



INTERIM FINANCIAL STATEMENTS

For the six months ended

30th September 2017

LOLC Finance PLC

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As at 30th September 2017

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LOLC Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 30th September 2017

	As at 30.09.2017 (Unaudited) Rs. '000	As at 31.03.2017 (Audited) Rs. '000
ASSETS		
Cash and bank balances	8,919,082	4,924,112
Deposits with banks and other financial institutions	11,134,555	14,161,567
Investment in government securities and others	8,318,664	7,853,176
Derivative assets	3,744	23,840
Rentals receivable on leased assets	20,293,715	18,408,733
Hire purchases, loans and advances	57,965,419	55,484,081
Factoring receivable	15,677,433	16,524,638
Margin trading receivables	215,267	94,825
Other receivables	1,180,789	1,071,661
Investment securities	7,613,860	324,629
Amount due from related companies	50,926	224,506
Investment properties	1,840,817	906,300
Property plant and equipment	1,638,049	2,621,022
Total assets	134,852,320	122,623,092
LIABILITIES		
Bank overdraft	3,190,001	2,393,316
Interest bearing borrowings	16,730,585	24,456,314
Deposits from customers	98,506,818	80,607,115
Trade payables	1,146,429	677,878
Accruals and other payables	1,319,986	1,620,968
Derivative liabilities	85,688	18,978
Amount due to related companies	461,350	434,259
Current tax payable	504,067	268,932
Deferred tax liability	1,102,058	1,102,058
Defined benefit obligations	17,018	17,018
Total liabilities	123,064,000	111,596,835
EQUITY		
Stated capital	2,000,000	2,000,000
Statutory reserve	1,556,439	1,556,439
Revaluation reserve	206,230	206,230
Cash flow hedge reserve	(19,850)	14,237
Available for sale investment reserve	59,991	(115,485)
Retained earnings	7,985,510	7,364,836
Total equity	11,788,320	11,026,257
Total liabilities and equity	134,852,320	122,623,092
Net assets per share (Rs.)	4.21	3.94

Certification :

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

Sgd.

(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.

(Mrs.) K.U. Amarasinghe - Director

Sgd.

(Mr.) Ashan Nissanka - Director / CEO

25th October 2017
Rajagiriya (Greater Colombo)

LOLC Finance PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2017

	For the period ended			For the quarter ended		
	30.09.2017 (Unaudited) Rs '000	30.09.2016 (Unaudited) Rs '000	Variance %	30.09.2017 (Unaudited) Rs '000	30.09.2016 (Unaudited) Rs '000	Variance %
Interest income	10,527,355	8,465,161	24%	5,426,821	4,559,667	19%
Interest expense	(6,870,395)	(5,247,293)	-31%	(3,494,679)	(2,795,555)	-25%
Net interest income	3,656,959	3,217,868	14%	1,932,141	1,764,112	10%
Net other operating income	1,623,770	1,090,107	49%	815,251	569,273	43%
Total income	5,280,730	4,307,975	23%	2,747,392	2,333,385	18%
Operating expenses						
Direct expenses excluding interest cost	(974,960)	(635,884)	-53%	(491,625)	(345,012)	-42%
Allowance for impairment & write-offs	(1,025,547)	(465,640)	-120%	(814,703)	(286,456)	-184%
Personnel expenses	(754,148)	(628,806)	-20%	(382,283)	(313,352)	-22%
Depreciation	(87,258)	(63,144)	-38%	(43,511)	(37,772)	-15%
General & administration expenses	(1,349,591)	(1,369,353)	1%	(590,883)	(756,732)	22%
Profit from operations	1,089,226	1,145,149	-5%	424,388	594,061	-29%
Value added tax on financial services	(203,417)	(140,477)	-45%	(93,223)	(74,076)	-26%
Profit before income tax expense	885,809	1,004,671	-12%	331,164	519,985	-36%
Income tax expense	(265,135)	(290,260)	9%	(109,834)	(128,531)	15%
Profit for the period	620,674	714,411	-13%	221,330	391,455	-43%
Other comprehensive income						
Items that are or may be reclassified to profit or loss						
Available-for-sale financial assets-net change in fair value	175,476	144,750	21%	81,430	90,381	-10%
Gain / (loss) on cash flow hedges	(34,087)	(4,672)	-630%	(15,585)	20,817	-175%
	141,389	140,078	1%	65,845	111,199	-41%
Total comprehensive income	762,063	854,489	-11%	287,175	502,654	-43%
Basic earnings per share (Rs.)	0.22	0.26		0.08	0.14	

Figures in brackets indicate deductions.

LOLC Finance PLC

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2017

	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 period							
Profit for the period	-	-	-	-	-	714,411	714,411
<i>Other comprehensive income, net of income tax</i>							
Net change in fair value of AFS investments	-	-	-	-	144,750	-	144,750
Net movement of cashflow hedges	-	-	-	(4,672)	-	-	(4,672)
Total other comprehensive income for the period	-	-	-	(4,672)	144,750	-	140,078
Total comprehensive income for the period	-	-	-	(4,672)	144,750	714,411	854,489
Balance as at 30 September 2016	2,000,000	1,239,075	-	18,076	(15,404)	6,810,876	10,052,624
Balance as at 01 October 2016	2,000,000	1,239,075	-	18,076	(15,404)	6,810,876	10,052,624
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	872,407	872,407
<i>Other comprehensive income, net of income tax</i>							
Net change in fair value of AFS investments	-	-	-	-	(100,081)	-	(100,081)
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	(1,083)	(1,083)
Net movement of cashflow hedges	-	-	-	(3,839)	-	-	(3,839)
Revaluation gain	-	-	206,230	-	-	-	206,230
Total other comprehensive income for the period	-	-	206,230	(3,839)	(100,081)	(1,083)	101,226
Total comprehensive income for the period	-	-	206,230	(3,839)	(100,081)	871,323	973,633
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 period							
Profit for the period	-	-	-	-	-	620,674	620,674
<i>Other comprehensive income, net of income tax</i>							
Net change in fair value of AFS investments	-	-	-	-	175,476	-	175,476
Net movement of cashflow hedges	-	-	-	(34,087)	-	-	(34,087)
Total other comprehensive income for the period	-	-	-	(34,087)	175,476	-	141,389
Total comprehensive income for the period	-	-	-	(34,087)	175,476	620,674	762,063
Transactions recorded directly in equity							
Transfer to Statutory Reserve Fund	-	-	-	-	-	-	-
Total transactions recorded directly in equity	-	-	-	-	-	-	-
Balance as at 30 September 2017	2,000,000	1,556,439	206,230	(19,850)	59,991	7,985,510	11,788,320

LOLC Finance PLC

STATEMENT OF CASH FLOWS

For the six months ended 30th September 2017

	2017 Rs '000	2016 Rs '000
Cash flows from / (used in) operating activities		
Profit before income tax expense	885,809	1,004,671
Adjustments for:		
Depreciation	87,258	63,144
Change in fair value of derivatives - forward contracts	86,805	136,656
Provision for fall / (increase) in value of investments	(19,525)	(30,491)
Impairment provision for the period	427,509	111,330
Provision for defined benefit plans	-	900
Investment income	(1,100,848)	(684,063)
Finance costs	6,870,395	5,186,907
Operating profit / (loss) before working capital changes	7,237,404	5,789,055
Change in other receivables	(109,127)	(192,038)
Change in trade and other payables	167,569	589,846
Change in amounts due to / due from related parties	200,672	2,807,699
Change in lease receivables	(2,267,062)	(1,042,247)
Change in hire purchase, loans and advances	(2,065,375)	(7,633,677)
Change in factoring receivables	385,813	(3,060,756)
Change in margin trading advances	(120,442)	(5,616)
Change in fixed deposits from customers	16,096,562	8,444,764
Change in savings deposits from customers	1,582,273	289,381
Cash generated from / (used in) operations	21,108,286	5,986,411
Finance cost paid on deposits	(5,508,824)	(3,350,577)
Gratuity paid	-	(442)
Income tax paid	(30,000)	(75,000)
Net cash from / (used in) operating activities	15,569,462	2,560,393
Cash flows from / (used in) investing activities		
(Acquisitions) / disposals of property, plant & equipment	(26,051)	(530,308)
Net proceeds from investments in term deposits	(3,359,381)	215,833
Net proceeds from Investments in unit trust	(7,269,706)	1,040,793
Net proceeds from investments in government securities	6,096,381	(709,600)
Interest received	1,100,848	684,063
Net cash flows used in investing activities	(3,457,909)	700,781
Cash flows from / (used in) financing activities		
Net proceeds from interest bearing loans & borrowings	(7,698,980)	(2,118,215)
Lease rentals paid	(274,466)	(238,582)
Finance cost paid on bank loans and over draft	(939,821)	(1,326,654)
Net cash flows from / (used in) financing activities	(8,913,268)	(3,683,452)
Net increase / (decrease) in cash and cash equivalents	3,198,285	(422,278)
Cash and cash equivalents at the beginning of the year	2,530,796	1,556,386
Cash and cash equivalents at the end of the period	5,729,081	1,134,108
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	8,919,082	2,816,466
Bank overdraft	(3,190,001)	(1,682,358)
	5,729,081	1,134,108

LOLC Finance PLC

OPERATING SEGMENTS

For the six months ended 30th September 2017

	Conventional Financial Services Rs '000	Islamic Financial Services Rs '000	Factoring Business Rs '000	Others/ Adjustments Rs '000	Total Rs '000
For the six months ended 30th September 2017					
Total revenue	8,682,576	1,245,100	2,223,449	-	12,151,125
Inter-segmental revenue	-	-	-	-	-
External revenue	8,682,576	1,245,100	2,223,449	-	12,151,125
Net interest cost	(5,323,744)	(631,069)	(915,582)	-	(6,870,395)
Profit before operating expenses	3,358,833	614,030	1,307,867	-	5,280,730
Operating expenses	(2,346,590)	(275,951)	(543,416)	-	(3,165,957)
Allowance for impairment & write-offs	(598,035)	(78,333)	(349,180)	-	(1,025,547)
Value added tax on financial services	(38,343)	(35,117)	(129,957)	-	(203,417)
Profit before income tax	375,865	224,630	285,314	-	885,809
For the six months ended 30th September 2016					
Total revenue	6,924,831	1,031,799	1,598,639	-	9,555,268
Inter-segmental revenue	-	-	-	-	-
External revenue	6,924,831	1,031,799	1,598,639	-	9,555,268
Net interest cost	(3,932,768)	(396,216)	(918,309)	-	(5,247,293)
Profit before operating expenses	2,992,062	635,583	680,330	-	4,307,975
Operating expenses	(2,070,128)	(237,192)	(389,866)	-	(2,697,186)
Allowance for impairment & write-offs	(369,650)	(28,720)	(67,269)	-	(465,640)
Value added tax on financial services	(48,306)	(48,602)	(43,570)	-	(140,477)
Profit before income tax	503,977	321,070	179,625	-	1,004,671
As at 30.09.2017					
Total assets	104,320,862	14,785,662	15,677,433	68,363	134,852,320
Total liabilities	94,362,620	12,955,583	15,677,433	68,363	123,064,000
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 30th September 2017

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
- 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 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 30th September 2017 are as follows:

	Rs'
Market price as at 30th September 2017	3.90
Highest Price	4.20
Lowest Price	3.70

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%	10.01%
Type B - 5 Years Tenor	Semi Annually	9.10%	9.10%	9.10%	10.01%
Type C - 5 Years Tenor	Annually	9.25%	9.25%	9.25%	10.01%

- Market prices & issue prices of debentures recorded during the quarter ended 30th September 2017 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 30.09.2017	As at 31.03.2017
Debt to equity ratio	10.05 times	9.75 times
Quick asset ratio	0.86 times	0.85 times
Interest cover	1.13 times	1.19 times

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th September 2017

6 Financial assets and liabilities

6.1 Accounting classifications and fair values

As at 30th September 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	-	-	-	8,919,082	8,919,082	8,919,082	
Deposits with banks	-	-	-	11,134,555	11,134,555	11,134,555	
Investment in government securities							
- Measured at fair value	-	-	4,443,978	-	4,443,978	4,443,978	Level 1
- Measured at amortized cost	-	-	-	3,874,686	3,874,686	3,874,686	
Derivative assets	3,744	-	-	-	3,744	3,744	Level 2
Investment securities	-	7,547,391	-	66,468	7,613,860	7,613,860	Level 1
Rentals receivable on leased assets	-	-	-	20,293,715	20,293,715	20,061,767	Level 2
Hire purchases, loans and advances	-	-	-	57,965,419	57,965,419	58,291,897	Level 2
Factoring receivable	-	-	-	15,677,433	15,677,433	15,677,433	
Margin trading receivables	-	-	-	215,267	215,267	215,267	
Amount due from related companies	-	-	-	50,926	50,926	50,926	
Other financial assets	-	-	-	390,933	390,933	390,933	
Total financial assets	3,744	7,547,391	4,443,978	118,588,484	130,583,598	130,678,128	
Bank overdraft	-	-	-	3,190,001	3,190,001	3,190,001	
Interest bearing borrowings	-	-	-	16,730,585	16,730,585	16,199,496	Level 2
Deposits from customers	-	-	-	98,506,818	98,506,818	98,339,684	Level 2
Trade payables	-	-	-	1,146,429	1,146,429	1,146,429	
Accruals and other payables	-	-	-	1,277,427	1,277,427	1,277,427	
Derivative liabilities	85,688	-	-	-	85,688	85,688	Level 2
Amount due to related companies	-	-	-	461,350	461,350	461,350	
Total financial liabilities	85,688	-	-	121,312,610	121,398,298	120,700,075	

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th September 2017

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	Rs. '000	
						Fair value	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	

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	30.09.2017	31.03.2017	30.09.2016
- Total Tier I Core Capital Rs. '000	10,805,790	10,805,790	9,600,962
- Total Capital Base Rs. '000	13,178,058	13,178,058	12,697,860
- Core capital adequacy ratio (Minimum requirement 5%)	10.00%	10.91%	9.39%
- Total capital adequacy ratio (Minimum requirement 10%)	12.19%	13.31%	12.41%
Asset Quality Ratios	30.09.2017	31.03.2017	30.09.2016
- Gross Non-Performing Advances Ratio	5.96%	4.41%	4.10%
- Net Non-Performing Advances Ratio	1.69%	0.44%	0.77%
Regulatory Liquidity	30.09.2017	31.03.2017	30.09.2016
- Available Liquid Assets Rs. '000	21,019,280	11,996,053	9,341,086
- Required Liquid Assets Rs. '000	11,294,495	9,558,509	8,808,382
- Liquid assets to Deposits ratio	21.34%	14.88%	13.50%

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.

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.

LOLC Finance PLC

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

As at 30th September 2017

Directors Name	No. of shares	%
Dr. L.J.S.H. Cabral (Chairman)	Nil	Nil
Mr. I.C. Nanayakkara (Deputy Chairman)	Nil	Nil
Mr. A. Nissanka (Director / CEO)	1,300,800	0.05%
Mrs. K.U. Amarasinghe	Nil	Nil
Mrs. D.P. Pieris	1,000,000	0.04%
Mr. P.A. Wijeratne	5,000	0.00%

LOLC Finance PLC

TOP 20 SHAREHOLDERS

As at 30th September 2017

	Shareholder	No. of Shares	% of Issued Capital
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	Mr D. Kotthoff	4,500,000	0.16%
8	Dr A R Wikramanayake	1,688,500	0.06%
9	Mr S V Somasunderam	1,500,000	0.05%
10	Bansei Securities Capital (Pvt) Ltd / Mr A. Nissanka	1,300,800	0.05%
11	Mr L.A.J.F. Morais	1,173,128	0.04%
12	Mrs D.P. Pieris	1,000,000	0.04%
13	Mr P.M.M. Pieris	1,000,000	0.04%
14	Colombo Trust Finance PLC / Mr Rienzie Collom	920,815	0.03%
15	Mr A.W.A.L. Dharmaprema	800,012	0.03%
16	Mr M.S.F. Haque & Mrs S.I. Haque	800,000	0.03%
17	Bansei Securities Capital (Pvt) Ltd / M.I.Y. Dharmawardhana	700,000	0.03%
18	Mirabaud & Cie	670,000	0.02%
19	People's Leasing and Finance PLC / HI Line Trading (Pvt) Ltd	664,608	0.02%
20	Mr G. Wickramasinghe	625,000	0.02%
Total shares held by Top 20 Shareholders		2,761,309,612	98.62%

Public share holding as at 30th September 2017 was 9.88% comprising of 2,615 shareholders.