



# INTERIM FINANCIAL STATEMENTS

For the three months ended

30th September 2020

LOLC FINANCE PLC

# LOLC Finance PLC

---

## CONTENTS

As at 30th September 2020

|   | 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 Operating Segments  | 5    |
| 6 Notes to the Interim Financial Statements   | 6    |
| 7 Statement of Directors' and Chief Executive Officer's holding in Shares of the Entity | 11   |
| 8 Top 20 Shareholders   | 12   |

# LOLC Finance PLC

## STATEMENT OF FINANCIAL POSITION

As at 30th September 2020

|  | As at 30.09.2020<br>(Unaudited)<br>Rs. '000 | As at 31.03.2020<br>(Audited)<br>Rs. '000 |
|--|---|---|
| <b>ASSETS</b>  |   |   |
| Cash and bank balances                               | 16,447,805                                  | 8,333,561                                 |
| Deposits with banks and other financial institutions | 2,009,110                                   | 17,282,277                                |
| Investment in government securities and others       | 14,234,450                                  | 10,790,843                                |
| Derivative assets                                    | 154,161                                     | 273,195                                   |
| Financial assets at amortized cost                   |   |   |
| Rentals receivable on leased assets                  | 48,256,750                                  | 43,842,381                                |
| Loans and advances                                   | 75,826,561                                  | 87,112,949                                |
| Factoring receivable                                 | 2,635,986                                   | 2,998,752                                 |
| Margin trading receivable                            | -   | 1,768                                     |
| Investment securities                                | 1,500,584                                   | 2,958,199                                 |
| Other receivables                                    | 1,205,893                                   | 914,073                                   |
| Amount due from related companies                    | 22,626                                      | 63,233                                    |
| Inventories  | 7,654                                       | 2,023                                     |
| Investment properties                                | 16,343,640                                  | 15,963,886                                |
| Property plant and equipment                         | 1,129,106                                   | 1,351,207                                 |
| <b>Total assets</b>                                  | <b>179,774,325</b>                          | <b>191,888,346</b>                        |
| <b>LIABILITIES</b>                                   |   |   |
| Bank overdraft                                       | 4,454,294                                   | 1,283,201                                 |
| Interest bearing borrowings                          | 32,543,087                                  | 51,558,593                                |
| Deposits from customers                              | 97,553,070                                  | 99,261,181                                |
| Trade payables                                       | 1,753,864                                   | 1,048,944                                 |
| Accruals and other payables                          | 6,942,148                                   | 3,331,643                                 |
| Derivative liabilities                               | 74,511                                      | 114,349                                   |
| Amount due to related companies                      | 1,669,923                                   | 854,198                                   |
| Current tax payable                                  | 1,030,410                                   | 960,255                                   |
| Deferred tax liability                               | 1,888,186                                   | 1,888,186                                 |
| Defined benefit obligations                          | 318,914                                     | 298,142                                   |
| <b>Total liabilities</b>                             | <b>148,228,405</b>                          | <b>160,598,693</b>                        |
| <b>EQUITY</b>  |   |   |
| Stated capital                                       | 12,762,500                                  | 12,762,500                                |
| Statutory reserve                                    | 3,378,282                                   | 3,378,282                                 |
| Revaluation reserve                                  | 241,528                                     | 241,528                                   |
| Cash flow hedge reserve                              | (20,745)                                    | (77,310)                                  |
| Fair Value Reserve                                   | 31,261                                      | 11,957                                    |
| Retained earnings                                    | 15,153,095                                  | 14,972,696                                |
| <b>Total equity</b>                                  | <b>31,545,920</b>                           | <b>31,289,653</b>                         |
| <b>Total liabilities and equity</b>                  | <b>179,774,325</b>                          | <b>191,888,346</b>                        |
| Net asset value per share (Rs.)                      | 6.01  | 5.96                                      |

### Certification :

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

(Sgd.)

.....  
Buddhika Weeratunga  
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.)

.....  
Conrad Dias - Director / CEO

(Sgd.)

.....  
Ashan Nissanka - Director

28<sup>th</sup> October 2020  
Rajagiriya (Greater Colombo)

# LOLC Finance PLC

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2020

|   | For the period ended                 |                                      |               | For the quarter ended                |                                      |               |
|---|--------------------------------------|--------------------------------------|---------------|--------------------------------------|--------------------------------------|---------------|
|   | 30.09.2020<br>(Unaudited)<br>Rs '000 | 30.09.2019<br>(Unaudited)<br>Rs '000 | Variance<br>% | 30.09.2020<br>(Unaudited)<br>Rs '000 | 30.09.2019<br>(Unaudited)<br>Rs '000 | Variance<br>% |
| Interest income   | 17,545,804                           | 19,164,633                           | -8%           | 9,077,286                            | 9,574,842                            | -5%           |
| Interest expense  | (6,947,064)                          | (10,263,062)                         | -32%          | (3,195,088)                          | (4,888,725)                          | -35%          |
| <b>Net interest income</b>  | <b>10,598,740</b>                    | <b>8,901,571</b>                     | <b>19%</b>    | <b>5,882,198</b>                     | <b>4,686,117</b>                     | <b>26%</b>    |
| Net other operating income  | 4,641,859                            | 846,930                              | 448%          | 1,383,003                            | 586,702                              | 136%          |
| <b>Total income</b>   | <b>15,240,599</b>                    | <b>9,748,501</b>                     | <b>56%</b>    | <b>7,265,201</b>                     | <b>5,272,819</b>                     | <b>38%</b>    |
| <b>Operating expenses</b>   |                                      |                                      |               |                                      |                                      |               |
| Direct expenses excluding interest cost                                 | (547,879)                            | (467,287)                            | 17%           | (368,387)                            | (282,829)                            | 30%           |
| Allowance for impairment & write-offs                                   | (9,812,423)                          | (2,877,007)                          | 241%          | (4,112,135)                          | (2,393,156)                          | 72%           |
| Personnel expenses  | (1,413,092)                          | (1,431,385)                          | -1%           | (825,983)                            | (643,129)                            | 28%           |
| Depreciation  | (78,987)                             | (96,672)                             | -18%          | (39,172)                             | (51,441)                             | -24%          |
| General & administration expenses                                       | (2,939,158)                          | (3,015,961)                          | -3%           | (1,662,093)                          | (1,539,811)                          | 8%            |
| <b>Profit from operations</b>   | <b>449,059</b>                       | <b>1,860,190</b>                     | <b>-76%</b>   | <b>257,430</b>                       | <b>362,454</b>                       | <b>-29%</b>   |
| Value added tax on financial services                                   | (198,506)                            | (570,071)                            | -65%          | (105,017)                            | (190,071)                            | -45%          |
| <b>Profit before income tax expense</b>                                 | <b>250,553</b>                       | <b>1,290,119</b>                     | <b>-81%</b>   | <b>152,413</b>                       | <b>172,383</b>                       | <b>-12%</b>   |
| Income tax expense  | (70,155)                             | (358,622)                            | -80%          | (42,676)                             | (33,438)                             | 28%           |
| <b>Profit for the period</b>  | <b>180,398</b>                       | <b>931,498</b>                       | <b>-81%</b>   | <b>109,737</b>                       | <b>138,946</b>                       | <b>-21%</b>   |
| <b>Other comprehensive income</b>                                       |                                      |                                      |               |                                      |                                      |               |
| <b>Items that are or may be reclassified to profit or loss</b>          |                                      |                                      |               |                                      |                                      |               |
| Movement in fair value reserves   | 19,305                               | 30,612                               | -37%          | (174,146)                            | (9,509)                              | -1731%        |
| Movement in hedge reserves  | 56,564                               | (66,469)                             | -185%         | 11,088                               | 7,986                                | 39%           |
| <b>Total of items that are or may be reclassified to profit or loss</b> | <b>75,869</b>                        | <b>(35,857)</b>                      | <b>-312%</b>  | <b>(163,058)</b>                     | <b>(1,523)</b>                       | <b>10608%</b> |
| <b>Total comprehensive income, net of tax</b>                           | <b>75,869</b>                        | <b>(35,857)</b>                      | <b>-312%</b>  | <b>(163,058)</b>                     | <b>(1,523)</b>                       | <b>10608%</b> |
| <b>Total comprehensive income for the period</b>                        | <b>256,267</b>                       | <b>895,641</b>                       | <b>-71%</b>   | <b>(53,321)</b>                      | <b>137,423</b>                       | <b>-139%</b>  |
| <b>Basic earnings per share (Rs.)</b>                                   | <b>0.03</b>                          | <b>0.22</b>                          |               | <b>0.02</b>                          | <b>0.03</b>                          |               |

Figures in brackets indicate deductions.

## LOLC Finance PLC

### STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2020

|   | Stated Capital<br>Rs '000 | Statutory<br>Reserve<br>Rs '000 | Revaluation<br>Reserve<br>Rs '000 | Cash flow Hedge<br>Reserve<br>Rs '000 | Fair Value<br>Reserve<br>Rs '000 | Retained<br>Earnings<br>Rs '000 | Total Equity<br>Rs '000 |
|---|---------------------------|---------------------------------|-----------------------------------|---------------------------------------|----------------------------------|---------------------------------|-------------------------|
| <b>Balance as at 01 April 2019</b>  | <b>7,880,000</b>          | <b>3,189,298</b>                | <b>241,528</b>                    | <b>(39,059)</b>                       | <b>(21,756)</b>                  | <b>11,516,579</b>               | <b>22,766,588</b>       |
| <b>Total comprehensive income for the period</b>  |                           |                                 |                                   |                                       |                                  |                                 |                         |
| Profit for the period   | -                         | -                               | -                                 | -                                     | -                                | 931,498                         | 931,498                 |
| <i>Other comprehensive income, net of income tax</i>  |                           |                                 |                                   |                                       |                                  |                                 |                         |
| Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income |                           | -                               |                                   | -                                     | 30,612                           | -                               | 30,612                  |
| Net movement of cashflow hedges   | -                         | -                               | -                                 | (66,469)                              | -                                | -                               | (66,469)                |
| <b>Total other comprehensive income for the period</b>  | <b>-</b>                  | <b>-</b>                        | <b>-</b>                          | <b>(66,469)</b>                       | <b>30,612</b>                    | <b>-</b>                        | <b>(35,857)</b>         |
| <b>Total comprehensive income for the period</b>  | <b>-</b>                  | <b>-</b>                        | <b>-</b>                          | <b>(66,469)</b>                       | <b>30,612</b>                    | <b>931,498</b>                  | <b>895,641</b>          |
| <b>Balance as at 30 September 2019</b>  | <b>7,880,000</b>          | <b>3,189,298</b>                | <b>241,528</b>                    | <b>(105,529)</b>                      | <b>8,856</b>                     | <b>12,448,076</b>               | <b>23,662,229</b>       |
| <b>Balance as at 01 October 2019</b>  | <b>7,880,000</b>          | <b>3,189,298</b>                | <b>241,528</b>                    | <b>(105,529)</b>                      | <b>8,856</b>                     | <b>12,448,076</b>               | <b>23,662,229</b>       |
| <b>Total comprehensive income for the period</b>  |                           |                                 |                                   |                                       |                                  |                                 |                         |
| Profit for the period   | -                         | -                               | -                                 | -                                     | -                                | 2,848,187                       | 2,848,187               |
| <i>Other comprehensive income, net of income tax</i>  |                           |                                 |                                   |                                       |                                  |                                 |                         |
| Remeasurements of defined benefit liability - gain / (loss)   | -                         | -                               | -                                 | -                                     | -                                | (134,583)                       | (134,583)               |
| Revaluation gain on fair value through OCI investments  |                           |                                 |                                   |                                       | 11,029                           | -                               | 11,029                  |
| Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income | -                         | -                               | -                                 | -                                     | (7,929)                          | -                               | (7,929)                 |
| Net movement of cashflow hedges   | -                         | -                               | -                                 | 28,219                                | -                                | -                               | 28,219                  |
| <b>Total other comprehensive income for the period</b>  | <b>-</b>                  | <b>-</b>                        | <b>-</b>                          | <b>28,219</b>                         | <b>3,101</b>                     | <b>(134,583)</b>                | <b>(103,263)</b>        |
| <b>Total comprehensive income for the period</b>  | <b>-</b>                  | <b>-</b>                        | <b>-</b>                          | <b>28,219</b>                         | <b>3,101</b>                     | <b>2,713,604</b>                | <b>2,744,924</b>        |
| <b>Transactions recorded directly in equity</b>   |                           |                                 |                                   |                                       |                                  |                                 |                         |
| Shares issued during the year   | 4,882,500                 | -                               | -                                 | -                                     | -                                | -                               | 4,882,500               |
| Transfer to Statutory Reserve Fund  | -                         | 188,984                         | -                                 | -                                     | -                                | (188,984)                       | -                       |
| <b>Total transactions recorded directly in equity</b>   | <b>4,882,500</b>          | <b>188,984</b>                  | <b>-</b>                          | <b>-</b>                              | <b>-</b>                         | <b>(188,984)</b>                | <b>4,882,500</b>        |
| <b>Balance as at 31 March 2020</b>  | <b>12,762,500</b>         | <b>3,378,282</b>                | <b>241,528</b>                    | <b>(77,310)</b>                       | <b>11,957</b>                    | <b>14,972,696</b>               | <b>31,289,653</b>       |
| <b>Balance as at 01 April 2020</b>  | <b>12,762,500</b>         | <b>3,378,282</b>                | <b>241,528</b>                    | <b>(77,310)</b>                       | <b>11,957</b>                    | <b>14,972,696</b>               | <b>31,289,653</b>       |
| <b>Total comprehensive income for the period</b>  |                           |                                 |                                   |                                       |                                  |                                 |                         |
| Profit for the period   | -                         | -                               | -                                 | -                                     | -                                | 180,398                         | 180,398                 |
| <i>Other comprehensive income, net of income tax</i>  |                           |                                 |                                   |                                       |                                  |                                 |                         |
| Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income | -                         | -                               | -                                 | -                                     | 19,305                           | -                               | 19,305                  |
| Net movement of cashflow hedges   | -                         | -                               | -                                 | 56,564                                | -                                | -                               | 56,564                  |
| <b>Total other comprehensive income for the period</b>  | <b>-</b>                  | <b>-</b>                        | <b>-</b>                          | <b>56,564</b>                         | <b>19,305</b>                    | <b>-</b>                        | <b>75,869</b>           |
| <b>Total comprehensive income for the period</b>  | <b>-</b>                  | <b>-</b>                        | <b>-</b>                          | <b>56,564</b>                         | <b>19,305</b>                    | <b>180,398</b>                  | <b>256,267</b>          |
| <b>Balance as at 30 September 2020</b>  | <b>12,762,500</b>         | <b>3,378,282</b>                | <b>241,528</b>                    | <b>(20,745)</b>                       | <b>31,261</b>                    | <b>15,153,095</b>               | <b>31,545,920</b>       |

# LOLC Finance PLC

## STATEMENT OF CASH FLOWS

For the six months ended 30th September 2020

|   | 2020<br>Rs '000     | 2019<br>Rs '000     |
|---|---------------------|---------------------|
| <b>Cash flows from / (used in) operating activities</b>               |                     |                     |
| Profit before income tax expense                                      | 250,553             | 1,290,119           |
| <b>Adjustments for:</b>   |                     |                     |
| Depreciation  | 78,987              | 96,672              |
| (Profit)/Loss on Sales of PPE/ Investment properties                  | (63,952)            | (12,870)            |
| Change in fair value of derivatives - forward contracts               | 79,196              | 492,488             |
| Change in fair value of Trading Gold Stock                            | (40,122)            | (7,666)             |
| Provision for fall / (increase) in value of investments               | (1,020)             | (1,000)             |
| Impairment provision for the period                                   | 4,650,751           | 235,013             |
| Provision for defined benefit plans                                   | 24,730              | -                   |
| Investment income   | (905,456)           | (1,231,990)         |
| Finance costs   | 6,947,064           | 10,263,062          |
| <b>Operating profit / (loss) before working capital changes</b>       | <b>11,020,731</b>   | <b>11,123,828</b>   |
| Change in other receivables   | (242,519)           | (296,981)           |
| Change in Inventories   | (5,631)             | (118)               |
| Change in trade and other payables                                    | 4,463,043           | 2,922,751           |
| Change in amounts due to/ due from related parties                    | 839,413             | 568,640             |
| Change in lease receivables   | (5,288,086)         | 827,890             |
| Change in loans and advances  | 7,730,843           | (871,606)           |
| Change in factoring receivables                                       | (113,810)           | 652,481             |
| Change in margin trading advances                                     | 1,768               | -                   |
| Change in fixed deposits from customers                               | (1,592,790)         | (4,524,508)         |
| Change in savings deposits from customers                             | 660,324             | 429,057             |
| <b>Cash generated from / (used in) operations</b>                     | <b>17,473,285</b>   | <b>10,831,433</b>   |
| Finance cost paid on deposits   | (5,685,373)         | (6,743,934)         |
| Gratuity paid   | (3,958)             | (3,044)             |
| Income tax paid   | -                   | (80,000)            |
| <b>Net cash from / (used in) operating activities</b>                 | <b>11,783,954</b>   | <b>4,004,455</b>    |
| <b>Cash flows from / (used in) investing activities</b>               |                     |                     |
| Acquisition of Property, Plant & Equipment & Investment property      | (394,363)           | (491,456)           |
| Proceeds from disposal of PPE/ Investment properties                  | 221,675             | 74,000              |
| Investments in companies  | (151,260)           | -                   |
| Net proceeds from investments in term deposits                        | 15,273,167          | 5,090,643           |
| Net proceeds from investments in government securities                | (3,435,802)         | 5,449,497           |
| Net Proceeds from investments in Debenture                            | -                   | 308,446             |
| Net proceeds from Investments in unit trust                           | 1,736,604           | (124,024)           |
| Proceeds from sale of investment property                             | -                   | -                   |
| Interest received   | 905,456             | 1,231,990           |
| <b>Net cash flows used in investing activities</b>                    | <b>14,155,476</b>   | <b>11,539,095</b>   |
| <b>Cash flows from / (used in) financing activities</b>               |                     |                     |
| Proceeds from issuance of new shares (Right issue)                    | -                   | 4,882,500           |
| Net proceeds from interest bearing loans & borrowings                 | (18,835,427)        | (12,819,464)        |
| Proceeds from issue of debentures                                     | -                   | -                   |
| Lease rentals paid - principal  | (53,194)            | (114,158)           |
| Finance cost paid on borrowings                                       | (2,107,659)         | (3,117,552)         |
| <b>Net cash flows from / (used in) financing activities</b>           | <b>(20,996,280)</b> | <b>(11,168,674)</b> |
| Net increase / (decrease) in cash and cash equivalents                | 4,943,150           | 4,374,876           |
| Cash and cash equivalents at the beginning of the year                | 7,050,360           | 15,293,043          |
| <b>Cash and cash equivalents at the end of the period</b>             | <b>11,993,511</b>   | <b>19,667,920</b>   |
| <b>Analysis of cash and cash equivalents at the end of the period</b> |                     |                     |
| Cash and bank balances  | 16,447,805          | 22,623,550          |
| Bank overdraft  | (4,454,294)         | (2,955,631)         |
|   | <b>11,993,511</b>   | <b>19,667,920</b>   |

# LOLC Finance PLC

## OPERATING SEGMENTS

For the six months ended 30th September 2020

|   | SME Finance<br>Rs '000 | Development<br>Finance<br>Rs '000 | Alternative<br>Financial Services<br>Rs '000 | Total<br>Rs '000  |
|---|------------------------|-----------------------------------|--|-------------------|
| <b>For the six months ended 30th September 2020</b> |                        |                                   |  |                   |
| Total revenue                                       | 12,279,222             | 9,266,950                         | 641,490                                      | 22,187,662        |
| Inter-segmental revenue                             | -                      | -                                 | -  | -                 |
| <b>External revenue</b>                             | <b>12,279,222</b>      | <b>9,266,950</b>                  | <b>641,490</b>                               | <b>22,187,662</b> |
| Net interest cost                                   | (2,564,672)            | (4,120,517)                       | (261,875)                                    | (6,947,064)       |
| <b>Profit before operating expenses</b>             | <b>9,714,550</b>       | <b>5,146,434</b>                  | <b>379,615</b>                               | <b>15,240,599</b> |
| Operating expenses                                  | (1,944,624)            | (2,860,928)                       | (173,564)                                    | (4,979,116)       |
| Allowance for impairment & write-offs               | (5,878,480)            | (3,750,497)                       | (183,446)                                    | (9,812,423)       |
| Value added tax on financial services               | (73,569)               | (108,235)                         | (16,701)                                     | (198,506)         |
| <b>Profit before income tax</b>                     | <b>1,817,876</b>       | <b>(1,573,226)</b>                | <b>5,904</b>                                 | <b>250,553</b>    |
| <b>For the six months ended 30th September 2019</b> |                        |                                   |  |                   |
| Total revenue                                       | 10,083,389             | 9,266,825                         | 661,349                                      | 20,011,563        |
| Inter-segmental revenue                             | -                      | -                                 | -  | -                 |
| <b>External revenue</b>                             | <b>10,083,389</b>      | <b>9,266,825</b>                  | <b>661,349</b>                               | <b>20,011,563</b> |
| Net interest cost                                   | (4,632,945)            | (5,343,680)                       | (286,436)                                    | (10,263,062)      |
| <b>Profit before operating expenses</b>             | <b>5,450,444</b>       | <b>3,923,145</b>                  | <b>374,913</b>                               | <b>9,748,501</b>  |
| Operating expenses                                  | (4,183,558)            | (698,782)                         | (128,965)                                    | (5,011,305)       |
| Allowance for impairment & write-offs               | (2,755,408)            | -                                 | (121,599)                                    | (2,877,007)       |
| Value added tax on financial services               | (221,612)              | (318,775)                         | (29,683)                                     | (570,071)         |
| <b>Profit before income tax</b>                     | <b>(1,710,135)</b>     | <b>2,905,588</b>                  | <b>94,665</b>                                | <b>1,290,119</b>  |
| <b>As at 30.09.2020</b>                             |                        |                                   |  |                   |
| Total assets  | 89,228,129             | 76,704,214                        | 13,841,982                                   | 179,774,325       |
| Total liabilities                                   | 60,337,864             | 76,704,214                        | 11,186,327                                   | 148,228,405       |
| <b>As at 31.03.2020</b>                             |                        |                                   |  |                   |
| Total assets  | 113,513,372            | 64,532,991                        | 13,841,982                                   | 191,888,346       |
| Total liabilities                                   | 85,659,964             | 64,532,991                        | 10,405,738                                   | 160,598,693       |



# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th September 2020

### 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 audited financials for the year 2019/20 are followed in the preparation of these Interim Financial Statements.
- Accounting policies and method of computation as stated in the audited financial statements for the year 2018/19 are followed in the preparation of these Interim Financial Statements except for the accounting policies and methods of computation adopted to be compliant with SLFRS 16 - Leases, which became effective from 01 January 2019.

#### Impact of Covid 19 Pandemic

The COVID 19 lockdown affected the collections thereby increasing the NPL position of the company. With the return of normalcy, the company has seen positive trends in interactions with the clients in both new business and collections.

The Government and Central Bank of Sri Lanka has issued several guidelines and directions to support the affected borrowers due to COVID-19 which includes moratorium on advances granted to certain businesses and individuals. The Company has granted moratorium for such clients.

The quarterly financials reflect the impact of minimal business operations during the lockdown period, due to COVID-19 pandemic

### 2. Stated Capital

The Stated Capital of the Company is represented by 5,250,000,000 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 2020 are as follows:

|                   | Rs'  |
|-------------------|------|
| Last traded price | 3.80 |
| Highest Price     | 4.10 |
| Lowest Price      | 2.90 |

### 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).

In addition, the company issued thirty four million (34,110,193) rated unsecured subordinated redeemable debentures in July 2018. These debentures are also listed in the Colombo Stock Exchange. ICRA Lanka Ltd rated these debentures as [SL]A-(Stable).

- Interest rates of the debentures

| Instrument type        | Interest frequency | Coupon<br>( % p.a ) | Interest yield as at<br>last trade | Yield to maturity<br>of last trade done | Interest rate of<br>comparable<br>Government Security |
|------------------------|--------------------|---------------------|------------------------------------|---|---|
| Type A - 5 Years Tenor | Semi-annually      | 14.75%              | 14.75%                             | 14.84%                                  | 6.40% %   |
| Type B - 5 Years Tenor | At maturity        | 20.13%              | 20.13%                             | 20.13%                                  | 6.40% %   |

- Market prices & issue prices of debentures recorded during the quarter ended 30th September 2020 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. 101.19    | Rs. 101.19   | Rs. 101.19        | 17-Dec-19        |
| Type B - 5 Years Tenor | Rs. 49.83   | Not Traded    | Not Traded   | Not Traded        | N/A              |

- Debt security related ratios

|                                      | As at 30.09.2020 | As at 31.03.2020 |
|--------------------------------------|------------------|------------------|
| Debt to equity ratio (With Deposits) | 4.27 times       | 7.86 times       |
| Quick asset ratio                    | 0.69 times       | 0.94 times       |
| Interest cover                       | 1.04 times       | 1.34 times       |

### 6. Issuer rating - ICRA

ICRA Lanka assigned the company an issuer rating of (SL) A (Stable outlook).



# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th September 2020

### 7 Financial assets and liabilities

#### 7.1 Accounting classifications and fair values

As at 30th September 2020

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

|  |                                   |   |   |                       |                    | Rs. '000                     |
|--|-----------------------------------|---|---|-----------------------|--------------------|------------------------------|
| Description  | Fair value through profit or loss | Fair value through other comprehensive income | Amortized cost / Not measured at fair value | Total Carrying amount | Fair value         | Fair value measurement level |
| Cash and cash equivalents                            | -                                 | -   | 16,447,805                                  | 16,447,805            | 16,447,805         |                              |
| Deposits with banks and other financial institutions | -                                 | -   | 2,009,110                                   | 2,009,110             | 2,009,110          |                              |
| Investment in government securities                  |                                   |   |   |                       |                    |                              |
| - Measured at fair value                             | -                                 | 10,633,320                                    | -   | 10,633,320            | 10,633,320         | Level 1                      |
| - Measured at amortized cost                         | -                                 | -   | 3,601,129                                   | 3,601,129             | 3,601,129          |                              |
| Derivative assets                                    | 154,161                           | -   | -   | 154,161               | 154,161            | Level 2                      |
| Investment securities                                | 1,323,917                         | 176,130                                       | 537   | 1,500,584             | 1,500,584          | Level 1                      |
| Rentals receivable on leased assets                  | -                                 | -   | 48,256,750                                  | 48,256,750            | 48,867,496         | Level 2                      |
| Hire purchases, loans and advances                   | -                                 | -   | 75,826,561                                  | 75,826,561            | 76,182,692         | Level 2                      |
| Factoring receivable                                 | -                                 | -   | 2,635,986                                   | 2,635,986             | 2,635,986          |                              |
| Amount due from related companies                    | -                                 | -   | 22,626                                      | 22,626                | 22,626             |                              |
| Other financial assets                               | -                                 | -   | 472,194                                     | 472,194               | 472,194            |                              |
| <b>Total financial assets</b>                        | <b>1,478,078</b>                  | <b>10,809,450</b>                             | <b>149,272,698</b>                          | <b>161,560,226</b>    | <b>162,527,103</b> |                              |
| Bank overdraft                                       | -                                 | -   | 4,454,294                                   | 4,454,294             | 4,454,294          |                              |
| Interest bearing borrowings                          | -                                 | -   | 32,543,087                                  | 32,543,087            | 32,519,110         | Level 2                      |
| Deposits from customers                              | -                                 | -   | 97,553,070                                  | 97,553,070            | 98,351,886         | Level 2                      |
| Trade payables                                       | -                                 | -   | 1,753,864                                   | 1,753,864             | 1,753,864          |                              |
| Accruals and other payables                          | -                                 | -   | 6,879,107                                   | 6,879,107             | 6,879,107          |                              |
| Derivative liabilities                               | 74,511                            | -   | -   | 74,511                | 74,511             | Level 2                      |
| Amount due to related companies                      | -                                 | -   | 1,669,923                                   | 1,669,923             | 1,669,923          |                              |
| <b>Total financial liabilities</b>                   | <b>74,511</b>                     | <b>-</b>                                      | <b>144,853,343</b>                          | <b>144,927,854</b>    | <b>145,702,693</b> |                              |

# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th September 2020

### Financial assets and liabilities (Cont.)

#### 7.1 Accounting classifications and fair values

As at 31st March 2020

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

| Description                         | Fair value through profit or loss | Fair value through other comprehensive income | Amortized cost / Not measured at fair value | Total Carrying amount | Rs. '000           |                              |
|-------------------------------------|-----------------------------------|---|---|-----------------------|--------------------|------------------------------|
|                                     |                                   |   |   |                       | Fair value         | Fair value measurement level |
| Cash and cash equivalents           | -                                 | -   | 8,333,561                                   | 8,333,561             | 8,333,561          |                              |
| Deposits with banks                 | -                                 | -   | 17,282,277                                  | 17,282,277            | 17,282,277         |                              |
| Investment in government securities |                                   |   |   |                       |                    |                              |
| - Measured at fair value            | -                                 | 9,608,599                                     | -   | 9,608,599             | 9,608,599          | Level 1                      |
| - Measured at amortized cost        | -                                 |   | 1,182,245                                   | 1,182,245             | 1,182,245          |                              |
| Derivative assets                   | 273,195                           | -   | -   | 273,195               | 273,195            | Level 2                      |
| Investment securities               | 2,769,277                         | 188,384                                       | 537   | 2,958,198             | 2,958,198          | Level 1                      |
| Rentals receivable on leased assets | -                                 | -   | 43,842,381                                  | 43,842,381            | 45,449,584         | Level 2                      |
| Hire purchases, loans and advances  | -                                 | -   | 87,112,949                                  | 87,112,949            | 85,874,401         | Level 2                      |
| Factoring receivable                | -                                 | -   | 2,998,752                                   | 2,998,752             | 2,998,752          |                              |
| Amount due from related companies   | -                                 | -   | 63,233                                      | 63,233                | 63,233             |                              |
| Other financial assets              | -                                 | -   | 535,859                                     | 535,859               | 535,859            |                              |
| <b>Total financial assets</b>       | <b>3,042,472</b>                  | <b>9,796,983</b>                              | <b>161,351,793</b>                          | <b>174,191,248</b>    | <b>174,559,903</b> |                              |
| Bank overdraft                      | -                                 | -   | 1,283,201                                   | 1,283,201             | 1,283,201          |                              |
| Interest bearing borrowings         | -                                 | -   | 51,558,593                                  | 51,558,593            | 52,511,891         | Level 2                      |
| Deposits from customers             | -                                 | -   | 99,261,181                                  | 99,261,181            | 99,376,970         | Level 2                      |
| Trade payables                      | -                                 | -   | 1,048,944                                   | 1,048,944             | 1,048,944          |                              |
| Accruals and other payables         | -                                 | -   | 3,256,333                                   | 3,256,333             | 3,256,333          |                              |
| Derivative liabilities              | 114,349                           | -   | -   | 114,349               | 114,349            | Level 2                      |
| Amount due to related companies     | -                                 | -   | 854,198                                     | 854,198               | 854,198            |                              |
| <b>Total financial liabilities</b>  | <b>114,349</b>                    | <b>-</b>                                      | <b>157,262,450</b>                          | <b>157,376,799</b>    | <b>158,445,885</b> |                              |

# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th September 2020

### 7.2 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

#### 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.

### 8. 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.

### 9. Selected performance indicators

| Regulatory Capital Adequacy                                 |          | 30.09.2020 | 31.03.2020 | 30.09.2019 |
|---|----------|------------|------------|------------|
| - Total Tier I Core Capital                                 | Rs. '000 | 26,265,353 | 26,265,353 | 25,219,520 |
| - Total Capital Base  | Rs. '000 | 28,567,853 | 29,061,713 | 28,967,186 |
| - Core capital adequacy ratio<br>(Minimum requirement 7%)   |          | 14.14%     | 13.25%     | 13.10%     |
| - Total capital adequacy ratio<br>(Minimum requirement 11%) |          | 15.37%     | 14.66%     | 15.04%     |
| Asset Quality Ratios  |          | 30.09.2020 | 31.03.2020 | 30.09.2019 |
| - Net Non-Performing Advances Ratio                         |          | 6.21%      | 5.48%      | 3.97%      |
| Regulatory Liquidity  |          | 30.09.2020 | 31.03.2020 | 30.09.2019 |
| - Available Liquid Assets                                   | Rs. '000 | 16,274,357 | 15,796,485 | 21,386,471 |
| - Required Liquid Assets                                    | Rs. '000 | 7,256,858  | 11,734,217 | 13,087,015 |
| - Liquid assets to Deposits ratio                           |          | 16.68%     | 15.91%     | 19.15%     |

### 10. Contingent liabilities

There are no significant changes in the nature of the contingent liabilities disclosed in the audited financials for the year ended 31 March 2019.

### 11. Comparative information

Comparative information has been reclassified to conform to the current period's presentation, where necessary. No information has been restated

## LOLC Finance PLC

### NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th September 2020

**12. Subordinated, Unsecured, Listed, Redeemable, Rated Debentures Issue (2018/2023) - Proceeds utilization as at 30th September 2020 are as follows.**

| Objective as per Prospect   | Amount Allocated As Per Prospect In LKR | Proposed Date Of Utilization | Amount Allocated In LKR (A) | % Of Total Proceed | Amount Utilized In LKR (B) | % Of Utilized Against Allocation (B/A) | Clarification If Not Fully Utilized Including Where The Funds Invested (E.g. Whether Lent To Related Tarty/s etc.) |
|---|---|------------------------------|-----------------------------|--------------------|----------------------------|--|--|
| Supporting the general business growth opportunities of the Company   | N/A                                     | N/A                          | N/A                         | N/A                | N/A                        | N/A                                    | N/A  |
| Reducing the mismatch of maturity periods between assets and liabilities  | N/A                                     | N/A                          | N/A                         | N/A                | N/A                        | N/A                                    | N/A  |
| Improve the capital Adequacy of the company's balance sheet, by strengthening its Tier II Capital, Subject to the CBSL's approval as mentioned below. Such an increase in the Tier II capital will enable the company to significantly expand its lending portfolio in conformity with the CBSL's capital requirements. | 2.5 Billion                             | From the date of allotment   | 2.5 Billion                 | 100%               | 2.5 Billion                | 100%                                   | N/A  |

**13. Rights Issue - proceeds utilization as at 30th September 2020 are as follows. (Issued on 16th March 2018)**

| Objective As Per Circular  | Amount Allocated As Per Circular in Rs. | Proposed Date of Utilization As Per Circular       | Amount allocated From Proceeds in Rs.(A) | % of Total Proceeds  | Amount Utilized in Rs. (B) | % of Utilize Against Allocation (B/A) | Clarification if not Fully Utilized Including Where The Funds are Invested (E.g. Whether Lent to Related Party/s etc.) |
|--|---|--|--|--|----------------------------|---------------------------------------|--|
| To comply with CBSL Direction No. 02 of 2006 (Risk Weighted Capital Adequacy Ratio) to facilitate the acquisition and merger of LOLC Micro Credit Ltd.   | 5.88 Billion                            | Within Two months from Allotment (26th March 2018) | 5.88 Billion                             | 100% by 26th March 2018                                      | 5.88 Billion               | 100%                                  | N/A  |
| To comply with the minimum capital adequacy requirement for every licensed finance company is required to maintain by 1st July 2019, in terms of the of the finance business act direction no. 3 of 2018 dated 6th June 2018 | 4.88 Billion                            | Within 15 - 18 month from Allotment                | 4.88 Billion                             | 100% utilised for portolio growth & invest in T Bill/ Repo's | 4.88 Billion               | 100%                                  | N/A  |

## LOLC Finance PLC

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

As at 30th September 2020

| Directors Name  | No. of shares | %      |
|---|---------------|--------|
| <b>Mr B.C.G. de Zylva</b><br>(Non- Executive Chairman)  | Nil           | Nil    |
| <b>Mr F K C P N Dias</b><br>Director / CEO              | 400,000       | 0.008% |
| <b>Mrs K.U. Amarasinghe</b><br>(Executive Director)     | Nil           | Nil    |
| <b>Mr A. Nissanka</b><br>(Executive Director)           | 1,300,800     | 0.025% |
| <b>Mrs D.P. Pieris</b><br>(Senior Independent Director) | Nil           | Nil    |
| <b>Mr P.A. Wijeratne</b><br>(Independent Director)      | 5,000         | 0.00%  |
| <b>Mr K Sundararaj</b><br>(Independent Director)        | Nil           | Nil    |

# LOLC Finance PLC

## TOP 20 SHAREHOLDERS

As at 30th September 2020

|   | Shareholder  | No. of Shares        | % of Issued Capital |
|---|--|----------------------|---------------------|
| 1   | LOLC Private Limited                                       | 2,614,934,919        | 49.81%              |
| 2   | LOLC Holdings Plc  | 1,622,584,913        | 30.91%              |
|   | Hatton National Bank Plc/LOLC Holdings Plc                 | 625,000,000          | 11.90%              |
|   | LOLC Holdings Plc A/C No.02                                | 103,728,649          | 1.98%               |
| 3   | Saakya Capital (Private) Ltd                               | 137,455,320          | 2.62%               |
| 4   | Satya Capital (Pvt) Ltd                                    | 52,000,000           | 0.99%               |
| 5   | Dr R.R.De Silva  | 11,371,515           | 0.22%               |
| 6   | National Savings Bank                                      | 3,628,769            | 0.07%               |
| 7   | Hatton National Bank Plc- Astrue Alpha Fund                | 3,408,918            | 0.06%               |
| 8   | Hatton National Bank Plc/ Subramaniam vasudevan            | 2,299,694            | 0.04%               |
| 9   | Mrs v. saraswathi & Mr. s. vasudevan                       | 2,101,768            | 0.04%               |
| 10  | Mr R.E. Rambukwella  | 1,841,000            | 0.04%               |
| 11  | Dr A.R.Wikramanayake                                       | 1,688,500            | 0.03%               |
| 12  | Commercial Bank Of Ceylon Plc/S V Somasunderam             | 1,500,000            | 0.03%               |
| 13  | Hatton National Bank Plc/Sri Dhaman Rajendram Arudpragasam | 1,311,283            | 0.02%               |
| 14  | Bansei Securities Capital (Pvt) Ltd/A Nissanka             | 1,300,800            | 0.02%               |
| 15  | Mr.P.Tillakaratne  | 1,200,000            | 0.02%               |
| 16  | Hatton National Bank Plc/Sanka Ramoorthy Nadaraj Kumar     | 1,114,204            | 0.02%               |
| 17  | Mr. G.Wickremasinghe                                       | 1,100,000            | 0.02%               |
| 18  | Hatton National Bank Plc/Sanka Ramoorthy Nadaraj Kumar     | 1,114,204            | 0.02%               |
| 19  | Mr G.Wickremasinghe  | 1,100,000            | 0.02%               |
| 20  | Mr. M.I.I. Ahamed  | 1,043,692            | 0.02%               |
| <b>Total shares held by Top 20 Shareholders</b> |  | <b>5,192,828,148</b> | <b>98.91%</b>       |

### Public shareholding

Information pertaining to public shareholding as at 30th September 2020 is as follows:

|                                      | 30-Sep-20     | 30-Sep-19     |
|--------------------------------------|---------------|---------------|
| Public holding percentage            | 5.37%         | 5.37%         |
| Number of public shareholders        | 3,231         | 2,839         |
| Float Adjusted Market Capitalization | 1,070,671,732 | 1,043,606,160 |

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 & Aug 2019 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.