekara	-	-
Mr. J A S S Adhihetty	106,120	0.077
Mr. L N De Silva Wijeyeratne	-	-
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	-	-
Mrs. K Fernando (ceased to be a Director w. e. f. 25.08.2017)	3,200	0.002

### Public Holding

Public Holding percentage as at 30<sup>th</sup> September 2017 being 21.89% comprising of 1,926 shareholders.