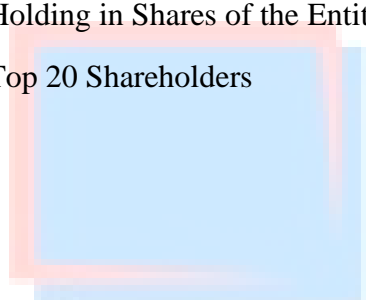




LOLC FINANCE PLC
INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST March 2016

LOLC FINANCE PLC
INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST March 2016

CONTENTS	Page
1. Statement of Financial Position	1
2. Statement of Profit or Loss and Other Comprehensive Income	2
3. Statement of Changes in Equity	3
4. Statement of Cash flows	4
5. Notes to the Interim Financial Statements	5-8
6. Segment Information	9
7. Statement of Directors' Holding and Chief Executive Officer's Holding in Shares of the Entity	10
8. Top 20 Shareholders	11



LOLC
FINANCE

STATEMENT OF FINANCIAL POSITION

	As at 31.03.2016 (Unaudited) Rs. '000	As at 31.03.2015 (Audited) Rs. '000
ASSETS		
Cash and bank balances	3,497,994	2,975,305
Deposits with banks and other financial institutions	10,206,771	761,095
Investment in government securities	8,397,496	5,900,718
Derivative assets	98,163	2,740
Rentals receivable on leased assets	17,243,862	13,150,376
Hire purchases, loans and advances	53,335,175	36,647,329
Factoring receivable	13,598,601	6,200,202
Margin trading receivables	85,597	293,712
Other receivables	694,055	639,352
Investment securities	1,083,471	8,843
Amount due from related companies	3,271	2,883
Investment properties	930,200	1,142,800
Property plant and equipment	1,210,407	136,545
Total assets	110,385,065	67,861,900
LIABILITIES		
Bank overdraft	1,941,608	2,333,062
Interest bearing borrowings	35,070,152	11,040,028
Deposits from customers	60,197,201	41,309,960
Trade payables	637,850	645,905
Accruals and other payables	1,018,603	822,441
Derivative liabilities	17,859	57,515
Amount due to related companies	996,781	2,453,097
Current tax payable	309,888	434,426
Deferred tax liability	984,741	761,420
Employee benefits	12,249	10,450
Total liabilities	101,186,931	59,868,304
EQUITY		
Stated capital	2,000,000	2,000,000
Statutory reserve	1,239,075	953,677
Investment fund reserve	-	-
Cash flow hedge reserve	22,748	-
Available for sale investment reserve	(160,154)	86,037
Retained earnings	6,096,465	4,953,882
Total equity	9,198,134	7,993,596
Total liabilities and equity	110,385,065	67,861,900
Net assets per share (Rs.)	3.29	2.85

Certification :

These financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Sgd.
.....
(Mrs.) S.S.Kotakadeniya
CFO - LOLC Group

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Signed for and on behalf of the Board

Sgd.
.....
W.D.K. Jayawardena - Chairman

Sgd.
.....
Ashan Nissanka - Director/ CEO

27th May 2016
Rajagiriya (Greater Colombo)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended			For the quarter ended		
	31.03.2016 (Unaudited) Rs '000	31.03.2015 (Audited) Rs '000	Variance %	31.03.2016 (Unaudited) Rs '000	31.03.2015 (Audited) Rs '000	Variance %
Interest income	13,137,597	10,871,227	21%	3,788,963	2,864,574	32%
Interest expense	(6,499,475)	(4,978,312)	31%	(2,020,420)	(1,134,041)	78%
Net interest income	6,638,122	5,892,915	13%	1,768,543	1,730,533	2%
Net other operating income	1,245,509	1,269,831	-2%	432,595	522,636	-17%
Total income	7,883,631	7,162,746	10%	2,201,139	2,253,169	-2%
Operating expenses						
Direct expenses excluding interest cost	(911,717)	(428,892)	113%	(631,529)	(309,534)	104%
Allowance for impairment & write-offs	(1,568,576)	(1,497,302)	5%	(566,574)	(474,963)	19%
Personnel expenses	(1,100,550)	(897,364)	23%	(362,975)	(296,378)	22%
Depreciation	(32,717)	(12,166)	169%	(15,205)	(3,976)	282%
General & administration expenses	(1,974,524)	(1,860,447)	6%	(233,258)	(635,951)	-63%
Profit from operations	2,295,547	2,466,575	-7%	391,598	532,366	-26%
Value added tax on financial service	(275,891)	(240,226)	15%	(50,332)	(52,183)	-4%
Profit before income tax expense	2,019,656	2,226,349	-9%	341,266	480,184	-29%
Income tax expense	(592,663)	(742,767)	-20%	(55,385)	(184,907)	-70%
Profit for the period	1,426,993	1,483,582	-4%	285,881	295,277	-3%
Other comprehensive income						
Items that will never be reclassified to profit or loss						
Remeasurements of defined benefit liability - gain / (loss)	1,372	(278)	-593%	1,372	(278)	-593%
Related tax	(384)	78	-593%	(384)	78	-593%
	988	(200)		988	(200)	
Items that are or may be reclassified to profit or loss						
Available-for-sale financial assets net change in fair value	(246,191)	(23,756)	936%	(207,680)	(80,920)	157%
Gain / (loss) on cash flow hedges	34,156	-	100%	34,156	-	100%
Related Tax	(11,409)	-	100%	(11,409)	-	100%
	(223,443)	(23,756)		(184,932)	(80,920)	
Total comprehensive income	1,204,538	1,459,626	-17%	101,937	214,156	
Basic earnings per share (Rs.)	0.51	0.53		0.10	0.11	

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Statutory Reserve	Investment Fund Reserve	Cash Flow Hedge Reserve	AFS Reserve	Retained Earnings	Total Equity
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance as at 1st April 2014	2,000,000	879,497	391,850	-	109,793	3,152,829	6,533,970
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,483,582	1,483,582
Other comprehensive income - net of tax							
Net change in fair value	-	-	-	-	(23,756)	-	(23,756)
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	(200)	(200)
Total comprehensive income for the period	-	-	-	-	(23,756)	1,483,382	1,459,626
Transactions recorded directly in equity							
Transfer to investment fund reserve	-	-	32,936	-	-	(32,936)	-
Transferred to retained earnings during the year	-	-	(424,786)	-	-	424,786	-
Transfer to statutory reserve fund	-	74,179	-	-	-	(74,179)	-
Total transactions recorded directly in equity	-	74,179	(391,850)	-	-	317,671	-
Balance as at 31st March 2015	2,000,000	953,677	-	-	86,037	4,953,882	7,993,596
Balance as at 1st April 2015	2,000,000	953,677	-	-	86,037	4,953,882	7,993,596
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,426,993	1,426,993
Other comprehensive income - net of tax							
Change in fair value of available for sale investments	-	-	-	-	(246,191)	-	(246,191)
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	988	988
Net movement of cashflow hedges	-	-	-	22,748	-	-	22,748
Total comprehensive income for the year	-	-	-	22,748	(246,191)	1,427,981	1,204,538
Transactions recorded directly in equity							
Transfer to statutory reserve fund	-	285,399	-	-	-	(285,399)	-
Total transactions recorded directly in equity	-	285,399	-	-	-	(285,399)	-
Balance as at 31st March 2016	2,000,000	1,239,075	-	22,748	(160,154)	6,096,465	9,198,134

STATEMENT OF CASH FLOWS

For the year ended	31.03.2016 Rs'000	31.03.2015 Rs'000
Cash flows from / (used in) operating activities		
Profit before income tax expense	2,019,656	2,226,349
Adjustments for:		
Depreciation	32,717	12,166
(Profit)/Loss on Sales of Investment property	32,316	-
Change in fair value of investment property	(29,071)	(139,965)
Change in fair value of derivatives - forward contracts	(94,334)	60,242
Provision for fall/(increase) in value of investments	(8,503)	200
Allowance for/(reversal of) doubtful debts	907,112	631,169
Other provisions	9,540	16,017
Investment income	(593,897)	(611,873)
Provision for defined benefit plans	3,651	3,126
Finance costs	6,499,475	4,978,312
Operating profit / (loss) before working capital changes	8,778,662	7,175,743
Change in other receivables	(37,911)	92,624
Change in inventories	-	12,080
Change in trade and other payables	178,567	629,028
Change in amounts due to/ due from related parties	(1,456,705)	1,806,834
Change in lease receivables	(4,038,795)	(1,905,625)
Change in hire purchase, loans and advances	(16,930,762)	(8,699,283)
Change in factoring receivables	(8,134,078)	(2,955,426)
Change in margin trading advances	208,115	(32,688)
Change in fixed deposits from customers	17,776,409	(1,592,807)
Change in savings deposits from customers	307,447	61,343
Cash generated from operations	(3,349,053)	(5,408,176)
Finance cost Paid	(3,936,071)	(4,269,029)
Gratuity paid	(481)	(962)
Income tax paid	(505,672)	(378,279)
Net cash from / (used in) operating activities	(7,791,277)	(10,056,446)
Cash flows from / (used in) investing activities		
Acquisition of property, plant & equipment	(428,735)	-
Net proceeds from investments in term deposits	(9,445,676)	(294,619)
Proceeds from sale of investment property	209,715	-
Investments in companies	(66,125)	-
Investments in Unit trust	(1,000,000)	-
Net proceeds from investments in government securities	(2,742,969)	(987,652)
Interest received	593,897	611,873
Net cash flows from / (used in) investing activities	(12,879,892)	(670,397)
Cash flows from / (used in) financing activities		
Net proceeds from interest bearing loans & borrowings	23,292,962	4,756,448
Proceeds from issue of debentures	-	5,000,000
Lease rentals paid	(111,557)	(54,190)
Finance cost paid on bank loans and over draft	(1,596,093)	(433,388)
Net cash flows from / (used in) financing activities	21,585,312	9,268,870
Net increase / (decrease) in cash and cash equivalents	914,143	(1,457,974)
Cash and cash equivalents at the beginning of the year	642,243	2,100,217
Cash and cash equivalents at the end of the period	1,556,385	642,243
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	3,497,994	2,975,305
Bank overdraft	(1,941,608)	(2,333,062)
	1,556,385	642,243

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General

- These interim financial statements have been prepared in accordance with LKAS 34 Interim Financial Reporting and do not include all of the information required for a full set of financial statements.
- The requirements of the Colombo Stock Exchange and the Companies Act No.7 of 2007 have also been considered in preparing these financial statements
- The information for the preparation of these interim financial statements has been drawn up from the unaudited financial records of the Company.
- Accounting policies and methods of computation as stated in the Annual report for the year 2014/15 are followed in the preparation of these Interim Financial Statements

2. Stated Capital

The Stated Capital of the Company is represented by 2,800,000,000 ordinary shares.

3. Provision for management expenditure

All expenses related to management expenditure are fully provided for in these Interim Financial Statements.

4. Share information

Market prices of ordinary shares recorded during the quarter ended 31st March 2016 are as follows

	Rs
Market price as at 31st March 2016	2.80
Highest Price	3.80
Lowest Price	2.50

5. Debenture information

The debt capital of the company comprises of fifty million (50,000,000) rated unsecured subordinated redeemable debentures issued in January, 2015. These debentures are listed in the Colombo Stock Exchange.

ICRA Lanka Ltd upgraded the credit rating of the above debentures to [SL]A- with stable outlook from [SL]BBB+ with stable outlook during the current financial year.

- Interest rates of the debentures

Instrument type	Interest frequency (Fixed Rate)	Coupon (% p.a)	Interest yield as at last trade	-Yield to maturity of last trade done	Interest rate of comparable Government Security
Type A- 5 Years Tenor	Quarterly	9.00%	9.30%	9.43%	11.57%
Type B- 5 Years Tenor	Semi Annually	9.10%	9.10%	9.10%	11.57%
Type C- 5 Years Tenor	Annually	9.25%	9.25%	9.25%	11.57%

- Market prices & issue prices of debentures recorded during the quarter ended 31st March 2016 are as follows.

Instrument Type	Issue Price	Highest Price	Lowest Price	Last Traded Price	Last Traded Date
Type A- 5 Years Tenor	Rs.100.00	Rs. 96.80	Rs. 96.80	Rs. 96.80	01-Mar-16
Type B- 5 Years Tenor	Rs.100.00	Not Traded	Not Traded	Not Traded	N/A
Type C- 5 Years Tenor	Rs.100.00	Not Traded	Not Traded	Not Traded	N/A

- Debt security related ratios

	As at 31-03-2016	As at 31-03-2015
- Debt to equity ratio	10.57 times	6.84 times
- Quick asset ratio	0.02 times	0.86 times
- Interest cover	1.31 times	1.44 times

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6 Financial assets and liabilities

6.1 Accounting classifications and fair values

The table below sets out the carrying amounts of the Company's financial assets and financial liabilities.

Rs '000

As at 31st March 2016	Fair value – derivatives	Fair value - held for trading	Fair value through OCI /Carried at cost– available for sale	Amortized cost / Not measured at fair value	Total Carrying amount	Fair value	Fair value measurement level
Cash and cash equivalents	-	-	-	3,497,994	3,497,994	3,497,994	
Deposits with banks	-	-	-	10,206,771	10,206,771	10,206,771	
Investment in government securities							
- Measured at fair value	-	-	2,187,792	-	2,187,792	2,187,792	Level 1
- Measured at amortized cost	-	-	-	6,209,705	6,209,705	6,209,705	
Derivative assets	98,163	-	-	-	98,163	98,163	Level 2
Rentals receivable on leased assets	-	-	-	17,243,862	17,243,862	17,325,394	Level 2
Hire purchases, loans and advances	-	-	-	53,335,175	53,335,175	53,271,076	Level 2
Factoring receivable	-	-	-	13,598,601	13,598,601	13,598,601	
Margin trading receivables	-	-	-	85,597	85,597	85,597	
Investment securities	-	1,017,003	66,468	-	1,083,471	1,083,471	Level 1
Amount due from related companies	-	-	-	3,271	3,271	3,271	
Other financial assets	-	-	-	251,507	251,507	251,507	
Total financial assets	98,163	1,017,003	2,254,260	104,432,484	107,801,909	107,819,343	
Bank overdraft	-	-	-	1,941,608	1,941,608	1,941,608	
Interest bearing borrowings	-	-	-	35,070,152	35,070,152	34,937,608	Level 2
Deposits from customers	-	-	-	60,197,201	60,197,201	59,832,205	Level 2
Trade payables	-	-	-	637,850	637,850	637,850	
Accruals and other payables	-	-	-	659,679	659,679	659,679	
Derivative liabilities	17,859	-	-	-	17,859	17,859	Level 2
Amount due to related companies	-	-	-	996,781	996,781	996,781	
Total financial liabilities	17,859	-	-	99,503,271	99,521,130	99,023,590	

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Financial assets and liabilities (Cont.)

6.1 Accounting classifications and fair values

The table below sets out the carrying amounts of the Company's financial assets and financial liabilities.

As at 31st March 2015	Rs '000						
	Fair value – derivatives	Fair value - held for trading	Fair value through other comprehensive income – available for sale	Amortized cost / Not measured at fair value	Total carrying amount	Fair value	Fair value measurement level
Cash and cash equivalents	-	-	-	2,975,305	2,975,305	2,975,305	
Deposits with banks	-	-	-	761,095	761,095	761,095	
Investment in government securities	-	-	-	-	-	-	
- Measured at fair value	-	-	2,284,718	-	2,284,718	2,284,718	Level 1
- Measured at amortized cost	-	-	-	3,616,000	3,616,000	3,616,000	
Derivative assets	2,740	-	-	-	2,740	2,740	Level 2
Rentals receivable on leased assets	-	-	-	13,150,376	13,150,376	13,765,194	Level 2
Hire purchases, loans and advances	-	-	-	36,647,329	36,647,329	37,325,279	Level 2
Factoring receivable	-	-	-	6,200,202	6,200,202	6,200,202	
Margin trading receivables	-	-	-	293,712	293,712	293,712	
Investment in shares	-	8,500	343	-	8,843	8,843	Level 1
Amount due from related companies	-	-	-	2,883	2,883	2,883	
Other financial assets	-	-	-	187,185	187,185	187,185	
Total financial assets	2,740	8,500	2,285,061	63,834,086	66,130,387	67,423,155	
Bank overdraft	-	-	-	2,333,062	2,333,062	2,333,062	
Interest bearing borrowings	-	-	-	11,040,028	11,040,028	10,122,000	Level 2
Deposits from customers	-	-	-	41,309,960	41,309,960	40,698,483	Level 2
Trade payables	-	-	-	645,905	645,905	645,905	
Accruals and other payables	-	-	-	649,441	649,441	649,441	
Derivative liabilities	57,515	-	-	-	57,515	57,515	
Amount due to related companies	-	-	-	2,453,097	2,453,097	2,453,097	
Total financial liabilities	57,515	-	-	58,431,494	58,489,009	56,959,503	

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6.2 Financial assets and liabilities- Valuation technique

Level 2 fair value – market comparison technique

- Derivative assets and liabilities / Forward exchange contracts – fair value is based on broker quotes of similar contracts and the quotes reflect the actual transaction in similar instrument

Level 2 fair value – discounted cash flows

Financial instruments not measured at fair value

- For the purpose of disclosing fair value of the financial instruments not measured at fair value (carried at amortized cost) discounted cash flows has been used to derive the fair value.

7. Selected performance indicators

	As at 31-03-2016	As at 31-03-2015
Regulatory Capital Adequacy		
- Total Tier I Core Capital Rs. '000	9,175,386	7,907,559
- Total Capital Base Rs. '000	12,272,285	10,923,722
- Core capital adequacy ratio (Minimum requirement 5%)	10.07%	13.11%
- Total capital adequacy ratio (Minimum requirement 10%)	13.47%	18.12%
Asset Quality Ratios		
- Gross Non-Performing Advances Ratio	4.15%	4.52%
- Net Non-Performing Advances Ratio	1.06%	1.94%
Regulatory Liquidity		
- Available Liquid Assets Rs. '000	8,041,208	5,610,180
- Required Liquid Assets Rs. '000	7,689,912	4,893,053

8. Contingent liabilities

There are no significant changes in the nature of the contingent liabilities disclosed in the Annual report for the year ended 31 March 2015.

9. Comparative information

Comparative information has not been reclassified or restated.

10. Events after reporting date

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

SEGMENT INFORMATION

	Operating Segment				Total Rs '000
	Conventional Financial Services	Islamic Financial Services	Factoring Business	Others/ Adjustments	
	Rs '000	Rs '000	Rs '000	Rs '000	
For the year ended 31st March 2016					
Total revenue	10,869,523	1,636,308	1,877,274	-	14,383,106
Inter segmental revenue	-	-	-	-	-
External revenue	10,869,523	1,636,308	1,877,274	-	14,383,106
Net interest cost	(4,885,942)	(612,957)	(1,000,575)	-	(6,499,475)
Profit before operating expenses	5,983,581	1,023,351	876,699	-	7,883,631
Operating expenses	(3,934,236)	(452,640)	(1,201,208)	-	(5,588,084)
Value added tax on financial services	(220,325)	(55,565)	-	-	(275,891)
Profit before income tax	1,829,020	515,145	(324,509)	-	2,019,656
For the year ended 31st March 2015					
Total revenue	9,942,829	1,270,727	927,502	-	12,141,058
Inter segmental revenue	-	-	-	-	-
External revenue	9,942,829	1,270,727	927,502	-	12,141,058
Net interest cost	(3,933,757)	(529,020)	(515,535)	-	(4,978,312)
Profit before operating expenses	6,009,072	741,707	411,967	-	7,162,746
Operating expenses	(4,006,143)	(371,027)	(319,000)	-	(4,696,171)
Value added tax on financial services	(198,321)	(31,221)	(10,684)	-	(240,226)
Profit before income tax	1,804,607	339,458	82,283	-	2,226,349
For the year ended 31st March 2016					
Provision for / (reversal of provision for) doubtful debts and bad debts written off	757,041	75,856	735,679	-	1,568,576
Depreciation	32,717	-	-	-	32,717
For the year ended 31st March 2015					
Provision for / (reversal of provision for) doubtful debts and bad debts written off	1,377,131	85,016	35,155	-	1,497,302
Depreciation	12,166	-	-	-	12,166
Capital expenditure - Property Plant and equipment					
For the year ended 31st March 2016	1,231,580	-	-	-	1,231,580
For the year ended 31st March 2015	98,568	-	-	-	98,568
As at 31-03-2016					
Total assets	88,717,036	11,043,205	13,598,601	(2,973,777)	110,385,065
Total liabilities	80,834,237	9,727,871	13,598,601	(2,973,777)	101,186,931
As at 31-03-2015					
Total assets	53,886,840	9,008,959	6,200,202	(1,234,102)	67,861,900
Total liabilities	48,065,754	6,836,450	6,200,202	(1,234,102)	59,868,304

STATEMENT OF DIRECTORS' HOLDING AND CHIEF EXECUTIVE OFFICER'S HOLDING IN SHARES OF THE ENTITY

Directors Name	No. of shares	%
Mr. W. D. K. Jayawardena <i>Chairman</i>	Nil	Nil
Mr. I. C. Nanayakkara <i>Deputy Chairman</i>	Nil	Nil
Bansei Securities Finance (Pvt) Ltd /Mr A.Nissanka <i>Director / CEO</i>	1,300,800	0.05
Mrs. K. U. Amarasinghe	Nil	Nil
Mrs. D.P Pieris	1,000,000	0.04
Mr. R.K.S.S Chandra	Nil	Nil
Dr. L. M. J. S.H. Cabral	Nil	Nil

TOP 20 SHAREHOLDERS

	Shareholder	No. of	% of Issued
1	Lanka ORIX Leasing Company PLC	2,520,000,000	90.00
2	Saakya Capital (Pvt) Ltd	128,045,234	4.57
3	Satya Capital (Pvt) Ltd	52,000,000	1.86
4	Capital Alliance Holdings Ltd	28,000,000	1.00
5	Dr. R.R.De Silva	11,371,515	0.41
6	National Savings Bank	4,550,000	0.16
7	DPMC Assetline Holdings (Pvt) Ltd. Account No 2	3,443,923	0.12
8	Mr D. Kotthoff	3,100,000	0.11
9	Dr A R Wikramanayake	1,688,500	0.06
10	Mr S V Somasunderam	1,500,000	0.05
11	Bansei Securities Finance (Pvt) Ltd /Mr A.Nissanka	1,300,800	0.05
12	Mr G.C.S. Ramanayake/ Mrs K.M. Ramanayake	1,008,423	0.04
13	Assetline Leasing Company Ltd/M J T Waas	1,000,000	0.04
14	Mrs. D.P.Pieris	1,000,000	0.04
15	Mr.P.M.M.Pieris	1,000,000	0.04
16	Mr.L.A.J.F. Morais	966,449	0.03
17	Mr W. A. S. P. De Saram	906,389	0.03
18	Mr A.W.A.L. Dharmaprema	900,012	0.03
19	Pan Asia Banking Corporation PLC/S.S. Weerabandu	800,460	0.03
20	Mrs.B.C.R Wickramaratne	765,000	0.03
	Total shares held by Top 20 Shareholders	2,763,346,705	98.69

Public share holding as at 31st March 2016 was 10% comprising of 2643 shareholders.