



**LANKA ORIX FINANCE PLC**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31<sup>ST</sup> MARCH 2013**

# Lanka ORIX Finance PLC

## Statement of Financial Position

As at 31st March 2013

	As at 31.03.2013 (Unaudited) Rs. '000	As at 31.03.2012 (Unaudited) Rs. '000	As at 01.04.2011 (Unaudited) Rs. '000
<b>ASSETS</b>			
Cash and Bank Balances	3,061,190	2,100,865	812,035
Deposits with Banks and other Financial Institutions	414,634	846,457	-
Investment in Government Securities	3,378,980	1,442,826	2,136,000
Investments in Shares	7,143	6,200	18,000
Rentals Receivable on Leased Assets	11,452,172	11,018,808	4,332,440
Hire Purchases, Loans and Advances	25,556,703	21,901,827	16,442,747
Factoring receivable	3,198,685	-	-
Amount Due From Related Companies	75,649	77,067	150,867
Other Receivables	348,261	576,261	322,134
Derivative Assets	1,936	211,713	19,560
Real Estate Stock	2,598	16,449	16,262
Inventories	-	13,629	-
Investment Property	71,500	71,500	71,500
<b>Total Assets</b>	<b>47,569,453</b>	<b>38,283,601</b>	<b>24,321,546</b>
<b>LIABILITIES</b>			
Bank Overdraft	2,201,599	989,189	501,515
Borrowings	5,981,573	5,042,010	627,024
Deposits from Customers	32,069,049	25,843,130	17,899,089
Trade Payables	434,517	211,163	685,144
Accruals and Other Payables	685,456	166,034	114,229
Derivative Liabilities	40,097	-	7,597
Amount Due to Related Companies	135,056	806,442	734,560
Income Tax Liability	178,418	175,447	72,999
Deferred Tax Liability	415,508	318,112	115,014
Retirement Benefit Obligations	4,550	4,729	2,881
<b>Total Liabilities</b>	<b>42,145,823</b>	<b>33,556,256</b>	<b>20,760,052</b>
<b>Equity</b>			
Stated Capital	2,000,000	2,000,000	2,000,000
Statutory Reserve	679,438	542,182	293,024
Investment Fund Reserve	264,119	157,146	39,539
AFS Reserve	(2,117)	(12,126)	-
Retained Earnings	2,482,190	2,040,144	1,228,931
<b>Total Equity</b>	<b>5,423,630</b>	<b>4,727,346</b>	<b>3,561,494</b>
<b>Total Liabilities and Equity</b>	<b>47,569,453</b>	<b>38,283,601</b>	<b>24,321,546</b>
<b>Net Assets Per Share (Rs.)</b>	<b>1.94</b>	<b>1.69</b>	<b>1.27</b>

The Board of Directors is responsible for the preparation and presentation of these financial statements. The Chief Financial Officer- LOLC Group certifies that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

.....  
B.C.G. de Zylva - Managing Director

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

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

28th May 2013  
Rajagiriya (Greater Colombo)

# Lanka ORIX Finance PLC

## Statement of Comprehensive Income

	For the year ended			For the Quarter ended		
	31.03.2013	31.03.2012	Variance	31.03.2013	31.03.2012	Variance
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	Rs '000	Rs '000	%	Rs '000	Rs '000	%
Interest Income	8,457,606	5,971,895	42	2,748,179	1,758,555	56
Interest Expenses	(4,950,845)	(2,994,344)	65	(1,462,109)	(888,903)	64
<b>Net Interest Income</b>	<b>3,506,761</b>	<b>2,977,550</b>	<b>18</b>	<b>1,286,070</b>	<b>869,651</b>	<b>48</b>
Other Operating Income	496,871	336,063	48	201,742	110,636	82
<b>Total Income</b>	<b>4,003,632</b>	<b>3,313,613</b>	<b>21</b>	<b>1,487,812</b>	<b>980,288</b>	<b>52</b>
<b>Operating Expenses</b>						
Direct expenses excluding interest cost	(121,899)	(89,569)	36	(66,362)	(28,268)	135
(Provision)/Reversal for Doubtful Debts & Write Off	(1,237,473)	(72,433)	1,608	(987,685)	(86,205)	1,046
Personnel Expenses	(548,439)	(469,514)	17	(120,208)	(175,988)	(32)
General & Administration Expenses	(970,659)	(811,042)	20	(220,342)	(293,896)	(25)
<b>Profit from Operations</b>	<b>1,125,162</b>	<b>1,871,055</b>	<b>(40)</b>	<b>93,216</b>	<b>395,930</b>	<b>(76)</b>
Value Added Tax on Financial Services	(129,822)	(179,921)	(28)	(9,574)	(57,655)	(83)
<b>Profit Before Income Tax Expense</b>	<b>995,340</b>	<b>1,691,134</b>	<b>(41)</b>	<b>83,642</b>	<b>338,276</b>	<b>(75)</b>
Income Tax Expense	(309,060)	(512,125)	(40)	(60,593)	(120,459)	(50)
<b>Profit for the Period</b>	<b>686,280</b>	<b>1,179,009</b>	<b>(42)</b>	<b>23,049</b>	<b>217,817</b>	<b>(89)</b>
<b>Other Comprehensive Income</b>						
Change in fair value of Available for Sale Investments	10,009	(12,126)		(1,076)	(6,854)	
Actuarial losses on defined benefit plan	(5)	(1,031)		(5)	(1,031)	
<b>Total Comprehensive Income</b>	<b>696,284</b>	<b>1,165,852</b>		<b>21,968</b>	<b>209,932</b>	
<b>Basic earnings per share (Rs.)</b>	<b>0.25</b>	<b>0.42</b>		<b>0.01</b>	<b>0.08</b>	

Figures in brackets indicate deductions.

# Lanka ORIX Finance PLC

## Statement of Changes in Equity

For the year ended 31 March 2013

	Stated Capital	Statutory Reserve	Investment Fund Reserve	AFS reserve	Retained Earnings	Total Equity
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>Balance as at 31 March 2011</b>	<b>2,000,000</b>	<b>293,024</b>	<b>39,539</b>	<b>-</b>	<b>1,228,931</b>	<b>3,561,494</b>
Profit for the Period	-	-	-	-	1,179,009	1,179,009
Total other comprehensive income	-	-	-	(12,126)	(1,031)	(13,157)
Transfer during the Period	-	249,158	117,607		(366,764)	-
Transfer during the Period						
<b>Balance as at 31 March 2012</b>	<b>2,000,000</b>	<b>542,182</b>	<b>157,146</b>	<b>(12,126)</b>	<b>2,040,144</b>	<b>4,727,346</b>
Profit for the Period	-	-	-	-	686,280	686,280
Total other comprehensive income	-	-	-	10,009	(5)	10,004
Transfer during the Period	-	137,256	106,973	-	(244,229)	-
<b>Balance as at 31 March 2013</b>	<b>2,000,000</b>	<b>679,438</b>	<b>264,119</b>	<b>(2,117)</b>	<b>2,482,190</b>	<b>5,423,630</b>

# Lanka ORIX Finance PLC

## CASH FLOW STATEMENT

Year ended 31 March 2013

	2013 Rs'000	2012 Rs'000
<b>Cash Flows From / (Used in) Operating Activities</b>		
Net Profit before Income Tax Expense	995,340	1,691,134
Adjustments for:		
Change in fair value of Derivatives - Forward Contracts	249,874	(199,750)
Provision for Fall / (Increase) in Value of Investments	(600)	11,800
Allowance for Doubtful Debts	1,122,946	(12,242)
Provision for Defined Benefit Plans	1,602	1,091
Investment Income	(392,341)	(178,304)
Finance Costs	4,950,845	2,994,344
Operating Profit/(Loss) before Working Capital Changes	6,927,666	4,308,073
Change in Other Receivables	218,318	(254,206)
Change in Inventories	13,629	(13,629)
Change in Real estate Stocks	13,851	(188)
Change in Margin Trading Receivables	-	80
Change in Trade and Other Payables	742,777	(436,621)
Change in Amounts due to/ due from related Parties	(669,969)	145,682
Change in Lease Receivables	(403,699)	(6,790,016)
Change in Hire Purchase, Loans and Advances	(4,230,291)	(5,343,188)
Change in Factoring receivables	(3,673,876)	-
Change in Fixed Deposits from Customers	7,615,269	8,013,205
Change in Savings Deposits from Customers	(1,689,866)	(311,668)
Cash Generated from Operations	4,863,809	(682,478)
Finance Cost Paid on Deposits	(3,594,408)	(2,171,955)
Gratuity Paid	(1,785)	(274)
Income Tax Paid	(208,694)	(206,578)
Net Cash From/(Used in) Operating Activities	1,058,923	(3,061,286)
<b>Cash Flows from / (Used in) Investing Activities</b>		
Net proceeds from Investments in Term Deposits	385,366	(800,000)
Net proceeds from Investments in Treasury Bonds	(1,932,300)	687,203
Net proceeds from investments	(343)	-
Interest Received	444,952	125,693
Net Cash Flows from/(Used in) Investing Activities	(1,102,325)	12,896
<b>Cash Flows from (Used in) Financing Activities</b>		
Net Proceeds from Interest Bearing Loans & Borrowings	829,374	4,344,901
Lease rentals paid - principal repayment	(7,316)	-
Finance Cost Paid on Bank Loans and Over draft	(1,030,741)	(495,356)
Net Cash Flows from/(Used in) Financing Activities	(208,683)	3,849,546
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(252,085)	801,156
<b>Cash and Cash Equivalents at the beginning of the Year</b>	1,111,676	310,521
<b>Cash and Cash Equivalents at the end of the Year</b>	859,591	1,111,676
<b>Analysis of Cash and Cash equivalents at the end of the Year</b>		
Cash and Bank Balances	3,061,190	2,100,865
Bank Overdraft	(2,201,599)	(989,189)
	859,591	1,111,676

## Lanka ORIX Finance PLC

### Segment Information

For the year ended 31 March 2013

	Operating Segment					
	Leasing Rs '000	Hire Purchase Rs '000	Loans Rs '000	Treasury Rs '000	Others Rs '000	Total Rs '000
<b>For the Year ended 31 March 2013</b>						
Total revenue	2,556,550	464,897	5,643,953	261,962	27,115	8,954,477
Inter segmental revenue	-	-	-	-	-	-
<b>External revenue</b>	<b>2,556,550</b>	<b>464,897</b>	<b>5,643,953</b>	<b>261,962</b>	<b>27,115</b>	<b>8,954,477</b>
Net interest cost	(1,413,492)	(257,037)	(3,120,488)	(144,836)	(14,992)	(4,950,845)
<b>Profit before operating expenses</b>	<b>1,143,058</b>	<b>207,860</b>	<b>2,523,465</b>	<b>117,126</b>	<b>12,123</b>	<b>4,003,632</b>
Operating expenses	(601,484)	(109,386)	(2,114,625)	(48,007)	(4,969)	(2,878,470)
Value Added Tax on financial services	-	(25,200)	(104,622)	-	-	(129,822)
<b>Results from operating activities</b>	<b>541,574</b>	<b>73,274</b>	<b>304,218</b>	<b>69,119</b>	<b>7,154</b>	<b>995,340</b>
<b>For the Year ended 31 March 2012</b>						
Total revenue	1,664,102	744,790	3,529,200	351,925	17,941	6,307,958
Inter segmental revenue	-	-	-	-	-	-
<b>External revenue</b>	<b>1,664,102</b>	<b>744,790</b>	<b>3,529,200</b>	<b>351,925</b>	<b>17,941</b>	<b>6,307,958</b>
Net interest cost	(789,938)	(353,547)	(1,675,287)	(167,057)	(8,516)	(2,994,344)
Profit before operating expenses	874,164	391,243	1,853,913	184,869	9,424	3,313,613
Operating expenses	(380,561)	(170,325)	(807,088)	(80,481)	(4,103)	(1,442,559)
Value Added Tax on financial services	-	(34,924)	(144,997)	-	-	(179,921)
<b>Results from operating activities</b>	<b>493,603</b>	<b>185,994</b>	<b>901,828</b>	<b>104,387</b>	<b>5,322</b>	<b>1,691,134</b>
<b>For the year ended 31 March 2013</b>						
Provision for / (reversal of provision for) doubtful debts and bad debts written off	132,970	24,189	1,080,314	-	-	1,237,473
<b>As at 31-03-2013</b>						
Total assets	11,452,172	1,347,975	27,407,413	3,802,693	3,559,200	47,569,453
Total liabilities	10,898,269	1,282,778	25,151,429	3,641,634	1,171,712	42,145,823
<b>As at 31-3-2012</b>						
Total assets	11,018,808	2,701,537	19,200,290	2,507,196	2,855,771	38,283,601
Total liabilities	8,678,074	1,021,451	20,316,286	2,963,163	577,282	33,556,256

## **1. Corporate Information**

### **General**

Lanka ORIX Finance PLC is a quoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011 (formerly the Finance Companies Act No.78 of 1988)

The Company has obtained registration from the Securities and Exchange Commission, as a Market Intermediary to perform the functions of a Margin Provider under section 19A of the Securities & Exchange Commission Act No.36 of 1987 as amended by Act Nos. 26 of 1991 & 18 of 2003.

### **Parent entity and ultimate parent company**

The immediate and ultimate holding company is Lanka ORIX Leasing Company PLC, which is incorporated in Sri Lanka

### **Principal activities and nature of operations**

During the year, the principal activities of the Company comprised of leasing, hire purchase, margin trading, loans, property development, mobilization of public deposits and Islamic financing.

### **Directors' responsibility statement**

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

### **Address of the registered office and the principal place of business of the company**

No. 100/1 Sri Jayawardenepura Mawatha, Rajagiriya.

## **2. Basis of Preparation**

### **2.1 Statement of compliance**

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 full annual financial statements. Further the requirements of the Colombo Stock Exchange and the Companies Act No.7 of 2007 has been considered. The information for the preparation of these interim financial statements has been drawn up from the unaudited financial records of the Company.

These are the Company's first full year SLFRS interim financial statements for the period covered by SLFRS's and SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards has been applied. An explanation of how the transition to SLFRSs has affected the reported financial position, financial performance of the Company is provided in note 4.

These interim financial statements were approved by the Board of Directors on 28<sup>th</sup> May 2013.

### **2.2 Basis of measurement**

The interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value.

- derivative financial instruments
- available-for-sale financial assets and held for trading financial assets
- investment property

### **2.3 Functional and presentation currency**

These interim financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Rupees has been rounded to the nearest thousand.

### **2.4 Use of estimates and judgements**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those that will apply to the first annual SLFRS financial statements.



### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements and in preparing the opening SLFRS statement of financial position at 1 April 2011 for the purposes of the transition to SLFRSs, unless otherwise indicated.

Described below are the new accounting policies adopted as a result of the transition to SLFRSs.

Except for the following, accounting policies described in the annual report of the company for 2011/12 has been applied in preparing these Interim Financial Statements.

#### **3.1 Financial Instruments**

##### **3.1.1 Non-derivative financial assets**

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

##### **Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is classified as held for trading. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

##### **Held-to-maturity financial assets**

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Company has not classified any instrument as held to maturity

### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of cash and cash equivalents, loans granted and other receivables.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. The Company's investments Government securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented in the AFS reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise of Treasury Bills and Bonds.

### **3.1.2 Non-derivative financial liabilities**

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## **3.2 Impairment**

### **Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

#### **3.2.1 Loans and lease receivables**

The Company considers evidence of impairment for loans and lease receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **3.2.2 Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognized by reclassifying losses accumulated in the AFS reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

## **3.3 Interest income and interest expense**

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the

carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income includes the interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

### **3.4 Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## **4. Explanation of transition to SLFRSs**

As stated in note 2.1, these are the Company's first full year interim financial statements prepared in accordance with SLFRSs.

The accounting policies set out in note 3 have been applied in preparing the interim financial statements for the year ended 31 March 2013, the comparative information for the year ended 31 March 2012, and in the preparation of an opening SLFRS statement of financial position at 1 April 2011 (the Company's date of transition).

In preparing its opening SLFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with SLAS. An explanation of how the transition from previous SLASs to SLFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

### **4.1 Reconciliation of equity**

### **4.2 Reconciliation of comprehensive income for the year ended 31 March 2012**

### **4.3 Notes to the reconciliations**

- 4.3.1 Financial assets re-measurement
- 4.3.2 Impairment re-measurement
- 4.3.3 Application of effective interest to customer deposits
- 4.3.4 Recognition of derivatives and related income tax
- 4.3.5 Actuarial gains and losses reclassification
- 4.3.6 Recognition of interest on staff loans at market rates
- 4.3.7 Measurement of financial liabilities at amortized cost

# Lanka ORIX Finance PLC

## Notes to the Interim Financial Statements

For the year ended 31 March 2013

### Explanation of transition to SLFRS

#### 4.1 Reconciliation of equity (In Rs'000)

		SLAS	Effect of transition to SLFRS 1st April 2011	SLFRS	SLAS	Effect of transition to SLFRS 31st March 2012	SLFRS
	Note						
Cash and Bank Balances		812,035	-	812,035	2,100,865	-	2,100,865
Investments in Term Deposits		-	-	-	846,457	-	846,457
Investment in Government Securities	4.3.1	2,136,000	-	2,136,000	1,454,952	(12,126)	1,442,826
Investments in Shares		18,000	-	18,000	6,200	-	6,200
Rentals receivable on Leased Assets	4.3.2	4,324,701	7,740	4,332,440	11,011,585	7,223	11,018,808
Hire Purchases, Loans and Advances	4.3.2	16,439,452	3,296	16,442,747	21,962,919	(61,092)	21,901,827
Amount due from related Companies		150,867	-	150,867	77,067	-	77,067
Other Receivables		322,134	-	322,134	576,261	-	576,261
Derivative Assets	4.3.4	-	19,560	19,560	211,713	-	211,713
Real Estate Stock		16,262	-	16,262	16,449	-	16,449
Inventories		-	-	-	13,629	-	13,629
Investment Property		71,500	-	71,500	71,500	-	71,500
<b>Total Assets</b>		<b>24,290,950</b>	<b>30,596</b>	<b>24,321,546</b>	<b>38,349,596</b>	<b>(65,995)</b>	<b>38,283,601</b>
Bank Overdraft		501,515	-	501,515	989,189	-	989,189
Borrowings	4.3.7	610,068	16,956	627,024	4,954,970	87,040	5,042,010
	4.3.3 /						
Deposits from Customers	4.3.7	17,393,187	505,902	17,899,089	25,094,723	748,407	25,843,130
Trade Payables		685,144	-	685,144	211,163	-	211,163
	4.3.4 /						
Accruals and Other Payables	4.3.7	667,636	(553,407)	114,229	1,019,564	(853,530)	166,034
Derivative Liabilities	4.3.4	-	7,597	7,597	-	-	-
Amount due to related Companies		734,560	-	734,560	806,442	-	806,442
Income Tax Liability		72,999	-	72,999	175,447	-	175,447
Deferred Tax Liability	4.3.4	108,574	6,440	115,014	333,196	(15,083)	318,112
Retirement Benefit Obligations		2,881	-	2,881	4,729	-	4,729
<b>Total Liabilities</b>		<b>20,776,564</b>	<b>(16,512)</b>	<b>20,760,052</b>	<b>33,589,422</b>	<b>(33,167)</b>	<b>33,556,256</b>
Stated Capital		2,000,000	-	2,000,000	2,000,000	-	2,000,000
Statutory Reserve		293,024	-	293,024	542,182	-	542,182
Investment Fund Reserve		39,539	-	39,539	157,146	-	157,146
AFS Reserve	4.3.1	-	-	-	-	(12,126)	(12,126)
Retained Earnings		1,181,823	47,108	1,228,931	2,060,847	(20,702)	2,040,144
<b>Total equity</b>		<b>3,514,386</b>	<b>47,108</b>	<b>3,561,494</b>	<b>4,760,174</b>	<b>(32,828)</b>	<b>4,727,346</b>
<b>Total liability and equity</b>		<b>24,290,950</b>	<b>30,596</b>	<b>24,321,546</b>	<b>38,349,596</b>	<b>(65,995)</b>	<b>38,283,601</b>

# Lanka Orix Finance PLC

## Notes to the Interim Financial Statements

For the year ended 31 March 2013

### Explanation of transition to SLFRS

#### 4.2 Reconciliation of Comprehensive Income (Rs'000)

	Note	SLAS	Effect of transition to SLFRS for year ended 31- Mar-12	SLFRS
Interest income	4.3.2	5,999,969	(28,074)	5,971,895
Interest Expenses	4.3.3	(2,981,878)	(12,466)	(2,994,344)
<b>Net interest income</b>		<b>3,018,090</b>	<b>(40,540)</b>	<b>2,977,550</b>
	4.3.4 /			
Other Operating income	4.3.6	346,787	(10,724)	336,063
<b>Total Income</b>		<b>3,364,877</b>	<b>(51,264)</b>	<b>3,313,613</b>
<b>Operating Expenses</b>				
Direct expenses excluding interest cost		(89,569)	-	(89,569)
Provision for Doubtful Debts & Write Offs	4.3.2	(35,603)	(36,830)	(72,433)
	4.3.5 /			
Personnel Expenses	4.3.6	(469,306)	(208)	(469,514)
General & Administration Expenses		(811,042)	-	(811,042)
<b>Profit from Operations</b>		<b>1,959,357</b>	<b>(88,302)</b>	<b>1,871,055</b>
Value Added Tax on Financial Services		(179,921)	-	(179,921)
<b>Profit before Tax</b>		<b>1,779,436</b>	<b>(88,302)</b>	<b>1,691,134</b>
Income Tax expense	4.3.4	(533,648)	21,523	(512,125)
<b>Profit for the Year</b>		<b>1,245,788</b>	<b>(66,779)</b>	<b>1,179,009</b>
<b>Other Comprehensive Income</b>				
Change in fair value of AFS instruments (T-Bonds)	4.3.1	-	(12,126)	(12,126)
Actuarial loss on Defined Benefit Plan		-	(1,031)	(1,031)
<b>Total Comprehensive Income</b>		<b>1,245,788</b>	<b>(79,936)</b>	<b>1,165,852</b>

# Lanka Orix Finance PLC

## Notes to the Interim Financial Statements

For the year ended 31 March 2013

### Explanation of transition to SLFRS

#### 4.3 Notes to the reconciliations

##### 4.3.1 Financial assets re-measurement

In accordance with SLFRS's financial assets classified as Available-for-sale has been measured at fair value. These were previously carried at amortized cost

The impact arising on the transition is summarized as shown below.

<i>in Rs'000</i>	1-Apr-11	31-Mar-12
<b>Application of SLFRS</b>		
Investment in Government securities as per SLAS	2,136,000	1,454,952
Investment in Government securities as per SLFRS	2,136,000	1,442,826
<b>Change in value - increase / (decrease)</b>	-	(12,126)
Effect on financial statements		
<b>Statement of Comprehensive Income</b>		
Other Comprehensive Income - Change in fair value of available-for-sale financial assets - increase / (decrease)		(12,126)
<b>Statement of Financial Position</b>		
Investment in Government securities - increase / (decrease)		(12,126)
AFS Reserve - increase / (decrease)		(12,126)

##### 4.3.2 Impairment re-measurement

In accordance with SLFRS's the impairment of financial assets are based on the policy described in note 3.2

The impact arising on the transition is summarized as shown below.

<i>in Rs'000</i>	1-Apr-11	31-Mar-12
<b>Application of SLFRS</b>		
Provision for doubtful debts and income in suspense as per SLAS	314,153	256,490
Impairment allowance as per SLFRS	303,118	310,359
<b>Change in impairment provision - increase / (decrease)</b>	<b>(11,035)</b>	<b>53,869</b>
Effect on financial statements		
<b>Statement of Comprehensive Income</b>		
Interest income increase / (decrease) - as a result of reversal of income in suspense	-	(28,074)
Provision for doubtful debts - (increase) / decrease	-	(36,830)
Recognition of related tax effect	-	18,173
<b>Net effect to profit for the period - increase / (decrease)</b>	-	<b>(46,731)</b>
<b>Statement of Financial Position</b>		
Lease receivables - increase / (decrease)	7,740	7,223
Loans and hire purchase receivables - increase / (decrease)	3,296	(61,092)
<b>Net effect to assets reported - increase / (decrease)</b>	<b>11,035</b>	<b>(53,869)</b>
Deferred tax liability - increase / (decrease)	3,090	(15,083)
<b>Net effect to liabilities reported - increase / (decrease)</b>	<b>3,090</b>	<b>(15,083)</b>
<b>Net effect to retained earnings - increase / (decrease)</b>	<b>7,946</b>	<b>(38,786)</b>

# Lanka Orix Finance PLC

## Notes to the Interim Financial Statements

For the year ended 31 March 2013

### 4.3.3 Application of effective interest to customer deposits

The accrual of interest on customer deposits, placed with the company for a period of more than one year and where the interest is paid at maturity, was changed from simple interest accrual to annual effective interest rate.

The impact arising on the transition is summarized as shown below.

<i>in Rs'000</i>	1-Apr-11	31-Mar-12
<b>Application of SLFRS</b>		
Interest payable as per SLAS	522,007	766,490
Interest payable as per SLFRS	505,902	748,407
<b>Change in interest payable - increase / (decrease)</b>	<b>(16,105)</b>	<b>(18,083)</b>
Effect on financial statements		
<b>Statement of Comprehensive Income</b>		
Interest expense - (increase) / decrease		1,978
<b>Net effect to profit for the period - increase / (decrease)</b>	<b>-</b>	<b>1,978</b>
<b>Statement of Financial Position</b>		
Deposits from customers - increase / (decrease)	(16,105)	(18,083)
<b>Net effect to liabilities reported - increase / (decrease)</b>	<b>(16,105)</b>	<b>(18,083)</b>
<b>Net effect to retained earnings - increase / (decrease)</b>	<b>16,105</b>	<b>18,083</b>

### 4.3.4 Recognition of derivatives

The forward contract derivatives that were not recognized on 1st April 2011 under SLASs were recognized upon the adoption of SLFRSs

The impact arising on the transition is summarized as shown below.

<i>in Rs'000</i>	1-Apr-11	31-Mar-12
<b>Application of SLFRS</b>		
Forward contract premium payable as per SLAS	14,444	
Forward contract asset (net) under SLFRS	11,963	
Recognition of related tax effect	(3,350)	
<b>Change in recognized net assets - increase / (decrease)</b>	<b>23,058</b>	<b>-</b>
Effect on financial statements		
<b>Statement of Comprehensive Income</b>		
Other income - Reversal of forward contract asset - increase / (decrease)	-	(26,407)
Interest expense - reversal of premium payable - (increase) / decrease		(14,444)
Tax expense - Reversal of related tax effect - (increase) / decrease		3,350
<b>Net effect to profit for the period - increase / (decrease)</b>	<b>-</b>	<b>(37,502)</b>
<b>Statement of Financial Position</b>		
Derivative Asset - recognition of forward contract asset - increase / (decrease)	19,560	-
Derivative Liabilities - recognition of forward contract liability - (increase) / decrease	(7,597)	-
Accruals and other payables - reversal of forward premium payable - (increase) / decrease	14,444	-
Deferred tax liability - (increase) / decrease	(3,350)	-
<b>Net effect to net assets reported - increase / (decrease)</b>	<b>23,058</b>	<b>-</b>



# Lanka Orix Finance PLC

## Notes to the Interim Financial Statements

For the year ended 31 March 2013

### 4.3.5 Actuarial gains and losses reclassification

The actuarial gains and losses arising from the measurement of the defined benefit plan were recognized in profit or loss as per SLAS. As per SLFRS's these were reclassified and was recognized in other comprehensive

The impact arising on the transition is summarized as shown below.

<i>in Rs'000</i>	1-Apr-11	31-Mar-12
<b>Application of SLFRS</b>		
Actuarial gain / (loss) as per SLAS	-	(1,031)
Actuarial gain / (loss) as per SLFRS	-	(1,031)
<b>Change in value - increase / (decrease)</b>	-	-
Effect on financial statements		
<b>Statement of Comprehensive Income</b>		
Personnel cost - reclassification of actuarial loss recognized - (increase) / decrease	-	1,031
OCI - actuarial loss on employee benefits - (increase) / decrease	-	(1,031)
<b>Net effect to total comprehensive income - increase / (decrease)</b>	-	-
<b>Statement of Financial Position</b>		
Defined benefit obligation - No change in value	-	-
<b>Net effect to net assets reported - increase / (decrease)</b>	-	-

### 4.3.6 Recognition of interest on staff loans at market rates

The loans granted to employees at below market rates are measured at fair value at grant date and the the fair value and the loan amount is considered as a benefit given to the employee and is recognized as an expense over the loan period. The interest income on the loan is subsequently recognized at market rates.

The impact arising on the transition is summarized as shown below.

<i>in Rs'000</i>	1-Apr-11	31-Mar-12
<b>Application of SLFRS</b>		
Fair value adjustment (reduction) to Staff Loans	(4,361)	(6,382)
Recognition of prepaid staff cost	4,361	6,382
<b>Change in value - increase / (decrease)</b>	-	-
Effect on financial statements		
<b>Statement of Comprehensive Income</b>		
Other income - recognition of interest income based on market rates - increase / (decrease)	-	1,239
Personnel cost - Amortization of prepaid staff cost increase / (decrease)	-	(1,239)
<b>Net effect to profit for the period - increase / (decrease)</b>	-	-
<b>Statement of Financial Position</b>		
Other receivables - staff loans - increase / (decrease)	(4,361)	(6,382)
Other receivables - prepaid staff cost - increase / (decrease)	4,361	6,382
<b>Net effect to assets reported - increase / (decrease)</b>	-	-

# Lanka Orix Finance PLC

## Notes to the Interim Financial Statements

For the year ended 31 March 2013

### 4.3.7 Measurement of financial liabilities at amortized cost

As per the requirement of SLFRSs the financial liabilities will be measured at amortized cost resulting in presenting the interest payable on the liabilities together with the corresponding liability.

Under SLASs interest bearing liabilities (borrowings and customer deposits) were presented at capital outstanding and the interest payable was presented under accruals and other liabilities.

The reclassification arising on the transition is summarized as shown below.

<i>in Rs'000</i>	1-Apr-11	31-Mar-12
<b>Statement of Financial Position</b>		
Borrowings - increase / (decrease)	16,956	87,040
Deposits from customers - increase / (decrease)	522,007	766,490
Accruals and Other Payables - increase / (decrease)	(538,963)	(853,530)
<b>Net effect to liabilities reported - increase / (decrease)</b>	<b>-</b>	<b>-</b>
<b>Net effect to retained earnings - increase / (decrease)</b>	<b>-</b>	<b>-</b>

### 5. Stated Capital

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

### 6. Provision for management expenditure

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

### 7. Share information

Market prices of ordinary shares recorded during the quarter ended 31st March 2013 is as follows

	Rs
Market price as at 31st March 2013	3.30
Highest Price	4.30
Lowest Price	3.20

### 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 2012.

### 9. Comparative information

Comparative information has been reclassified and restated to conform to the current period presentation.  
Refer note 4 for details

### 10. Events after reporting period

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

**Lanka ORIX Finance PLC**

**Interim Financial Statements**

Statement of Directors' Holding and Chief Executive Officer’s holding in Shares of the Entity

As at 31st March 2013

Directors Name	No. of shares	%
Mr. W. D. K. Jayawardena <i>Chairman</i>	Nil	Nil
Mr. I. C. Nanayakkara <i>Deputy Chairman</i>	Nil	Nil
Mr. B. C. G De Zylva <i>Managing Director / CEO</i>	Nil	Nil
Mrs. K. U. Amarasinghe	Nil	Nil
Mrs. D.P Pieris	1,000,000	0.04
Mr. R.K.S.S Chandra	Nil	Nil
Dr. L. J. S.H. Cabral	Nil	Nil

## Lanka ORIX Finance PLC

### Interim Financial Statements

Top 20 Shareholders

As at 31st March 2013

	Shareholder	No. of Shares	% of Issued Capital
1	Lanka Orix Leasing Company PLC	2,520,000,000	90.00
2	Saakya Capital (Pvt) Ltd	84,387,834	3.01
3	Satya Capital (Pvt) Ltd	52,000,000	1.86
4	India Focus Cardinal Fund	43,657,400	1.56
5	Infinity Capital (Pvt) Ltd	40,000,000	1.43
6	National Savings Bank	4,550,000	0.16
7	S.V.Somasunderam	3,000,000	0.11
8	A.R.Wickramanayake	1,688,500	0.06
9	HSBC Intl Nominees Ltd-Credit Suisse AG Zurich	1,281,878	0.05
10	Mr A Singh	1,218,000	0.04
11	Mirabaud & CIE	1,000,000	0.04
12	P.M.M.Pieris	1,000,000	0.04
13	D.P.Pieris	1,000,000	0.04
14	A.Nissanka	1,000,000	0.04
15	Seylan Bank Plc/Nadarajah Muralie Prakash	984,600	0.04
16	A.R.Atapattu	936,705	0.03
17	E.S.P.Selvarajah	600,000	0.02
18	Springcare Holdings (Private) Limited	600,000	0.02
19	K.P.Ariyaratne	600,000	0.02
20	B D T R Perera	575,000	0.02
	Total shares held by Top 20 Shareholders	<b>2,760,079,917</b>	<b>98.6</b>

The Public Shareholding as at 31st March 2013 was 10.00%