



LANKA ORIX FINANCE PLC
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
31ST DECEMBER 2012

Lanka ORIX Finance PLC

Statement of Financial Position

As at 31st December 2012

	As at 31.12.2012 (Unaudited) Rs. '000	As at 31.03.2012 (Unaudited) Rs. '000	As at 01.04.2011 (Unaudited) Rs. '000
ASSETS			
Cash and Bank Balances	4,477,074	2,100,865	812,035
Investments in Term Deposits and others	1,750,000	846,457	-
Investment in Government Securities	3,443,481	1,441,899	2,136,000
Investments in Shares	7,343	6,200	18,000
Rentals Receivable on Leased Assets	10,857,724	10,985,188	4,332,440
Hire Purchases, Loans and Advances	23,292,271	21,907,795	16,450,803
Amount Due From Related Companies	815,320	77,067	150,867
Other Receivables	518,453	576,261	322,134
Derivative Assets	19,310	211,713	19,560
Real Estate Stock	16,449	16,449	16,262
Inventories	6,596	13,629	-
Investment Property	71,500	71,500	71,500
Total Assets	45,275,521	38,255,023	24,329,602
LIABILITIES			
Bank Overdraft	1,568,602	989,189	501,515
Borrowings	6,237,803	5,042,010	627,024
Deposits from Customers	29,497,496	25,843,130	17,899,089
Trade Payables	12,941	211,163	685,144
Accruals and Other Payables	935,613	166,034	114,229
Derivative Liabilities	19,365	-	7,597
Amount Due to Related Companies	1,039,384	806,442	734,560
Income Tax Liability	271,296	175,447	72,999
Deferred Tax Liability	333,196	333,196	111,924
Retirement Benefit Obligations	4,384	4,729	2,881
Total Liabilities	39,920,080	33,571,339	20,756,962
Equity			
Stated Capital	2,000,000	2,000,000	2,000,000
Statutory Reserve	542,182	542,182	293,024
Investment Fund Reserve	264,119	157,146	39,539
AFS Reserve	(7,115)	(13,053)	-
Retained Earnings	2,556,256	1,997,409	1,240,077
Total Equity	5,355,441	4,683,684	3,572,640
Total Liabilities and Equity	45,275,521	38,255,023	24,329,602
Net Assets Per Share (Rs.)	1.91	1.67	1.28

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.

(Sgd.)
B.C.G. de Zylva - Managing Director

(Sgd.)
W.D.K. Jayawardena - Chairman

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

11th February 2013
Rajagiriya (Greater Colombo)

Lanka ORIX Finance PLC

Statement of Comprehensive Income

	For the Nine months ended			For the Quarter ended		
	31.12.2012	31.12.2011	Variance	31.12.2012	31.12.2011	Variance
	(Unaudited) Rs '000	(Unaudited) Rs '000		(Unaudited) Rs '000	(Unaudited) Rs '000	
Interest Income	5,709,427	4,213,340	36	1,973,439	1,649,173	20
Interest Expenses	(3,488,737)	(2,105,441)	66	(1,357,683)	(827,755)	64
Net Interest Income	2,220,691	2,107,899	5	615,756	821,418	(25)
Other Operating Income	295,129	225,427	31	131,024	85,620	53
Total Income	2,515,820	2,333,326	8	746,780	907,038	(18)
Operating Expenses						
Direct expenses excluding interest cost	(55,537)	(61,301)	(9)	(17,107)	(30,679)	(44)
(Provision)/Reversal for Doubtful Debts & Write Offs	(247,199)	11,639	(2,224)	(189,476)	104,591	(281)
Personnel Expenses	(428,231)	(293,526)	46	(129,896)	(128,914)	1
General & Administration Expenses	(750,318)	(517,146)	45	(261,839)	(202,746)	29
Profit from Operations	1,034,535	1,472,991	(30)	148,463	649,291	(77)
Value Added Tax on Financial Services	(120,248)	(122,267)	(2)	(48,420)	(49,110)	(1)
Profit Before Income Tax Expense	914,287	1,350,725	(32)	100,043	600,180	(83)
Income Tax Expense	(248,467)	(394,756)	(37)	(37,277)	(166,862)	(78)
Profit for the Period	665,820	955,968	(30)	62,766	433,319	(86)
Other Comprehensive Income						
Change in fair value of Available for Sale Investments	5,938	(8,084)		16,739	(6,596)	
Total Comprehensive Income	671,758	947,884		79,504	426,722	
Basic earnings per share (Rs.)	0.24	0.34		0.02	0.15	

Figures in brackets indicate deductions.

Lanka ORIX Finance PLC

Statement of Changes in Equity

For the nine months ended 31 December 2012

	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
Balance as at 31 March 2011	2,000,000	293,024	39,539	-	1,240,077	3,572,640
Profit for the Period	-	-	-	-	955,968	955,968
Total other comprehensive income	-	-	-	(8,084)	-	(8,084)
Transfer during the Period	-	155,228	86,458		(241,687)	-
Balance as at 31 December 2011	2,000,000	448,252	125,997	(8,084)	1,954,359	4,520,524
Profit for the Period	-	-	-	-	169,160	169,160
Total other comprehensive income	-	-	-	(4,969)	(1,031)	(6,000)
Transfer during the Period	-	93,929	31,149	-	(125,078)	-
Balance as at 31 March 2012	2,000,000	542,182	157,146	(13,053)	1,997,409	4,683,684
Profit for the Period	-	-	-	-	665,820	665,820
Total other comprehensive income	-	-	-	5,938	-	5,938
Transfer during the Period	-	-	106,973	-	(106,973)	-
Balance as at 31 December 2012	2,000,000	542,182	264,119	(7,115)	2,556,256	5,355,441

Lanka ORIX Finance PLC

Statement of Cashflows

For the nine months ended 31 December 2012

	31-Dec-12 Rs '000	31-Dec-11 Rs '000
Cash Flows From / (Used in) Operating Activities		
Profit before Income Tax Expense	914,287	1,350,725
Adjustments for:		
Change in fair value of Forward Contracts	211,768	14,452
Provision for Fall / (Increase) in Value of Investments	(1,143)	9,200
Allowance for/(reversal of) Doubtful Debts	247,199	(11,639)
Provision for Defined Benefit Plans	-	1,567
Investment Income	(239,940)	(85,478)
Finance Costs	3,482,236	2,099,215
Operating Profit/(Loss) before Working Capital Changes	4,614,405	3,378,041
Change in Other Receivables	57,808	(707,926)
Change in Inventories	7,033	(15,540)
Change in Real estate Stocks	-	(188)
Change in Margin Trading Receivables	-	1
Change in Trade and Other Payables	589,392	(3,422,010)
Change in Amounts due to / due from Related Parties	(505,263)	2,942,309
Change in Lease Receivables	101,046	(5,656,805)
Change in Hire Purchase, Loans and Advances	(1,605,257)	(5,778,621)
Change in Fixed Deposits from Customers	5,250,839	6,461,705
Change in Savings Deposits from Customers	(1,715,456)	(616,552)
Cash Generated from Operations	6,794,548	(3,415,584)
Finance Cost Paid on Deposits	(2,675,096)	(1,217,633)
Gratuity Paid	(345)	(163)
Income Tax Paid	(152,618)	(111,704)
Net Cash From/(Used in) Operating Activities	3,966,490	(4,745,084)
Cash Flows from / (Used in) Investing Activities		
Net proceeds from Investments in Term Deposits	(903,543)	(650,000)
Net proceeds from Investments in Treasury Bonds	(1,995,645)	734,966
Interest Received	239,940	85,478
Net Cash Flows from/(Used in) Investing Activities	(2,659,248)	170,444
Cash Flows from (Used in) Financing Activities		
Net Proceeds from Interest Bearing Loans & Borrowings	1,127,459	5,372,708
Finance Cost Paid on Bank Loans and Over draft	(637,906)	(359,235)
Net Cash Flows from/(Used in) Financing Activities	489,553	5,013,473
Net Increase/(Decrease) in Cash and Cash Equivalents	1,796,795	438,834
Cash and Cash Equivalents at the beginning of the Year	1,111,676	310,521
Cash and Cash Equivalents at the end of the Year	2,908,472	749,355
Analysis of Cash and Cash equivalents at the end of the Year		
Cash and Bank Balances	4,477,074	1,956,032
Bank Overdraft	(1,568,602)	(1,206,677)
	2,908,472	749,355

Lanka ORIX Finance PLC

Segment Information

For the nine months ended 31 December 2012

	Business Segment					
	Leasing Rs '000	Hire Purchase Rs '000	Loans Rs '000	Treasury Rs '000	Others Rs '000	Total Rs '000
For the period ended 31 December 2012						
Total revenue	1,840,571	367,635	3,459,700	319,694	16,956	6,004,556
Inter segmental revenue	-	-	-	-	-	-
External revenue	1,840,571	367,635	3,459,700	319,694	16,956	6,004,556
Net interest cost	(1,069,399)	(213,602)	(2,010,137)	(185,747)	(9,852)	(3,488,737)
Profit before operating expenses	771,172	154,034	1,449,563	133,947	7,104	2,515,820
Operating expenses	(404,701)	(107,387)	(900,007)	(65,705)	(3,485)	(1,481,285)
Value Added Tax on financial services	-	(9,408)	(110,840)	-	-	(120,248)
Results from operating activities	366,471	37,239	438,716	68,242	3,619	914,287
For the period ended 31 December 2011						
Total revenue	1,128,269	598,007	2,619,402	83,266	9,823	4,438,767
Inter segmental revenue	-	-	-	-	-	-
External revenue	1,128,269	598,007	2,619,402	83,266	9,823	4,438,767
Net interest cost	(535,172)	(283,653)	(1,242,461)	(39,495)	(4,659)	(2,105,441)
Profit before operating expenses	593,097	314,354	1,376,940	43,770	5,164	2,333,326
Operating expenses	(246,123)	(123,657)	(472,267)	(16,357)	(1,930)	(860,334)
Value Added Tax on financial services	-	(21,286)	(100,981)	-	-	(122,267)
Results from operating activities	346,974	169,411	803,692	27,413	3,234	1,350,725
For the period ended 31 December 2012						
Provision for / (reversal of provision for) doubtful debts and bad debts written off	26,418	31,829	188,952	-	-	247,199
As at 31-12-2012						
Total assets	10,882,168	1,781,983	22,400,066	5,220,135	4,991,170	45,275,521
Total liabilities	10,666,514	1,746,567	21,933,399	5,130,574	443,026	39,920,080
As at 31-3-2012						
Total assets	10,985,188	2,783,667	19,124,128	1,672,865	3,689,174	38,255,023
Total liabilities	10,011,221	2,530,781	17,212,758	1,495,285	2,321,295	33,571,339

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 SLFRS interim financial statements for the period covered by the first SLFRS annual financial statements 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 and cash flows of the Company is provided in note 4.

These interim financial statements were approved by the Board of Directors on 11th February 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 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 nine months ended 31 December 2012, the comparative information for both the nine months ended 31 December 2011 and year ended 31 March 2011, 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 nine months 31 December 2011 and 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

Lanka ORIX Finance PLC

Notes to the Interim Financial Statements

For the nine months ended 31 December 2012

Explanation of transition to SLFRS

4.1 Reconciliation of equity (In Rs'000)

	Note	SLAS	Effect of transition to SLFRS 1st April 2011	SLFRS	SLAS	Effect of transition to SLFRS 31st December 2011	SLFRS	SLAS	Effect of transition to SLFRS 31st March 2012	SLFRS
Cash and Bank Balances		812,035	-	812,035	1,956,032	-	1,956,032	2,100,865	-	2,100,865
Investments in Term Deposits		-	-	-	650,000	-	650,000	846,457	-	846,457
Investment in Government Securities	4.3.1	2,136,000	-	2,136,000	1,401,034	(8,084)	1,392,950	1,454,952	(13,053)	1,441,899
Investments in Shares		18,000	-	18,000	8,800	-	8,800	6,200	-	6,200
Rentals receivable on Leased Assets	4.3.2	4,324,701	7,740	4,332,440	10,016,249	(3,431)	10,012,817	11,011,585	(26,397)	10,985,188
Hire Purchases, Loans and Advances	4.3.2	16,439,452	11,352	16,450,803	22,210,685	6,806	22,217,491	21,962,919	(55,124)	21,907,795
Amount due from related Companies		150,867	-	150,867	79,772	-	79,772	77,067	-	77,067
Other Receivables		322,134	-	322,134	959,099	-	959,099	576,261	-	576,261
Derivative Assets	4.3.4	-	19,560	19,560	10,960	-	10,960	211,713	-	211,713
Real Estate Stock		16,262	-	16,262	16,449	-	16,449	16,449	-	16,449
Inventories		-	-	-	15,540	-	15,540	13,629	-	13,629
Investment Property		71,500	-	71,500	71,500	-	71,500	71,500	-	71,500
Total Assets		24,290,950	38,652	24,329,602	37,396,122	(4,710)	37,391,412	38,349,596	(94,573)	38,255,023
Bank Overdraft		501,515	-	501,515	1,206,677	-	1,206,677	989,189	-	989,189
Borrowings	4.3.7	610,068	16,956	627,024	2,938,497	85,474	3,023,971	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	23,461,513	719,602	24,181,115	25,094,723	748,407	25,843,130
Trade Payables		685,144	-	685,144	629,212	-	629,212	211,163	-	211,163
	4.3.4 /									
Accruals and Other Payables	4.3.7	667,636	(553,407)	114,229	1,072,450	(823,226)	249,224	1,019,564	(853,530)	166,034
Derivative Liabilities	4.3.4	-	7,597	7,597	5,852	-	5,852	-	-	-
Amount due to related Companies		734,560	-	734,560	3,102,575	-	3,102,575	806,442	-	806,442
Income Tax Liability		72,999	-	72,999	359,401	-	359,401	175,447	-	175,447
Deferred Tax Liability	4.3.4	108,574	3,350	111,924	108,574	-	108,574	333,196	-	333,196
Retirement Benefit Obligations		2,881	-	2,881	4,286	-	4,286	4,729	-	4,729
Total Liabilities		20,776,564	(19,602)	20,756,962	32,889,037	(18,150)	32,870,887	33,589,422	(18,083)	33,571,339
Stated Capital		2,000,000	-	2,000,000	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Statutory Reserve		293,024	-	293,024	448,252	-	448,252	542,182	-	542,182
Investment Fund Reserve		39,539	-	39,539	125,997	-	125,997	157,146	-	157,146
AFS Reserve	4.3.1	-	-	-	-	(8,084)	(8,084)	-	(13,053)	(13,053)
Retained Earnings		1,181,823	58,254	1,240,077	1,932,835	21,524	1,954,359	2,060,847	(63,437)	1,997,409
Total equity		3,514,386	58,254	3,572,640	4,507,084	13,440	4,520,524	4,760,174	(76,490)	4,683,684
Total liability and equity		24,290,950	38,652	24,329,602	37,396,122	(4,710)	37,391,412	38,349,596	(94,573)	38,255,023

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Notes to the Interim Financial Statements

For the nine months ended 31 December 2012

Explanation of transition to SLFRS

4.2 Reconciliation of Comprehensive Income (Rs'000)

	Note	SLAS	Effect of transition to SLFRS for the nine months ended 31-Dec-11	SLFRS	SLAS	Effect of transition to SLFRS for year ended 31-Mar-12	SLFRS
Interest income	4.3.2	4,227,660	(14,320)	4,213,340	5,999,969	(28,074)	5,971,895
Interest Expenses	4.3.3	(2,107,486)	2,045	(2,105,441)	(2,981,878)	1,978	(2,979,900)
Net interest income		2,120,174	(12,275)	2,107,899	3,018,090	(26,096)	2,991,995
Other Operating income	4.3.4 / 4.3.6	250,979	(25,552)	225,427	346,787	(25,168)	321,619
Total Income		2,371,152	(37,826)	2,333,326	3,364,877	(51,264)	3,313,613
Operating Expenses							
Direct expenses excluding interest cost		(61,301)	-	(61,301)	(15,415)	-	(15,415)
Provision for Doubtful Debts & Write Offs	4.3.2	13,036	(1,398)	11,639	(35,603)	(72,538)	(108,141)
Personnel Expenses	4.3.5 / 4.3.6	(292,671)	(856)	(293,526)	(469,306)	(208)	(469,514)
Depreciation		-	-	-	-	-	-
General & Administration Expenses		(517,146)	-	(517,146)	(885,196)	-	(885,196)
Profit from Operations		1,513,071	(40,080)	1,472,991	1,959,357	(124,010)	1,835,347
Value Added Tax on Financial Services		(122,267)	-	(122,267)	(179,921)	-	(179,921)
Profit before Tax		1,390,804	(40,080)	1,350,725	1,779,436	(124,010)	1,655,426
Income Tax expense	4.3.4	(398,106)	3,350	(394,756)	(533,648)	3,350	(530,298)
Profit for the Year		992,698	(36,730)	955,968	1,245,788	(120,660)	1,125,128
Other Comprehensive Income							
Change in fair value of AFS instruments (T-Bonds)	4.3.1	-	(8,084)	(8,084)	-	(13,053)	(13,053)
Actuarial loss on Defined Benefit Plan		-	-	-	-	(1,031)	(1,031)
Total Comprehensive Income		992,698	(44,814)	947,884	1,245,788	(134,744)	1,111,044

Lanka Orix Finance PLC

Notes to the Interim Financial Statements For the nine months ended 31 December 2012

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-Dec-11	31-Mar-12
Application of SLFRS			
Investment in Government securities as per SLAS	2,136,000	1,401,034	1,454,952
Investment in Government securities as per SLFRS	2,136,000	1,392,950	1,441,899
Change in value - increase / (decrease)	-	(8,084)	(13,053)
Effect on financial statements			
Statement of Comprehensive Income			
Other Comprehensive Income - Change in fair value of available-for-sale financial assets - increase / (decrease)		(8,084)	(13,053)
Statement of Financial Position			
Investment in Government securities - increase / (decrease)		(8,084)	(13,053)
AFS Reserve - increase / (decrease)		(8,084)	(13,053)

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-Dec-11	31-Mar-12
Application of SLFRS			
Provision for doubtful debts and income in suspense as per SLAS	314,153	320,417	222,871
Impairment allowance as per SLFRS	295,061	317,043	304,391
Change in impairment provision - increase / (decrease)	(19,092)	(3,374)	81,520
Effect on financial statements			
Statement of Comprehensive Income			
Interest income increase / (decrease) - as a result of reversal of income in suspense	-	(14,320)	(28,074)
Provision for doubtful debts - (increase) / decrease	-	(1,398)	(72,538)
Net effect to profit for the period - increase / (decrease)	-	(15,717)	(100,612)
Statement of Financial Position			
Lease receivables - increase / (decrease)	7,740	(3,431)	(26,397)
Loans and hire purchase receivables - increase / (decrease)	11,352	6,806	(55,124)
Net effect to assets reported - increase / (decrease)	19,092	3,374	(81,520)
Net effect to retained earnings - increase / (decrease)	19,092	3,374	(81,520)

Lanka Orix Finance PLC

Notes to the Interim Financial Statements For the nine months ended 31 December 2012

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-Dec-11	31-Mar-12
Application of SLFRS			
Interest payable as per SLAS	522,007	737,752	766,490
Interest payable as per SLFRS	505,902	719,602	748,407
Change in interest payable - increase / (decrease)	(16,105)	(18,150)	(18,083)
Effect on financial statements			
Statement of Comprehensive Income			
Interest expense - (increase) / decrease	16,105	2,045	1,978
Net effect to profit for the period - increase / (decrease)	16,105	2,045	1,978
Statement of Financial Position			
Deposits from customers - increase / (decrease)	(16,105)	(18,150)	(18,083)
Net effect to liabilities reported - increase / (decrease)	(16,105)	(18,150)	(18,083)
Net effect to retained earnings - increase / (decrease)	16,105	18,150	18,083

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-Dec-11	31-Mar-12
Application of SLFRS			
Forward contract premium payable as per SLAS	14,444		
Forward contract asset (net) under SLFRS	11,963		
Recognition of related tax effect	(3,350)		
Change in recognized net assets - increase / (decrease)	23,058	-	-
Effect on financial statements			
Statement of Comprehensive Income			
Other income - Reversal of forward contract asset and related premium payable - increase / (decrease)	-	(26,407)	(26,407)
Tax expense - Reversal of related tax effect - (increase) / decrease		3,350	3,350
Net effect to profit for the period - increase / (decrease)	-	(23,058)	(23,058)
Statement of Financial Position			
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)	-	-
Net effect to net assets reported - increase / (decrease)	23,058	-	-

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Notes to the Interim Financial Statements For the nine months ended 31 December 2012

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 income

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

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

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 difference between 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-Dec-11	31-Mar-12
Application of SLFRS			
Fair value adjustment (reduction) to Staff Loans	(4,361)	(5,412)	(6,382)
Recognition of prepaid staff cost	4,361	5,412	6,382
Change in value - increase / (decrease)	-	-	-
Effect on financial statements			
Statement of Comprehensive Income			
Other income - recognition of interest income based on market rates - increase / (decrease)	-	856	1,239
Personnel cost - Amortization of prepaid staff cost increase / (decrease)	-	(856)	(1,239)
Net effect to profit for the period - increase / (decrease)	-	-	-
Statement of Financial Position			
Other receivables - staff loans - increase / (decrease)	(4,361)	(5,412)	(6,382)
Other receivables - prepaid staff cost - increase / (decrease)	4,361	5,412	6,382
Net effect to assets reported - increase / (decrease)	-	-	-

Lanka Orix Finance PLC

Notes to the Interim Financial Statements For the nine months ended 31 December 2012

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-Dec-11	31-Mar-12
Statement of Financial Position			
Borrowings - increase / (decrease)	16,956	85,474	87,040
Deposits from customers - increase / (decrease)	522,007	737,752	766,490
Accruals and Other Payables - increase / (decrease)	(538,963)	(823,226)	(853,530)
Net effect to liabilities reported - increase / (decrease)	-	-	-
Net effect to retained earnings - increase / (decrease)	-	-	-

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 December 2012 is as follows

	Rs
Market price as at 31st December 2012	3.80
Highest Price	4.70
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 other than those listed below.

On 31st January 2013 the company purchased a portfolio of credit facilities from one of its related companies, LOLC Factors Ltd, at a value of Rs. 3.15bn

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 December 2012

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
Mr. L. J. S.H. Cabral	Nil	Nil

Lanka ORIX Finance PLC

Interim Financial Statements

Top 20 Shareholders

As at 31st December 2012

	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	Union Assurance Plc/Account No. 05 (Unit-Linked Life Insurance Fund)	4,880,909	0.17
7	National Savings Bank	4,550,000	0.16
8	S.V.Somasunderam	3,000,000	0.11
9	A.R.Wickramanayake	1,688,500	0.06
10	HSBC Intl Nominees Ltd-Credit Suisse AG Zurich	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	Seylan Bank Plc/Nadarajah Muralie Prakash	984,600	0.04
15	A Singh	951,878	0.03
16	A.R.Atapattu	936,705	0.03
17	A.Nissanka	815,600	0.03
18	E.S.P.Selvarajah	600,000	0.02
19	Springcare Holdings (Private) Limited	600,000	0.02
20	K.P.Ariyaratne	600,000	0.02
	Total shares held by Top 20 Shareholders	2,763,871,426	98.71

The Public Shareholding as at 31st December 2012 was 10.00%