



INTERIM FINANCIAL STATEMENTS

For the three months ended
30th June 2017

LOLC FINANCE PLC

LOLC Finance PLC

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As at 30th June 2017

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LOLC Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 30th June 2017

	As at 30.06.2017 (Unaudited) Rs. '000	As at 31.03.2017 (Audited) Rs. '000
ASSETS		
Cash and bank balances	9,305,046	4,924,112
Deposits with banks and other financial institutions	4,033,586	14,161,567
Investment in government securities and others	14,972,925	7,853,176
Derivative assets	22,090	23,840
Rentals receivable on leased assets	18,883,375	18,408,733
Hire purchases, loans and advances	55,198,370	55,484,081
Factoring receivable	16,354,825	16,524,638
Margin trading receivables	99,311	94,825
Other receivables	1,147,774	1,071,661
Investment securities	2,184,654	324,629
Amount due from related companies	97,247	224,506
Investment properties	911,184	906,300
Property plant and equipment	2,562,345	2,621,022
Total assets	125,772,732	122,623,092
LIABILITIES		
Bank overdraft	2,752,849	2,393,316
Interest bearing borrowings	18,962,390	24,456,314
Deposits from customers	88,082,336	80,607,115
Trade payables	605,422	677,878
Accruals and other payables	1,733,035	1,620,968
Derivative liabilities	55,897	18,978
Amount due to related companies	546,350	434,259
Current tax payable	414,232	268,932
Deferred tax liability	1,102,058	1,102,058
Defined benefit obligations	17,018	17,018
Total liabilities	114,271,587	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	(4,265)	14,237
Available for sale investment reserve	(21,439)	(115,485)
Retained earnings	7,764,180	7,364,836
Total equity	11,501,145	11,026,257
Total liabilities and equity	125,772,732	122,623,092
Net assets per share (Rs.)	4.11	3.94

Certification :

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

Sgd.

.....
(Mrs.) S.S. Kotakadeniya
Chief Financial Officer - LOLC Group

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

Sgd.

.....
(Dr.) L.J.S.H. Cabral - Director

Sgd.

.....
(Mr.) Ashan Nissanka - Director / CEO

25th July 2017
Rajagiriya (Greater Colombo)

LOLC Finance PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30th June 2017

	For the period ended		Variance
	30.06.2017 (Unaudited) Rs '000	30.06.2016 (Unaudited) Rs '000	%
Interest income	5,100,534	3,905,494	31%
Interest expense	(3,375,716)	(2,451,739)	38%
Net interest income	1,724,818	1,453,756	19%
Net other operating income	808,519	520,834	55%
Total income	2,533,337	1,974,590	28%
Operating expenses			
Direct expenses excluding interest cost	(483,335)	(290,872)	66%
Allowance for impairment & write-offs	(210,844)	(179,184)	18%
Personnel expenses	(371,865)	(315,454)	18%
Depreciation	(43,747)	(25,372)	72%
General & administration expenses	(758,708)	(612,621)	24%
Profit from operations	664,838	551,088	21%
Value added tax on financial services	(110,193)	(66,401)	66%
Profit before income tax expense	554,645	484,686	14%
Income tax expense	(155,301)	(161,730)	-4%
Profit for the period	399,344	322,956	24%
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets net change in fair value	94,046	54,368	73%
Gain / (loss) on cash flow hedges	(18,502)	(25,489)	-27%
	75,544	28,879	162%
Total comprehensive income	474,888	351,836	35%
Basic earnings per share (Rs.)	0.14	0.12	

Figures in brackets indicate deductions.

LOLC Finance PLC

STATEMENT OF CHANGES IN EQUITY

For the three months ended 30th June 2017

	Stated Capital Rs '000	Statutory Reserve Rs '000	Revaluation Reserve Rs '000	Cash flow Hedge 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	-	-	-	-	-	322,956	322,956
<i>Other comprehensive income, net of income tax</i>							
Net change in fair value of AFS investments	-	-	-	-	54,368	-	54,368
Net movement of cashflow hedges	-	-	-	(25,489)	-	-	(25,489)
Total other comprehensive income for the period	-	-	-	(25,489)	54,368	-	28,879
Total comprehensive income for the period	-	-	-	(25,489)	54,368	322,956	351,836
Balance as at 30 June 2016	2,000,000	1,239,075	-	(2,741)	(105,785)	6,419,421	9,549,970
Balance as at 01 July 2016	2,000,000	1,239,075	-	(2,741)	(105,785)	6,419,421	9,549,970
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,263,862	1,263,862
<i>Other comprehensive income, net of income tax</i>							
Net change in fair value of AFS investments	-	-	-	-	(9,699)	-	(9,699)
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	(1,083)	(1,083)
Net movement of cashflow hedges	-	-	-	16,978	-	-	16,978
Transfer to Revaluation Reserve	-	-	206,230	-	-	-	206,230
Total other comprehensive income for the period	-	-	206,230	16,978	(9,699)	(1,083)	212,425
Total comprehensive income for the period	-	-	206,230	16,978	(9,699)	1,262,778	1,476,287
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	-	-	-	-	-	399,344	399,344
<i>Other comprehensive income, net of income tax</i>							
Net change in fair value of AFS investments	-	-	-	-	94,046	-	94,046
Net movement of cashflow hedges	-	-	-	(18,502)	-	-	(18,502)
Total other comprehensive income for the period	-	-	-	(18,502)	94,046	-	75,544
Total comprehensive income for the period	-	-	-	(18,502)	94,046	399,344	474,888
Transactions recorded directly in equity							
Transfer to Statutory Reserve Fund	-	-	-	-	-	-	-
Total transactions recorded directly in equity	-	-	-	-	-	-	-
Balance as at 30 June 2017	2,000,000	1,556,439	206,230	(4,265)	(21,439)	7,764,180	11,501,145

LOLC Finance PLC

STATEMENT OF CASH FLOWS

For the three months ended 30th June 2017

	2017 Rs '000	2016 Rs '000
Cash flows from / (used in) operating activities		
Profit before income tax expense	554,645	484,686
Adjustments for:		
Depreciation	43,747	25,372
Change in fair value of derivatives - forward contracts	38,669	(7,608)
Provision for fall / (increase) in value of investments	(20,024)	80,900
Impairment provision for the period	66,101	(9,121)
Provision for defined benefit plans	-	900
Investment income	(599,747)	(347,191)
Finance costs	3,375,716	2,420,641
Operating profit / (loss) before working capital changes	3,459,107	2,648,580
Change in other receivables	(76,111)	(122,012)
Change in trade and other payables	39,612	404,847
Change in amounts due to / due from related parties	239,350	104,613
Change in lease receivables	(861,289)	(893,975)
Change in hire purchase, loans and advances	863,313	(460,555)
Change in factoring receivables	(87,244)	(3,635,923)
Change in margin trading advances	(4,486)	(4,460)
Change in fixed deposits from customers	7,538,221	6,050,509
Change in savings deposits from customers	(21,807)	278,551
Cash generated from / (used in) operations	11,088,666	4,370,175
Finance cost paid	(2,732,666)	(1,610,346)
Gratuity paid	-	(339)
Income tax paid	(10,000)	(35,000)
Net cash from / (used in) operating activities	8,346,000	2,724,491
Cash flows from / (used in) investing activities		
(Acquisitions) / disposals of property, plant & equipment	10,045	(399,771)
Net proceeds from investments in term deposits	2,394,420	(1,720,617)
Net proceeds from Investments in unit trust	(1,840,000)	-
Net proceeds from investments in government securities	707,858	(18,333)
Interest received	599,748	347,191
Net cash flows used in investing activities	1,872,071	(1,791,530)
Cash flows from / (used in) financing activities		
Net proceeds from interest bearing loans & borrowings	(5,567,882)	(1,309,233)
Lease rentals paid	(134,780)	(104,823)
Finance cost paid on bank loans and over draft	(494,006)	(498,081)
Net cash flows from / (used in) financing activities	(6,196,668)	(1,912,137)
Net increase / (decrease) in cash and cash equivalents	4,021,403	(979,176)
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	6,552,197	577,210
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	9,305,046	2,231,421
Bank overdraft	(2,752,849)	(1,654,211)
	6,552,197	577,210

LOLC Finance PLC

OPERATING SEGMENTS

For the three months ended 30th June 2017

	Conventional Financial Services Rs '000	Islamic Financial Services Rs '000	Factoring Business Rs '000	Others/ Adjustments Rs '000	Total Rs '000
For the three months ended 30th June 2017					
Total revenue	4,199,576	575,943	1,133,534	-	5,909,053
Inter-segmental revenue	-	-	-	-	-
External revenue	4,199,576	575,943	1,133,534	-	5,909,053
Net interest cost	(2,612,501)	(288,035)	(475,180)	-	(3,375,716)
Profit before operating expenses	1,587,075	287,908	658,354	-	2,533,337
Operating expenses	(1,205,058)	(156,618)	(295,978)	-	(1,657,655)
Allowance for impairment & write-offs	(213,081)	(34,630)	36,866	-	(210,844)
Value added tax on financial services	(30,544)	(18,046)	(61,604)	-	(110,193)
Profit before income tax	138,393	78,614	337,637	-	554,645
For the three months ended 30th June 2016					
Total revenue	3,218,018	493,081	715,229	-	4,426,329
Inter-segmental revenue	-	-	-	-	-
External revenue	3,218,018	493,081	715,229	-	4,426,329
Net interest cost	(1,881,530)	(166,148)	(404,061)	-	(2,451,739)
Profit before operating expenses	1,336,488	326,934	311,168	-	1,974,590
Operating expenses	(956,790)	(113,030)	(174,498)	-	(1,244,319)
Allowance for impairment & write-offs	(76,049)	(22,674)	(80,461)	-	(179,184)
Value added tax on financial services	(43,429)	(22,972)	-	-	(66,401)
Profit before income tax	260,220	168,258	56,209	-	484,686
As at 30.06.2017					
Total assets	97,103,891	12,646,458	16,354,825	(332,442)	125,772,732
Total liabilities	87,326,907	10,922,297	16,354,825	(332,442)	114,271,587
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 June 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 June 2017 are as follows:

	Rs'
Market price as at 30th June 2017	3.90
Highest Price	4.00
Lowest Price	2.10

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.

- 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%	11.47%
Type B - 5 Years Tenor	Semi Annually	9.10%	9.10%	9.10%	11.47%
Type C - 5 Years Tenor	Annually	9.25%	9.25%	9.25%	11.47%

- Market prices & issue prices of debentures recorded during the quarter ended 30th June 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 30.06.2017	As at 31.03.2017
Debt to equity ratio	9.55 times	9.75 times
Quick asset ratio	0.84 times	0.85 times
Interest cover	1.16 times	1.19 times

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th June 2017

6 Financial assets and liabilities

6.1 Accounting classifications and fair values

As at 30th June 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	-	-	-	9,305,046	9,305,046	9,305,046	
Deposits with banks	-	-	-	4,033,586	4,033,586	4,033,586	
Investment in government securities							
- Measured at fair value	-	-	2,361,106		2,361,106	2,361,106	Level 1
- Measured at amortized cost	-	-		11,264,651	11,264,651	11,264,651	
Derivative assets	22,090	-	-	-	22,090	22,090	Level 2
Investment securities	-	2,118,186	-	1,413,636	3,531,822	3,531,822	Level 1
Rentals receivable on leased assets	-	-	-	18,883,375	18,883,375	18,145,600	Level 2
Hire purchases, loans and advances	-	-	-	55,198,370	55,198,370	54,477,318	Level 2
Factoring receivable	-	-	-	16,354,825	16,354,825	16,354,825	
Margin trading receivables	-	-	-	99,311	99,311	99,311	
Amount due from related companies	-	-	-	97,247	97,247	97,247	
Other financial assets	-	-	-	414,830	414,830	414,830	
Total financial assets	22,090	2,118,186	2,361,106	117,064,878	121,566,260	120,107,433	
Bank overdraft	-	-	-	2,752,849	2,752,849	2,752,849	
Interest bearing borrowings	-	-	-	18,962,390	18,962,390	18,402,179	Level 2
Deposits from customers	-	-	-	88,082,336	88,082,336	87,916,395	Level 2
Trade payables	-	-	-	605,422	605,422	605,422	
Accruals and other payables	-	-	-	1,704,093	1,704,093	1,704,093	
Derivative liabilities	55,897	-	-	-	55,897	55,897	Level 2
Amount due to related companies	-	-	-	546,350	546,350	546,350	
Total financial liabilities	55,897	-	-	112,653,440	112,709,337	111,983,184	

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30th June 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	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	

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		30.06.2017	31.03.2017	30.06.2016
- Total Tier I Core Capital	Rs. '000	10,805,790	10,805,790	9,175,386
- Total Capital Base	Rs. '000	13,178,058	13,178,058	12,272,285
- Core capital adequacy ratio (Minimum requirement 5%)		10.98%	10.91%	9.49%
- Total capital adequacy ratio (Minimum requirement 10%)		13.39%	13.31%	12.69%
Asset Quality Ratios		30.06.2017	31.03.2017	30.06.2016
- Gross Non-Performing Advances Ratio		5.17%	4.41%	4.29%
- Net Non-Performing Advances Ratio		0.78%	0.44%	0.85%
Regulatory Liquidity		30.06.2017	31.03.2017	30.06.2016
- Available Liquid Assets	Rs. '000	10,654,742	11,996,053	9,647,864
- Required Liquid Assets	Rs. '000	10,289,117	9,558,509	8,363,167
- Liquid assets to Deposits ratio		12.10%	14.88%	14.49%

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 been reclassified to conform to the current period's presentation, where necessary. No information has been 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 June 2017

Directors Name	No. of shares	%
Mr. R.K.S.S Chandra (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%
Dr. L.J.S.H. Cabral	Nil	Nil
Mr. P.A. Wijeratne	Nil	Nil

LOLC Finance PLC

TOP 20 SHAREHOLDERS

As at 30th June 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	Mr D. Kotthoff	4,605,000	0.16%
7	National Savings Bank	4,550,000	0.16%
8	Dr A R Wikramanayake	1,688,500	0.06%
9	People's Leasing and Finance PLC / Mr D.K.L. Chandrasena	1,510,710	0.05%
10	Mr S V Somasunderam	1,500,000	0.05%
11	Bansei Securities Capital (Pvt) Ltd / Mr A. Nissanka	1,300,800	0.05%
12	Mr L.A.J.F. Morais	1,173,128	0.04%
13	Mr M.B.G. Rathnasiri	1,110,376	0.04%
14	Mrs D.P. Pieris	1,000,000	0.04%
15	Mr P.M.M. Pieris	1,000,000	0.04%
16	Colombo Trust Finance PLC / Mr Rienzie Collom	939,715	0.03%
17	Mr A.W.A.L. Dharmaprema	800,012	0.03%
18	Bansei Securities Capital (Pvt) Ltd / M.I.Y. Dharmawardhana	700,000	0.03%
19	Mirabaud & Cie	670,000	0.02%
20	Mr. K.P. Ariyaratne	600,000	0.02%
Total shares held by Top 20 Shareholders		2,762,564,990	98.66%

Public share holding as at 30th June 2017 was 9.88% comprising of 2,655 shareholders.