



INTERIM FINANCIAL STATEMENTS

For the year ended

31st March 2018

LOLC Finance PLC

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As at 31st March 2018

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LOLC Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31st March 2018

	As at 31.03.2018 (Unaudited) Rs. '000	As at 31.03.2017 (Audited) Rs. '000
ASSETS		
Cash and bank balances	11,323,366	4,924,112
Deposits with banks and other financial institutions	26,346,552	14,161,567
Investment in government securities and others	10,871,768	7,853,176
Derivative assets	133,541	23,840
Rentals receivable on leased assets	43,426,260	18,408,733
Loans and advances	97,099,380	55,484,081
Factoring receivable	10,638,755	16,524,638
Margin trading receivables	175,570	94,825
Other receivables	1,099,075	1,071,661
Investment securities	1,965,299	324,629
Amount due from related companies	32,909	224,506
Inventories	9,078	-
Investment properties	6,278,187	906,300
Property plant and equipment	1,714,491	2,621,022
Total assets	211,114,232	122,623,092
LIABILITIES		
Bank overdraft	4,243,170	2,393,316
Interest bearing borrowings	70,490,432	24,456,314
Deposits from customers	110,027,420	80,607,115
Trade payables	1,593,496	677,878
Accruals and other payables	2,293,772	1,620,968
Derivative liabilities	482,464	18,978
Amount due to related companies	1,497,000	434,259
Current tax payable	908,322	268,932
Deferred tax liability	2,402,219	1,102,058
Defined benefit obligations	70,303	17,018
Total liabilities	194,008,598	111,596,835
EQUITY		
Stated capital	7,880,000	2,000,000
Statutory reserve	1,996,724	1,556,439
Revaluation reserve	241,528	206,230
Cash flow hedge reserve	(6,333)	14,237
Available for sale investment reserve	(7,166)	(115,485)
Retained earnings	7,000,882	7,364,836
Total equity	17,105,634	11,026,257
Total liabilities and equity	211,114,232	122,623,092
Net assets per share (Rs.)	4.07	3.94

Certification :

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

Sgd.

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(Mr.) Imraz Iqbal

Head of Finance

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

Signed for and on behalf of the Board

Sgd.

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(Mr.) R.D. Tissera - Executive Deputy Chairman

23rd May 2018

Rajagiriya (Greater Colombo)

Sgd.

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(Mr.) Ashan Nissanka - Director / CEO

LOLC Finance PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2018

	For the year ended				For the quarter ended			
	Group	Company			Group	Company		
	31.03.2018 (Unaudited) Rs '000	31.03.2018 (Unaudited) Rs '000	31.03.2017 (Audited) Rs '000	Variance %	31.03.2018 (Unaudited) Rs '000	31.03.2018 (Unaudited) Rs '000	31.03.2017 (Audited) Rs '000	Variance %
Interest income	24,848,471	21,899,346	18,489,741	18%	8,619,367	5,670,241	5,084,852	12%
Interest expense	(15,016,602)	(13,902,137)	(11,459,273)	-21%	(4,553,006)	(3,438,541)	(3,175,312)	-8%
Net interest income	9,831,870	7,997,209	7,030,467	14%	4,066,361	2,231,700	1,909,540	17%
Net other operating income	3,796,819	3,735,457	2,348,653	59%	1,275,244	1,213,882	728,745	67%
Total income	13,628,689	11,732,666	9,379,121	25%	5,341,605	3,445,582	2,638,285	31%
Operating expenses								
Direct expenses excluding interest cost	(1,273,314)	(1,047,933)	(1,311,408)	20%	40,700	266,081	(282,358)	194%
Allowance for impairment & write-offs	(4,449,052)	(3,709,288)	(1,329,042)	-179%	(2,341,726)	(1,601,962)	(514,091)	-212%
Personnel expenses	(1,630,407)	(1,370,493)	(1,424,495)	4%	(481,332)	(221,418)	(477,290)	54%
Depreciation	(179,951)	(173,817)	(148,246)	-17%	(48,461)	(42,327)	(44,358)	5%
General & administration expenses	(3,551,521)	(2,997,554)	(2,624,517)	-14%	(1,411,762)	(857,795)	(521,184)	-65%
Profit from operations	2,544,445	2,433,582	2,541,412	-4%	1,099,024	988,161	799,004	24%
Value added tax on financial services	(480,484)	(348,841)	(364,835)	4%	(220,576)	(88,933)	(138,967)	36%
Profit before income tax expense	2,063,961	2,084,740	2,176,577	-4%	878,449	899,228	660,037	36%
Income tax (expense) / reversal	127,213	116,686	(589,759)	120%	408,607	398,080	(131,141)	404%
Profit for the period	2,191,174	2,201,426	1,586,818	39%	1,287,056	1,297,308	528,896	145%
Other comprehensive income								
Items that will never be reclassified to profit or loss								
Remeasurements of defined benefit liability - gain / (loss)	(2,609)	(2,609)	(1,505)	73%	(2,609)	(2,609)	(1,505)	73%
Related tax	731	731	421	73%	731	731	421	73%
Total of items that will never be reclassified to profit or loss	(1,879)	(1,879)	(1,083)	73%	(1,879)	(1,879)	(1,083)	73%
Items that are or may be reclassified to profit or loss								
Available-for-sale financial assets :								
Net change in fair value	128,083	128,105	44,669	187%	(10,639)	(10,616)	(5,956)	78%
Net amount transferred to profit or loss	(16,746)	(16,746)	-	-	(16,746)	(16,746)	-	-
Related tax	(3,019)	(3,019)	-	-	(3,019)	(3,019)	-	-
	108,319	108,341	44,669	143%	(30,403)	(30,380)	(5,956)	410%
Gain / (loss) on cash flow hedges	(28,569)	(26,649)	(11,821)	-125%	(10,669)	(8,748)	5,124	-271%
Related tax	7,999	7,462	3,310	125%	7,999	7,462	3,310	125%
	(20,570)	(19,187)	(8,511)	125%	(2,669)	(1,287)	8,434	-115%
Revaluation surplus	35,298	-	216,990	-100%	35,298	-	216,990	-100%
Related tax	-	-	(10,760)	-100%	-	-	(10,760)	-100%
	35,298	-	206,230	-100%	35,298	-	206,230	-100%
Total of items that are or may be reclassified to profit or loss	123,046	89,154	242,388	-63%	2,226	(31,667)	208,708	-115%
Total comprehensive income, net of tax	121,168	87,275	241,304	-64%	347	(33,546)	207,624	-116%
Total comprehensive income for the period	2,312,342	2,288,701	1,828,122	25%	1,287,402	1,263,762	736,520	72%
Profit for the period attributable to;								
Equity holders of the Company	2,191,174				1,287,056			
Non-controlling interests	-				-			
Profit for the period	2,191,174				1,287,056			
Total comprehensive income attributable to;								
Equity holders of the Company	2,312,342				1,287,402			
Non-controlling interests	-				-			
Total comprehensive income for the period	2,312,342				1,287,402	-	-	-
Basic earnings per share (Rs.)	0.77	0.77	0.57		0.42	0.43	0.19	

Figures in brackets indicate deductions.

LOLC Finance PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2018

Company	Stated Capital Rs '000	Statutory Reserve Rs '000	Revaluation Reserve Rs '000	Cash flow Hedge Reserve Rs '000	Available for Sale Investment Reserve Rs '000	Retained Earnings Rs '000	Total Equity Rs '000
Balance as at 01 April 2016	2,000,000	1,239,075	-	22,748	(160,154)	6,096,465	9,198,134
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	1,586,818	1,586,818
<i>Other comprehensive income, net of income tax</i>							
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	(1,083)	(1,083)
Net change in fair value of AFS investments	-	-	-	-	44,669	-	44,669
Net movement of cashflow hedges	-	-	-	(8,511)	-	-	(8,511)
Total other comprehensive income for the period	-	-	-	(8,511)	44,669	(1,083)	35,075
Total comprehensive income for the period	-	-	-	(8,511)	44,669	1,585,735	1,621,892
Total comprehensive income for the period	-	-	206,230	(8,511)	44,669	0.00	206,230
Transactions recorded directly in equity							
Transfer to Statutory Reserve Fund	-	317,364	-	-	-	(317,364)	-
Total transactions recorded directly in equity	-	317,364	-	-	-	(317,364)	-
Balance as at 31 March 2017	2,000,000	1,556,439	206,230	14,237	(115,485)	7,364,836	11,026,257
Balance as at 01 April 2017	2,000,000	1,556,439	206,230	14,237	(115,485)	7,364,836	11,026,257
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	2,201,426	2,201,426
<i>Other comprehensive income, net of income tax</i>							
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	(1,879)	(1,879)
Net change in fair value of AFS investments	-	-	-	-	108,341	-	108,341
Net movement of cashflow hedges	-	-	-	(19,187)	-	-	(19,187)
Total other comprehensive income for the period	-	-	-	(19,187)	108,341	(1,879)	87,275
Total comprehensive income for the period	-	-	-	(19,187)	108,341	2,199,548	2,288,701
Transactions recorded directly in equity							
Shares issued during the year (note 11.2)	5,880,000	-	-	-	-	-	5,880,000
Transfer to Statutory Reserve Fund	-	440,285	-	-	-	(440,285)	-
Excess of the investment and other adjustments on merger with subsidiary (note 11)	-	-	35,298	(1,382)	(23)	(2,123,217)	(2,089,324)
Total transactions recorded directly in equity	5,880,000	440,285	35,298	(1,382)	(23)	(2,563,502)	3,790,676
Balance as at 31 March 2018	7,880,000	1,996,724	241,528	(6,333)	(7,166)	7,000,882	17,105,634

LOLC Finance PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2018

Group	Stated Capital Rs '000	Statutory Reserve Rs '000	Revaluation Reserve Rs '000	Cash flow Hedge Reserve Rs '000	Available for Sale Investment Rs '000	Retained Earnings Rs '000	Total Equity Rs '000
Balance as at 01 April 2017	2,000,000	1,556,439	206,230	14,237	(115,485)	7,364,836	11,026,257
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	2,191,174	2,191,174
<i>Other comprehensive income, net of income tax</i>							
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	(1,879)	(1,879)
Net change in fair value of AFS investments	-	-	-	-	108,319	-	108,319
Net movement of cashflow hedges	-	-	-	(20,570)	-	-	(20,570)
Revaluation of property, plant and equipment	-	-	35,298	-	-	-	35,298
Total other comprehensive income for the period	-	-	35,298	(20,570)	108,319	(1,879)	121,168
Total comprehensive income for the period	-	-	35,298	(20,570)	108,319	2,189,295	2,312,342
Transactions recorded directly in equity							
Shares issued during the year (note 11.2)	5,880,000	-	-	-	-	-	5,880,000
Transfer to Statutory Reserve Fund	-	440,285	-	-	-	(440,285)	-
Excess of investment / Goodwill on merger with subsidiary (note 11)	-	-	-	-	-	(2,112,965)	(2,112,965)
Total transactions recorded directly in equity	5,880,000	440,285	-	-	-	(2,553,250)	3,767,035
Balance as at 31 March 2018	7,880,000	1,996,724	241,528	(6,333)	(7,166)	7,000,882	17,105,634

LOLC Finance PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2018

	Group	Company	
	2018 Rs '000	2018 Rs '000	2017 Rs '000
Cash flows from / (used in) operating activities			
Profit before income tax expense	2,063,961	2,084,740	2,176,577
Adjustments for:			
Depreciation	179,951	173,817	148,246
(Profit) / loss on sales of investment property	(5,463)	(5,463)	(11,903)
Change in fair value of derivatives - forward contracts	246,944	127,750	28,699
Provision for fall / (increase) in value of investments	(163,387)	(163,387)	(31,952)
Impairment provision for the period	(453,228)	(704,594)	549,529
Provision for defined benefit plans	8,927	5,987	5,142
Provision for payables to clients	26,000	26,000	10,500
Change in fair value of investment property	(78,587)	(78,587)	(24,458)
Investment income	(2,093,702)	(1,935,902)	(1,456,265)
Finance costs	15,016,602	13,902,137	11,282,235
Operating profit / (loss) before working capital changes	14,748,019	13,432,498	12,676,349
Change in other receivables	1,028,800	1,995,769	(340,001)
Change in inventories	(8,545)	(8,545)	-
Change in trade and other payables	(3,987,056)	608,468	631,893
Change in amounts due to / due from related parties	(5,545,440)	(7,501,572)	(783,757)
Change in lease receivables	(5,599,945)	(6,958,026)	(1,201,164)
Change in hire purchase, loans and advances	(4,835,209)	(5,819,897)	(2,295,076)
Change in factoring receivables	6,133,009	6,133,009	(3,330,707)
Change in margin trading advances	(80,745)	(80,745)	(9,228)
Change in fixed deposits from customers	23,827,482	23,827,482	19,085,135
Change in savings deposits from customers	5,048,050	5,048,050	755,577
Cash generated from / (used in) operations	30,728,419	30,676,491	25,189,020
Finance cost paid on deposits	(11,444,753)	(11,444,753)	(7,513,260)
Gratuity paid	(1,932)	(1,932)	(1,877)
Income tax paid	(663,163)	(332,055)	(520,427)
Net cash from / (used in) operating activities	18,618,571	18,897,752	17,153,457
Cash flows from / (used in) investing activities			
(Acquisitions) / disposals of property, plant & equipment	(2,912,928)	(2,906,794)	(749,012)
Net proceeds from investments in term deposits	462,583	2,265	(5,260,673)
Proceeds from sale of investment property	42,663	42,663	74,258
Acquisition of subsidiary-net of cash acquired (note 11.1)	(7,276,215)	(12,291,200)	-
Net proceeds from Investments in unit trust	(1,323,439)	(1,323,439)	790,793
Net proceeds from investments in government securities	3,742,759	4,345,131	1,894,865
Interest received	2,093,702	1,935,902	1,456,265
Net cash flows used in investing activities	(5,170,875)	(10,195,473)	(1,793,503)
Cash flows from / (used in) financing activities			
Proceeds from issuance of new shares (note 11.2)	5,880,000	5,880,000	-
Net proceeds from interest bearing loans & borrowings	(11,375,225)	(7,572,072)	(10,625,625)
Lease rentals paid	(521,815)	(521,815)	(632,792)
Finance cost paid on bank loans and over draft	(2,881,254)	(1,938,991)	(3,127,127)
Net cash flows from / (used in) financing activities	(8,898,294)	(4,152,878)	(14,385,545)
Net increase / (decrease) in cash and cash equivalents	4,549,401	4,549,401	974,410
Cash and cash equivalents at the beginning of the year	2,530,795	2,530,796	1,556,386
Cash and cash equivalents at the end of the period	7,080,196	7,080,196	2,530,796
Analysis of cash and cash equivalents at the end of the period			
Cash and bank balances	11,323,366	11,323,366	4,924,112
Bank overdraft	(4,243,170)	(4,243,170)	(2,393,316)
	7,080,196	7,080,196	2,530,796

LOLC Finance PLC

OPERATING SEGMENTS

For the year ended 31st March 2018

	Conventional Financial Services Rs '000	Islamic Financial Services Rs '000	Factoring Business Rs '000	Others/ Adjustments Rs '000	Total Rs '000
For the year ended 31st March 2018					
Total revenue	22,039,999	2,573,403	4,031,889	-	28,645,291
Inter-segmental revenue	-	-	-	-	-
External revenue	22,039,999	2,573,403	4,031,889	-	28,645,291
Net interest cost	(11,561,536)	(1,271,783)	(2,183,282)	-	(15,016,602)
Profit before operating expenses	10,478,463	1,301,620	1,848,607	-	13,628,689
Operating expenses	(6,110,659)	(524,534)	-	-	(6,635,192)
Allowance for impairment & write-offs	(2,043,554)	(161,113)	(2,244,385)	-	(4,449,052)
Value added tax on financial services	(400,764)	(79,720)	-	-	(480,484)
Profit before income tax	1,923,487	536,253	(395,778)	-	2,063,961
For the year ended 31st March 2017					
Total revenue	14,947,090	2,156,290	3,735,014	-	20,838,394
Inter-segmental revenue	-	-	-	-	-
External revenue	14,947,090	2,156,290	3,735,014	-	20,838,394
Net interest cost	(8,850,888)	(874,068)	(1,734,318)	-	(11,459,273)
Profit before operating expenses	6,096,201	1,282,222	2,000,697	-	9,379,121
Operating expenses	(4,250,225)	(589,098)	(669,343)	-	(5,508,666)
Allowance for impairment & write-offs	(854,152)	(45,477)	(429,414)	-	(1,329,042)
Value added tax on financial services	(114,391)	(97,114)	(153,330)	-	(364,835)
Profit before income tax	877,433	550,533	748,611	-	2,176,577
As at 31.03.2018					
Total assets	186,022,953	14,580,150	10,638,755	(127,626)	211,114,232
Total liabilities	170,980,256	12,517,214	10,638,755	(127,626)	194,008,598
As at 31.03.2017					
Total assets	96,885,941	11,435,702	16,524,638	(2,223,189)	122,623,092
Total liabilities	87,528,029	9,767,357	16,524,638	(2,223,189)	111,596,835

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2018

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 2016/17 are followed in the preparation of these Interim Financial Statements

2. Stated Capital

The Stated Capital of the Company is represented by 4,200,000,000 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 2018 are as follows:

	Rs'
Market price as at 31st March 2018	3.90
Highest Price	4.10
Lowest Price	3.40

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 financial year 2015/16 and reaffirmed during this financial year as [SL]A-(Stable).

- Interest rates of the debentures

Instrument type	Interest frequency	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%	9.91%	11.30%	10.06%
Type B - 5 Years Tenor	Semi Annually	9.10%	9.10%	9.10%	10.06%
Type C - 5 Years Tenor	Annually	9.25%	9.25%	9.25%	10.06%

- Market prices & issue prices of debentures recorded during the quarter ended 31st March 2018 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. 90.84	Rs. 90.84	Rs. 90.84	18-Apr-17
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 31.03.2018	As at 31.03.2017
Debt to equity ratio	10.8 times	9.75 times
Quick asset ratio	0.78 times	0.85 times
Interest cover	1.14 times	1.19 times

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2018

6 Financial assets and liabilities

6.1 Accounting classifications and fair values

As at 31st March 2018

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

Description	Fair value – derivatives	Fair value - held for trading	Fair value through other comprehensive income / carried at cost– available for sale	Amortized cost / Not measured at fair value	Total Carrying amount	Fair value	Rs. '000
							Fair value measurement level
Cash and cash equivalents	-	-	-	11,323,366	11,323,366	11,323,366	
Deposits with banks	-	-	-	26,346,552	26,346,552	26,346,552	
Investment in government securities							
- Measured at fair value	-	-	4,381,049	-	4,381,049	4,381,049	Level 1
- Measured at amortized cost	-	-	-	6,490,720	6,490,720	6,490,720	
Derivative assets	133,541	-	-	-	133,541	133,541	Level 2
Investment securities	-	1,744,987	-	-	1,744,987	1,744,987	Level 1
Rentals receivable on leased assets	-	-	-	43,426,260	43,426,260	45,891,334	Level 2
Loans and advances	-	-	-	97,099,380	97,099,380	96,859,352	Level 2
Factoring receivable	-	-	-	10,638,755	10,638,755	10,638,755	
Margin trading receivables	-	-	-	175,570	175,570	175,570	
Amount due from related companies	-	-	-	32,909	32,909	32,909	
Other financial assets	-	-	-	4,278	4,278	4,278	
Total financial assets	133,541	1,744,987	4,381,049	195,537,791	201,797,367	204,022,413	
Bank overdraft	-	-	-	4,243,170	4,243,170	4,243,170	
Interest bearing borrowings	-	-	-	70,490,432	70,490,432	69,755,139	Level 2
Deposits from customers	-	-	-	110,027,420	110,027,420	110,251,440	Level 2
Trade payables	-	-	-	1,593,496	1,593,496	1,593,496	
Accruals and other payables	-	-	-	2,229,140	2,229,140	2,229,140	
Derivative liabilities	482,464	-	-	-	482,464	482,464	Level 2
Amount due to related companies	-	-	-	1,497,000	1,497,000	1,497,000	
Total financial liabilities	482,464	-	-	190,080,658	190,563,122	190,051,848	

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2018

Financial assets and liabilities (Cont.)

6.1 Accounting classifications and fair values

As at 31st March 2017

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

Description	Fair value – derivatives	Fair value - held for trading	Fair value through other comprehensive income / carried at cost– available for sale	Amortized cost / Not measured at fair value	Total Carrying amount	Fair value	Rs. '000
							Fair value measurement level
Cash and cash equivalents	-	-	-	4,924,112	4,924,112	4,924,112	
Deposits with banks	-	-	-	14,161,567	14,161,567	14,161,567	
Investment in government securities							
- Measured at fair value	-	-	1,127,126		1,127,126	1,127,126	Level 1
- Measured at amortized cost	-	-		6,726,051	6,726,051	6,726,051	
Derivative assets	23,840	-	-	-	23,840	23,840	Level 2
Investment securities	-	258,161	-	66,468	324,629	324,629	Level 1
Rentals receivable on leased assets	-	-	-	18,408,733	18,408,733	18,279,673	Level 2
Hire purchases, loans and advances	-	-	-	55,484,081	55,484,081	54,309,994	Level 2
Factoring receivable	-	-	-	16,524,638	16,524,638	16,524,638	
Margin trading receivables	-	-	-	94,825	94,825	94,825	
Amount due from related companies	-	-	-	224,506	224,506	224,506	
Other financial assets	-	-	-	329,118	329,118	329,118	
Total financial assets	23,840	258,161	1,127,126	116,944,100	118,353,227	117,050,080	
Bank overdraft	-	-	-	2,393,316	2,393,316	2,393,316	
Interest bearing borrowings	-	-	-	24,456,314	24,456,314	23,975,905	Level 2
Deposits from customers	-	-	-	80,607,115	80,607,115	80,402,810	Level 2
Trade payables	-	-	-	677,878	677,878	677,878	
Accruals and other payables	-	-	-	1,594,047	1,594,047	1,594,047	
Derivative liabilities	18,978	-	-	-	18,978	18,978	Level 2
Amount due to related companies	-	-	-	434,259	434,259	434,259	
Total financial liabilities	18,978	-	-	110,162,929	110,181,907	109,497,193	

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2018

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

Regulatory Capital Adequacy		31.03.2018	31.03.2017
- Total Tier I Core Capital	Rs. '000	16,864,106	10,805,790
- Total Capital Base	Rs. '000	18,445,618	13,178,058
- Core capital adequacy ratio (Minimum requirement 5%)		10.06%	10.91%
- Total capital adequacy ratio (Minimum requirement 10%)		11.01%	13.31%
Asset Quality Ratios		31.03.2018	31.03.2017
- Gross Non-Performing Advances Ratio		3.82%	4.41%
- Net Non-Performing Advances Ratio		1.00%	0.44%
Regulatory Liquidity		31.03.2018	31.03.2017
- Available Liquid Assets	Rs. '000	25,567,912	11,996,053
- Required Liquid Assets	Rs. '000	16,843,147	9,558,509
- Liquid assets to Deposits ratio		23.24%	14.88%

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 2017.

9. Comparative information

Comparative information has not been reclassified or restated.

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2018

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

11 Acquisition of LOLC Micro Credit Limited and subsequent merger with LOLC Finance PLC (LOFC / "The Company")

On 29th January 2018 the Company acquired 100% shares of LOLC Micro Credit Ltd (LOMC) at a price of Rs.156.18 per share totalling to Rs.12,291,200,000.

In December 2017, the Company received approval from the Central Bank of Sri Lanka (CBSL) to acquire 100% shares of LOMC and to merge LOMC with LOFC in line with the financial sector consolidation plans. Post merger LOFC is the remaining entity. LOMC was 80% owned by Lanka Orix Leasing Company PLC (LOLC) and 20% by Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO). LOLC is the controlling shareholder of LOFC.

The merger was completed on 29th March 2018 and post merger, the Directors expect significant growth in assets as the synergies of the combined entity will unlock new market opportunities.

The carrying amounts of the identifiable assets and liabilities of the acquiree as at 31-January-2018 which is the acquisition date and on 29-March-2018 which is the merger date is as follows;

	31-Jan-18	29-Mar-18
	Rs'000	Rs'000
Assets		
Cash and cash equivalents	5,316,836	1,371,173
Investment securities	19,473,960	19,593,456
Advances and other loans	57,335,339	54,741,204
Trade and other receivables	849,632	442,127
Property, plant and equipment	744,386	923,496
	83,720,153	77,071,457
Liabilities		
Bank overdrafts	301,851	131,710
Interest bearing loans & borrowings	57,744,158	54,113,207
Provision for taxation	965,766	911,094
Trade and other payables	12,854,846	10,184,576
Deferred taxation	1,628,676	1,482,373
Retirement benefit obligations	46,621	46,621
	73,541,918	66,869,581
Carrying amount of identifiable net assets acquired	10,178,235	10,201,876
<u>Results of the acquisitions of above entity are as follows:</u>		
Fair value of consideration paid / Investment	12,291,200	12,291,200
Carrying amount of identifiable net assets acquired / merged	(10,178,235)	(10,201,876)
Resulting excess	2,112,965	2,089,324

Since this business combination is within entities under the common control of the ultimate parent LOLC, no goodwill is recognized and upon the merger, the excess of Rs.2,112,964,541 and 2,089,324,096 was recognized in equity of the Group and Company respectively.

11.1 Net cash paid on acquisition of subsidiary

Consideration paid (Rs' 000)	12,291,200
Net cash acquired (Rs' 000)	(5,014,985)
Net cash paid (Rs' 000)	7,276,215

11.2 Rights issue

The merger has immediately increased the asset base of the Company and to comply with capital adequacy requirements of CBSL, in March

2018 the Company has increased its share capital through a rights issue totalling to a value of Rs.5.88Bn with 1.4Bn shares being issued.

11.3 Consolidated financial statements

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity includes the results of the company for the full year and the results of the subsidiary for 2 months after eliminating inter company expenses and income and other consolidation adjustments.

As at the year end, since the subsidiary is merged with the parent a separate consolidated statement of financial position is not presented as the parent's statement of financial position includes the financial position of the subsidiary as at 31-Mar-2018.

LOLC Finance PLC

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

As at 31st March 2018

Directors Name	No. of shares	%
Mr B.C.G. de Zylva (Non Executive non Independent Chairman)	Nil	Nil
Mr I.C. Nanayakkara (Executive Deputy Chairman)	Nil	Nil
Mr R.D. Tissera (Executive Deputy Chairman)	Nil	Nil
Mr A. Nissanka (Director / CEO)	1,300,800	0.03%
Mrs K.U. Amarasinghe (Executive Director)	Nil	Nil
Mrs D.P. Pieris (Senior Independent Director)	1,000,000	0.02%
Mr P.A. Wijeratne (Independent Director)	5,000	0.00%

LOLC Finance PLC

TOP 20 SHAREHOLDERS

As at 31st March 2018

	Shareholder	No. of Shares	% of Issued Capital
1	Lanka ORIX Leasing Company PLC	3,919,921,531	93.33%
2	Saakya Capital (Pvt) Ltd	128,045,234	3.05%
3	Satya Capital (Pvt) Ltd	52,000,000	1.24%
4	Capital Alliance Holdings Ltd	18,747,044	0.45%
5	Dr. R.R.De Silva	11,371,515	0.27%
6	National Savings Bank	4,550,000	0.11%
7	Mr D. Kotthoff	4,419,406	0.11%
8	Deutsche Bank / Trustee To Astrue Alpha Fund	2,074,000	0.05%
9	Dr A.R. Wikramanayake	1,688,500	0.04%
10	Mr S.V. Somasunderam	1,500,000	0.04%
11	Bansei Securities Capital (Pvt) Ltd / Mr A. Nissanka	1,300,800	0.03%
12	Mr L.A.J.F. Morais	1,181,128	0.03%
13	Hatton National Bank PLC / Sanka Ramoorthy Nadaraj Kumar	1,165,633	0.03%
14	Mrs D.P. Pieris	1,000,000	0.02%
15	Mr P.M.M. Pieris	1,000,000	0.02%
16	People's Leasing and Finance PLC / HI Line Trading (Pvt) Ltd	862,164	0.02%
17	Sezeka Limited	818,900	0.02%
18	Sampath Bank PLC / Mr D.K.L. Chandrasena	807,753	0.02%
19	Colombo Trust Finance PLC / Mr Rienzie Collom	781,905	0.02%
20	Mr A.W.A.L. Dharmaprema	750,012	0.02%
Total shares held by Top 20 Shareholders		4,153,985,525	98.90%

Public shareholding

Information pertaining to public shareholding as at 31st March 2018 is as follows:

	31-Mar-18	31-Mar-17
Public holding percentage	6.59%	10.00%
Number of public shareholders	2,810	2,733
Float adjusted market capitalization	1,079,432,909	728,000,000

The Company is not compliant with the minimum public holding requirement stipulated in the Listing Rule 17.13.1.(b) (Option 1) of the Colombo Stock Exchange. This arose consequent to the rights issue made by the Company in March 2018 and the subscription by the public shareholders was less than their entitlement.

The Board of Directors of the Company is in the process of evaluating options in this regard.