



# INTERIM FINANCIAL STATEMENTS

For the year ended

31st March 2022

LOLC FINANCE PLC

# LOLC Finance PLC

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As at 31st March 2022

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# LOLC Finance PLC

## STATEMENT OF FINANCIAL POSITION

As at 31st March 2022

	As at 31.03.2022 (Unaudited) Rs. '000	As at 31.03.2021 (Audited) Rs. '000
<b>ASSETS</b>		
Cash and bank balances	12,282,960	13,422,690
Deposits with banks and other financial institutions	8,855,769	7,203,306
Investment in government securities and others	23,841,483	15,838,455
Derivative assets	2,487,385	325,029
Financial assets at amortized cost :		
Rentals receivable on leased assets	57,388,553	43,098,407
Loans and advances	149,443,804	61,550,510
Investment securities	8,122,227	5,498,000
Other receivables	2,093,253	731,692
Amount due from related companies	49,031	33,222
Inventories	425,582	271,727
Investment properties	38,287,958	21,088,740
Property plant and equipment	8,326,735	1,163,218
<b>Total assets</b>	<b>311,604,738</b>	<b>170,224,996</b>
<b>LIABILITIES</b>		
Bank overdraft	5,675,768	1,861,003
Interest bearing borrowings	44,309,903	16,437,442
Deposits from customers	159,222,296	107,791,136
Trade payables	596,257	144,788
Accruals and other payables	8,447,372	4,557,547
Derivative liabilities	13,176	-
Amount due to related companies	2,071,997	620,862
Current tax payable	2,520,990	857,903
Deferred tax liability	2,974,781	1,733,249
Defined benefit obligations	565,709	332,532
<b>Total liabilities</b>	<b>226,398,250</b>	<b>134,336,462</b>
<b>EQUITY</b>		
Stated capital	211,581,448	12,762,500
Statutory reserve	3,596,579	3,596,579
Revaluation reserve	1,505,632	328,838
Cash flow hedge reserve	(83,702)	27,608
Fair Value Reserve	140,753	45,446
Merger Reserve	(167,630,931)	-
Retained earnings	36,096,710	19,127,563
<b>Total equity</b>	<b>85,206,489</b>	<b>35,888,534</b>
<b>Total liabilities and equity</b>	<b>311,604,738</b>	<b>170,224,996</b>
Net asset value per share (Rs.)	4.43	6.84

### Certification :

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

*Sgd.*

.....  
Mr Buddhika Weeratunga  
Head of Finance

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

*Sgd.*

.....  
Mr Krishan Thilakarathne - Director / CEO

27th May 2022  
Rajagiriya (Greater Colombo)

*Sgd.*

.....  
Mr Conrad Dias - Chairman / Non Executive Director

# LOLC Finance PLC

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2022

	For the period ended			For the quarter ended		
	31.03.2022 (Unaudited) Rs '000	31.03.2021 (Audited) Rs '000	Variance %	31.03.2022 (Unaudited) Rs '000	31.03.2021 (Audited) Rs '000	Variance %
Interest income	30,859,274	33,920,373	-9%	7,937,847	8,427,642	-6%
Interest expense	(8,979,992)	(12,446,790)	28%	(2,353,190)	(2,572,490)	9%
<b>Net interest income</b>	<b>21,879,282</b>	<b>21,473,583</b>	<b>2%</b>	<b>5,584,658</b>	<b>5,855,153</b>	<b>-5%</b>
Net other operating income	11,219,986	10,139,599	11%	4,845,965	1,204,335	302%
<b>Total income</b>	<b>33,099,269</b>	<b>31,613,182</b>	<b>5%</b>	<b>10,430,623</b>	<b>7,059,488</b>	<b>48%</b>
<b>Operating expenses</b>						
Direct expenses excluding interest cost	(863,534)	(950,855)	9%	(272,499)	(250,385)	-9%
Allowance for impairment & write-offs	(2,991,760)	(16,341,362)	82%	(2,145,830)	(4,679,803)	54%
Personnel expenses	(3,564,803)	(3,156,955)	-13%	(1,151,863)	(735,735)	-57%
Depreciation	(207,248)	(131,854)	-57%	(58,843)	(21,837)	-169%
General & administration expenses	(5,891,790)	(5,979,228)	1%	(1,653,190)	(1,597,439)	-3%
<b>Profit from operations</b>	<b>19,580,135</b>	<b>5,052,929</b>	<b>288%</b>	<b>5,148,397</b>	<b>(225,710)</b>	<b>2381%</b>
Value added tax on financial services	(1,837,501)	(556,146)	-230%	64,315	329,214	80%
<b>Profit before income tax expense</b>	<b>17,742,634</b>	<b>4,496,783</b>	<b>295%</b>	<b>5,212,713</b>	<b>103,504</b>	<b>4936%</b>
Income tax expense	(792,048)	(130,845)	-505%	(412,160)	127,602	423%
<b>Profit for the period</b>	<b>16,950,585</b>	<b>4,365,939</b>	<b>288%</b>	<b>4,800,553</b>	<b>231,105</b>	<b>1977%</b>
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss</b>						
Remeasurements of defined benefit liability - gain / (loss)	24,422	19,845	23%	24,422	64,523	-62%
Related tax	(5,861)	(12,620)	-54%	(5,861)	(25,130)	-77%
	18,561	7,225	157%	18,561	39,394	-53%
Revaluation of property, plant and equipment	1,495,420	96,208	1454%	1,495,420	-	-
Related tax	(318,626)	(8,897)	3481%	(318,626)	-	-
	1,176,794	87,311	1248%	1,176,794	-	-
Movement in fair value - equity investments at FVOCI	95,307	10,711	790%	95,307	10,711	790%
Related tax	-	3,473	-100%	-	3,473	-100%
	95,307	14,185	572%	95,307	14,185	572%
<b>Total of items that will never be reclassified to profit or loss</b>	<b>1,290,662</b>	<b>108,721</b>	<b>1087%</b>	<b>1,290,662</b>	<b>53,578</b>	<b>2309%</b>
<b>Items that are or may be reclassified to profit or loss</b>						
Movement in fair value through OCI reserve	-	19,305	-100%	-	-	-
Movement in hedge reserves	(189,254)	130,493	-245%	(185,500)	76,713	-342%
Related tax	77,945	(25,575)	-405%	77,945	(10,517)	-841%
	(111,309)	104,917	-206%	(107,555)	66,196	-262%
<b>Total of items that are or may be reclassified to profit or loss</b>	<b>(111,309)</b>	<b>124,222</b>	<b>-190%</b>	<b>(107,555)</b>	<b>66,196</b>	<b>-262%</b>
<b>Total comprehensive income, net of tax</b>	<b>1,179,352</b>	<b>232,942</b>	<b>406%</b>	<b>1,183,107</b>	<b>119,775</b>	<b>888%</b>
<b>Total comprehensive income for the period</b>	<b>18,129,938</b>	<b>4,598,881</b>	<b>294%</b>	<b>5,983,660</b>	<b>350,880</b>	<b>1605%</b>
<b>Basic earnings per share (Rs.)</b>	<b>3.23</b>	<b>0.83</b>		<b>0.91</b>	<b>0.04</b>	

Figures in brackets indicate deductions.

# LOLC Finance PLC

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2022

	Stated Capital Rs '000	Statutory Reserve Rs '000	Revaluation Reserve Rs '000	Cash flow Hedge Reserve Rs '000	Fair Value Reserve Rs '000	Merger Reserve Rs '000	Retained Earnings Rs '000	Total Equity Rs '000
<b>Balance as at 01 April 2020</b>	<b>12,762,500</b>	<b>3,378,282</b>	<b>241,528</b>	<b>(77,310)</b>	<b>11,957</b>	<b>-</b>	<b>14,972,696</b>	<b>31,289,653</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	4,365,939	4,365,939
<i>Other comprehensive income, net of income tax</i>								
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	-	7,225	7,225
Revaluation gain on property, plant and equipment	-	-	87,311	-	-	-	-	87,311
Revaluation gain on fair value through OCI investments	-	-	-	-	14,185	-	-	14,185
Movement in fair value through OCI reserve	-	-	-	-	19,305	-	-	19,305
Net movement of cashflow hedges	-	-	-	104,917	-	-	-	104,917
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>87,311</b>	<b>104,917</b>	<b>33,489</b>	<b>-</b>	<b>7,225</b>	<b>232,942</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>87,311</b>	<b>104,917</b>	<b>33,489</b>	<b>-</b>	<b>4,373,164</b>	<b>4,598,881</b>
<b>Transactions recorded directly in equity</b>								
Transfer to Statutory Reserve Fund	-	218,297	-	-	-	-	(218,297)	-
<b>Total transactions recorded directly in equity</b>	<b>-</b>	<b>218,297</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(218,297)</b>	<b>-</b>
<b>Balance as at 31 March 2021</b>	<b>12,762,500</b>	<b>3,596,579</b>	<b>328,838</b>	<b>27,608</b>	<b>45,446</b>	<b>-</b>	<b>19,127,563</b>	<b>35,888,534</b>
<b>Balance as at 01 April 2021</b>	<b>12,762,500</b>	<b>3,596,579</b>	<b>328,838</b>	<b>27,608</b>	<b>45,446</b>	<b>-</b>	<b>19,127,563</b>	<b>35,888,534</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	16,950,585	16,950,585
<i>Other comprehensive income, net of income tax</i>								
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	-	18,561	18,561
Revaluation gain on property, plant and equipment	-	-	1,176,794	-	-	-	-	1,176,794
Revaluation gain on fair value through OCI investments	-	-	-	-	95,307	-	-	95,307
Net movement of cashflow hedges	-	-	-	(111,309)	-	-	-	(111,309)
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,176,794</b>	<b>(111,309)</b>	<b>95,307</b>	<b>-</b>	<b>18,561</b>	<b>1,179,352</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,176,794</b>	<b>(111,309)</b>	<b>95,307</b>	<b>-</b>	<b>16,969,146</b>	<b>18,129,938</b>
<b>Transactions recorded directly in equity</b>								
Shares issued during the year	198,818,948	-	-	-	-	-	-	198,818,948
Excess of the investment and other adjustments on merger with subsidiary	-	-	-	-	-	(167,630,931)	-	(167,630,931)
<b>Total transactions recorded directly in equity</b>	<b>198,818,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(167,630,931)</b>	<b>-</b>	<b>31,188,017</b>
<b>Balance as at 31 March 2022</b>	<b>211,581,448</b>	<b>3,596,579</b>	<b>1,505,632</b>	<b>(83,702)</b>	<b>140,753</b>	<b>(167,630,931)</b>	<b>36,096,709</b>	<b>85,206,488</b>

# LOLC Finance PLC

## STATEMENT OF CASH FLOWS

For the year ended 31st March 2022

	2022 Rs '000	2021 Rs '000
<b>Cash flows from / (used in) operating activities</b>		
Profit before income tax expense	17,742,634	4,496,783
<b>Adjustments for:</b>		
Depreciation	207,248	131,854
(Profit) / Loss on Sales of PPE / Investment properties	(10,788)	(69,532)
Change in fair value of derivatives - forward contracts	(2,148,217)	195,731
Provision for fall / (increase) in value of investments	(518,067)	(183,576)
Change in fair value of investment property	(6,925,550)	(3,291,067)
Impairment provision for the period	(6,593,369)	5,909,099
Provision for defined benefit plans	50,368	77,328
Investment income	(2,423,673)	(2,110,611)
Finance costs	8,979,992	12,446,790
<b>Operating profit / (loss) before working capital changes</b>	<b>8,360,577</b>	<b>17,602,798</b>
Change in other receivables	(199,878)	146,449
Change in Inventories	(147,914)	(269,704)
Change in trade and other payables	1,896,722	207,398
Change in amounts due to/ due from related parties	21,851	(205,851)
Change in lease receivables	3,032,196	(1,616,750)
Change in loans and advances	(7,407,451)	20,498,635
Change in factoring receivables	-	3,910,200
Change in margin trading advances	(6,808,029)	(81,785)
Change in fixed deposits from customers	7,817,174	2,731,057
Change in savings deposits from customers	5,300,555	6,438,578
<b>Cash generated from / (used in) operations</b>	<b>11,865,804</b>	<b>49,361,025</b>
Finance cost paid on deposits	(8,238,337)	(10,070,524)
Gratuity paid	(28,173)	(23,093)
Income tax paid	(802,618)	(424,661)
<b>Net cash from / (used in) operating activities</b>	<b>2,796,676</b>	<b>38,842,747</b>
<b>Cash flows from / (used in) investing activities</b>		
Acquisition of Property, Plant & Equipment & Investment property	(6,450,005)	(928,434)
Proceeds from disposal of PPE / Investment properties	13,066	241,050
Purchase of government securities	(31,357,268)	(14,865,391)
Proceeds from sale of government securities	27,628,389	9,594,334
Net proceeds from investments in term deposits	(787,062)	10,078,971
Net proceeds from Investment securities	696,021	(2,306,887)
Acquisition of subsidiary (Note 13)	(198,818,948)	-
Interest received	2,424,850	2,110,611
<b>Net cash flows used in investing activities</b>	<b>(206,650,957)</b>	<b>3,924,254</b>
<b>Cash flows from / (used in) financing activities</b>		
Net proceeds from interest bearing loans & borrowings	194,233	(35,111,081)
Proceeds from issuance of new shares (Note 13)	198,818,948	-
Repayment of principal portion of lease liabilities	(25,571)	(97,522)
Finance cost paid on borrowings	(1,174,251)	(3,047,071)
<b>Net cash flows from / (used in) financing activities</b>	<b>197,813,358</b>	<b>(38,255,674)</b>
Net increase / (decrease) in cash and cash equivalents	(6,040,923)	4,511,327
Addition on merger with subsidiary	1,086,427	
Cash and cash equivalents at the beginning of the year	11,561,687	7,050,360
<b>Cash and cash equivalents at the end of the period</b>	<b>6,607,192</b>	<b>11,561,687</b>
<b>Analysis of cash and cash equivalents at the end of the period</b>		
Cash and bank balances	12,282,960	13,422,690
Bank overdraft	(5,675,768)	(1,861,003)
	<b>6,607,192</b>	<b>11,561,687</b>

# LOLC Finance PLC

## OPERATING SEGMENTS

For the year ended 31st March 2022

	SME Finance Rs '000	Development Finance Rs '000	Alternative Financial Services Rs '000	Total Rs '000
<b>For the year ended 31st March 2022</b>				
Total revenue	22,691,189	16,689,492	2,698,580	42,079,261
Inter-segmental revenue	-	-	-	-
<b>External revenue</b>	<b>22,691,189</b>	<b>16,689,492</b>	<b>2,698,580</b>	<b>42,079,261</b>
Net interest cost	(4,793,603)	(3,440,207)	(746,182)	(8,979,992)
<b>Profit before operating expenses</b>	<b>17,897,586</b>	<b>13,249,285</b>	<b>1,952,398</b>	<b>33,099,269</b>
Operating expenses	(5,477,219)	(3,930,815)	(1,119,340)	(10,527,374)
Allowance for impairment & write-offs	(1,487,669)	(1,380,506)	(123,585)	(2,991,760)
Value added tax on financial services	(474,294)	(1,190,695)	(172,513)	(1,837,501)
<b>Profit before income tax</b>	<b>10,458,405</b>	<b>6,747,269</b>	<b>536,960</b>	<b>17,742,634</b>
<b>For the year ended 31st March 2021</b>				
Total revenue	24,311,936	17,172,949	2,575,088	44,059,972
Inter-segmental revenue	-	-	-	-
<b>External revenue</b>	<b>24,311,936</b>	<b>17,172,949</b>	<b>2,575,088</b>	<b>44,059,972</b>
Net interest cost	(6,601,679)	(4,878,584)	(966,528)	(12,446,790)
<b>Profit before operating expenses</b>	<b>17,710,257</b>	<b>12,294,365</b>	<b>1,608,560</b>	<b>31,613,182</b>
Operating expenses	(5,374,067)	(3,971,388)	(873,436)	(10,218,891)
Allowance for impairment & write-offs	(6,392,790)	(9,724,130)	(224,442)	(16,341,362)
Value added tax on financial services	(459,388)	-	(96,758)	(556,146)
<b>Profit before income tax</b>	<b>5,484,012</b>	<b>(1,401,153)</b>	<b>413,925</b>	<b>4,496,783</b>
<b>As at 31.03.2022</b>				
Total assets	254,305,682	41,193,892	16,105,165	311,604,738
Total liabilities	172,386,118	41,193,892	12,818,240	226,398,250
<b>As at 31.03.2021</b>				
Total assets	105,466,676	48,749,759	16,008,561	170,224,996
Total liabilities	72,460,768	48,749,759	13,125,935	134,336,462

# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2022

### 1. General

- These interim financial statements have been prepared in accordance with LKAS 34 Interim Financial Reporting and do not include all of the information required for a full set of financial statements.
- The requirements of the Colombo Stock Exchange and the Companies Act No.7 of 2007 have also been considered in preparing these financial statements
- The information for the preparation of these interim financial statements has been drawn up from the unaudited financial records of the Company.
- Accounting policies and methods of computation as stated in the audited financial statements for the year 2020/21 are followed in the preparation of these Interim Financial Statements.
- Interest income 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 to the carrying amount of the financial asset or liability. Other operating income includes commission income, capital gains and losses arising from marked to market valuation of quoted shares held for trading purposes, dividends, fee income, collections from contracts written off and other sundry income.
- The profit before tax (PBT) of the Company for the period ended 31.03.2022 was Rs.17.7Bn, increased by Rs.13.2Bn reported for the last comparative period with the expanded business activities during the period. Net lending portfolio of the Company has increased by Rs.102Bn from Rs.105Bn to Rs.207Bn compared to 31.03.2021 despite the prevailing pandemic situation of the country and with the addition of net lending portfolio of Rs.83Bn of the merged subsidiary. LOFC has managed to enhance the deposit base also from Rs.108 Bn to Rs.159 Bn as at 31st March 2022 and Rs.38Bn added as a result of the merger with the subsidiary.

### 2. Stated Capital

The Stated Capital of the Company is represented by 19,251,334,334 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 31st March 2022 are as follows:

	Rs'
Last traded price	14.20
Highest Price	32.20
Lowest Price	8.30

### 5. Debenture information

The debt capital of the company comprises rated unsecured subordinated redeemable debentures thirty four million (34,110,193) issued in July 2018 and fifty million (50,000,000) issued in Sep 2020. These debentures are listed in the Colombo Stock Exchange and ICRA Lanka Ltd rated these debentures as [SL]A-(Stable).

- Interest rates of the debentures

Instrument type	Interest frequency	Coupon (% p.a)	Interest yield as at last trade	Yield to maturity of last trade done	Interest rate of comparable Government Security
Type A - 5 Years Tenor	Semi-annually	14.75%	14.75%	8.03%	14.51%
Type B - 5 Years Tenor	At maturity	20.13%	20.13%	20.13%	14.51%
Type A - 5 Years Tenor	Semi-annually	10.50%	10.50%	8.38%	14.51%
Type B - 5 Years Tenor	Semi-annually	16.23%	16.23%	16.23%	14.51%

- Market prices & issue prices of debentures recorded during the quarter ended 31st March 2022 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. 103.45	Rs. 103.45	Rs. 103.45	23-Feb-22
Type B - 5 Years Tenor	Rs. 49.83	Not Traded	Not Traded	Not Traded	N/A
Type A - 5 Years Tenor	Rs.100.00	Rs. 105.00	Rs. 101.75	Rs. 105.00	13-Jul-21
Type B - 5 Years Tenor	Rs.100.00	Not Traded	Not Traded	Not Traded	N/A

- Debt security related ratios

	As at 31.03.2022	As at 31.03.2021
Debt to equity ratio (With Deposits)	2.46 times	3.51 times
Quick asset ratio	0.78 times	0.86 times
Interest cover	2.98 times	1.36 times

### 6. Issuer rating - ICRA

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



# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2022

### 7 Financial assets and liabilities

#### 7.1 Accounting classifications and fair values

As at 31st March 2022

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

Description	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost / Not measured at fair value	Total Carrying amount	Fair value	Rs. '000 Fair value measurement level
Cash and cash equivalents	-	-	12,282,960	12,282,960	12,282,960	
Deposits with banks and other financial institutions	-	-	8,855,769	8,855,769	8,855,769	
Investment in government securities	-	-	23,841,483	23,841,483	19,921,875	Level 1
Derivative assets	2,487,385	-	-	2,487,385	2,487,385	Level 2
Investment securities	7,827,287	294,403	537	8,122,227	8,122,227	Level 1
Financial assets at amortized cost						
Rentals receivable on leased assets	-	-	57,388,553	57,388,553	57,594,761	Level 2
Loans and advances	-	-	149,443,804	149,443,804	146,754,436	Level 2
Amount due from related companies	-	-	49,031	49,031	49,031	
Other financial assets	-	-	198,818	198,818	198,818	
<b>Total financial assets</b>	<b>10,314,672</b>	<b>294,403</b>	<b>252,060,954</b>	<b>262,670,029</b>	<b>256,267,262</b>	
Bank overdraft	-	-	5,675,768	5,675,768	5,675,768	
Interest bearing borrowings	-	-	44,309,903	44,309,903	43,737,350	Level 2
Deposits from customers	-	-	159,222,296	159,222,296	157,835,302	Level 2
Trade payables	-	-	596,257	596,257	596,257	
Accruals and other payables	-	-	8,511,229	8,511,229	8,511,229	
Derivative liabilities	13,176	-	-	13,176	13,176	Level 2
Amount due to related companies	-	-	2,071,997	2,071,997	2,071,997	
<b>Total financial liabilities</b>	<b>13,176</b>	<b>-</b>	<b>220,387,450</b>	<b>220,400,625</b>	<b>218,441,078</b>	

# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2022

### Financial assets and liabilities (Cont.)

#### 7.1 Accounting classifications and fair values

As at 31st March 2021

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

Description	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost / Not measured at fair value	Total Carrying amount	Rs. '000	
					Fair value	Fair value measurement level
Cash and cash equivalents	-	-	13,422,690	13,422,690	13,422,690	
Deposits with banks and other financial institutions	-	-	7,203,306	7,203,306	7,203,306	
Investment in government securities	-	-	15,838,455	15,838,455	15,511,580	
Derivative assets	325,029	-	-	325,029	325,029	Level 2
Investment securities	5,298,367	199,096	537	5,498,000	5,498,000	Level 1
Financial assets at amortized cost						
Rentals receivable on leased assets	-	-	43,098,407	43,098,407	45,903,004	Level 2
Loans and advances	-	-	61,550,510	61,550,510	63,907,289	Level 2
Amount due from related companies	-	-	33,222	33,222	33,222	
Other financial assets	-	-	297,674	297,674	297,674	
<b>Total financial assets</b>	<b>5,623,396</b>	<b>199,096</b>	<b>141,444,801</b>	<b>147,267,292</b>	<b>152,101,794</b>	
Bank overdraft	-	-	1,861,003	1,861,003	1,861,003	
Interest bearing borrowings	-	-	16,437,442	16,437,442	16,883,528	Level 2
Deposits from customers	-	-	107,791,136	107,791,136	109,750,841	Level 2
Trade payables	-	-	144,788	144,788	144,788	
Accruals and other payables	-	-	4,490,003	4,490,003	4,490,003	
Derivative liabilities	-	-	-	-	-	Level 2
Amount due to related companies	-	-	620,862	620,862	620,862	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>131,345,235</b>	<b>131,345,235</b>	<b>133,751,025</b>	

### 7.2 Financial assets and liabilities- Valuation technique

#### Level 2 fair value – market comparison technique

- Derivative assets and liabilities / Forward exchange contracts – fair value is based on broker quotes of similar contracts and the quotes reflect the 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.

### 8. Changing of Accounting Policy

The Company has decided to change its accounting policies relating to Motor Vehicles (both leasehold and free hold) from Cost Model to Revaluation Model as per LKAS 16 with effect from 31st March 2022. Management has voluntarily changed the aforementioned accounting policy with the view that it will provide more relevant and reliable information in financial statements to economic users.

The change in accounting policy from the cost model to the revaluation model has not led to a retrospective restatement due to the exemption available in Paragraph 17 of LKAS 8 “Accounting Policies, Change in Accounting Estimates and Errors”. As per Paragraph 17 of LKAS 8, the initial application of a policy to revalue assets in accordance with LKAS 16 “Property, Plant and Equipment” is a change in an accounting policy to be dealt with, as a revaluation in accordance with LKAS 16, rather than in accordance with LKAS 8. LKAS 16 provides that when an item of property, plant, and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount at the date of revaluation. Accordingly, the Company has adopted the said policy change with effect from 31st March 2022.

### 9. Events after reporting date

No circumstances have arisen since the reporting date, which would require adjustments to or disclosure in the financial statements except the following;

#### Surcharge Tax Act No 14 of 2022

The Surcharge Tax Act No 14 of 2022 (Act) was certified by the Speaker and published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka on 08 April 2022. As per the said Act, Surcharge Tax is payable by company or each company of a group of companies (holding and subsidiaries) subject to the taxable income threshold specified in the Act. The Group of companies will meet the chargeability threshold when the aggregate taxable income of all subsidiaries and holding company (excluding the companies with nil taxable income due to losses or unrelieved losses) exceed Rs.2 Bn for Y/A commencing from 1 April 2020. Such Group of companies will be liable for Surcharge tax at a rate of 25% on the taxable income of each subsidiary and holding company excluding gains and profits from dividends received from a subsidiary which is part of such taxable income for Y/A commencing from 1 April 2020.

LOLC Finance PLC is not liable to pay surcharge tax as the LOLC group meet the chargeability threshold referred to above.

As per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22 April 2022, Surcharge Tax expense which is deemed to be an expenditure for the year of assessment which commenced on 1 April 2020, shall be recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity on 1 January 2021. Such adjustment will be incorporated in the Financial Statements for the next reporting period. As the law imposing the surcharge tax was enacted after the reporting period end, the financial statements for the year ended 31 March 2022 do not reflect the tax liability that would arise in consequence for the Group.

### 10. Selected performance indicators

Regulatory Capital Adequacy		31.03.2022	31.03.2021
- Total Tier I Core Capital	Rs. '000	55,159,797	27,242,787
- Total Capital Base	Rs. '000	55,776,581	31,435,831
- Core capital adequacy ratio (Minimum requirement 8%)		18.16%	15.88%
- Total capital adequacy ratio (Minimum requirement 12%)		18.37%	18.32%
Asset Quality Ratios		31.03.2022	31.03.2021
- Net Non-Performing Advances Ratio		2.30%	1.17%
Regulatory Liquidity		31.03.2022	31.03.2021
- Available Liquid Assets	Rs. '000	34,947,296	27,912,884
- Required Liquid Assets	Rs. '000	19,394,612	7,305,101
- Liquid assets to Deposits ratio		21.95%	25.90%

# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2022

### 11. Contingent liabilities

There are no significant changes in the nature of the contingent liabilities disclosed in the audited financials for the year ended 31 March 2022.

### 12. Comparative information

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

### 13. Other Disclosure Information

Changes in fair values of investment properties are recognised as gains in profit or loss and included in 'Net other operating income'.

### 14. Acquisition of Commercial Leasing and Finance PLC and merger with LOLC Finance PLC (LOFC / "The Company")

On 31st March 2022 the Company acquired 100% shares of Commercial Leasing and Finance PLC (CLC) at a price of Rs.14.20 per share totalling to Rs.198,818,947,542 and was merged with LOFC.

The carrying amounts of the identifiable assets and liabilities of the acquiree as at 31st March 2022, which the date of acquisition and merger is as follows;

	31-Mar-22 Rs '000
<b>Assets</b>	
Cash and cash equivalents	3,606,895
Investment securities	8,935,690
Leases, advances and other loans	83,324,051
Trade and other receivables	1,180,650
Investment properties	5,361,501
Property, plant and equipment	4,658,410
<b>Total assets</b>	<b>107,067,197</b>
<b>Liabilities</b>	
Bank overdrafts	2,520,468
Interest bearing loans & borrowings	27,647,290
Deposits from customers	38,691,227
Trade and other payables	5,069,943
Provision for taxation	1,720,709
Retirement benefit obligations	229,543
<b>Total liabilities</b>	<b>75,879,180</b>
<b>Carrying amount of identifiable net assets acquired</b>	<b>31,188,017</b>

Results of the acquisitions of above entity are as follows;

Fair value of consideration paid / Investment	198,818,948
Carrying amount of identifiable net assets acquired / merged	(31,188,017)
<b>Resulting excess</b>	<b>167,630,931</b>

Since this business combination is within entities under the common control of the ultimate parent LOLC Holding PLC, no goodwill is recognized and upon the merger, the excess of Rs.167,630,930,711 was recognized in equity of the Company.

### 14.1 Rights issue

The amalgamation consideration was based on the proportion of market value of a CLC share and LOFC share. Accordingly, the Company has issued 14Bn shares through a rights issue totalling to a value of Rs.198.82Bn.

### 14.2 Consolidated financial statements

As at the year end, since the subsidiary is merged with the parent, a separate consolidated statement of financial position is not presented as the parent's statement of financial position includes the financial position of the subsidiary as at 31-Mar-2022 with consolidation adjustments.

### 15. Going concern and macro-economic Impact

"In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the effects of the COVID-19 pandemic and macroeconomic conditions and its effects on the each business segment where the company has an interest and the appropriateness of the use of the going concern basis.

Upon the recent merger, the Directors of the Company expect significant growth in assets as the synergies of the combined entity will unlock new market opportunities and would be a controlling arm of the NBFI sector as the market leader.

The management has formed reasonable judgement that the Company has adequate resources to continue its business operations for the foreseeable future by monitoring its business performance and continuity by adopting risk mitigation initiatives.

## LOLC Finance PLC

### NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2022

**16. Subordinated, Unsecured, Listed, Redeemable, Rated Debentures Issue (2018/2023) - Proceeds utilization as at 31st March 2022 are as follows.**

Objective as per Prospect	Amount allocated as per prospect in LKR	Proposed date of utilization	Amount allocated in LKR (a)	% of total proceed	Amount utilized in LKR (b)	% of utilized against allocation (b/a)	Clarification if not fully utilized including where the funds invested (e.g. whether lent to related tarty/s etc.)
Supporting the general business growth opportunities of the Company	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Reducing the mismatch of maturity periods between assets and liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Improve the capital Adequacy of the company's balance sheet, by strengthening its Tier II Capital, Subject to the CBSL's approval as mentioned below. Such an increase in the Tier II capital will enable the company to significantly expand its lending portfolio in conformity with the CBSL's capital requirements.	2.5 Billion	From the date of allotment	2.5 Billion	100%	2.5 Billion	100%	N/A

**Senior, Unsecured, Listed, Redeemable, Rated Debentures Issue (2020/2025) - Proceeds utilization as at 31st March 2022 are as follows.**

Objective as per Prospect	Amount allocated as per prospect in LKR	Proposed date of utilization	Amount allocated in LKR (a)	% of total proceed	Amount utilized in LKR (b)	% of utilized against allocation (b/a)	Clarification if not fully utilized including where the funds invested (e.g. whether lent to related tarty/s etc.)
To support the expansion of the lending portfolio of the company	3,371,250	Immediately upon receipt of the issue	3,371,250	100%	3,371,250	N/A	N/A
To support the expansion of the lending portfolio of the company	1,628,750	Immediately upon receipt of the issue	1,628,750	100%	1,628,750	N/A	N/A

**17. Rights Issue - proceeds utilization as at 31st March 2022 are as follows.**

Objective as per Circular	Amount allocated as per circular in Rs.	Proposed date of utilization as per circular	Amount allocated from proceeds in Rs.(a)	% of total proceeds	Amount utilized in Rs. (b)	% of utilize against allocation (b/a)	Clarification if not fully utilized including where the funds are invested (e.g. whether lent to related party/s etc.)
To comply with CBSL Direction No. 02 of 2006 (Risk Weighted Capital Adequacy Ratio) to facilitate the acquisition and merger of LOLC Micro Credit Ltd.	5.88 Billion	Within Two months from Allotment (26th March 2018)	5.88 Billion	100% by 26th March 2018	5.88 Billion	100%	N/A
To comply with the minimum capital adequacy requirement for every licensed finance company is required to maintain by 1st July 2019, in terms of the of the finance business act direction no. 3 of 2018 dated 6th June 2018	4.88 Billion	Within 15 - 18 month from Allotment	4.88 Billion	100% utilised for portolio growth & invest in T Bill/ Repo's	4.88 Billion	100%	N/A
To facilitate the acquisition and merger of Commercial Leasing and Finanace PLC.	198.82 Billion	6th April 2022	198.82 Billion	100% by 6th April 2022	198.82 Billion	100%	N/A

## LOLC Finance PLC

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

As at 31st March 2022

Directors Name	No. of shares	%
<b>Mr F K C P N Dias</b> (Chairman/Non Executive Director)	Nil	Nil
<b>Mr D.M.D.K.Thilakarathne</b> (Director / CEO)	Nil	Nil
<b>Mrs K.U. Amarasinghe</b> (Executive Director)	Nil	Nil
<b>Mr B.C.G. de Zylva</b> (Non - Executive Chairman)	Nil	Nil
<b>Mr P.A. Wijeratne</b> (Independent Director)	455,998	Nil
<b>Mr K Sundararaj</b> (Independent Director)	Nil	Nil

# LOLC Finance PLC

## TOP 20 SHAREHOLDERS

As at 31st March 2022

Shareholder	No. of Shares	% of Issued Capital
1 LOLC Ceylon Holdings Plc	15,651,765,122	81.30%
2 LOLC Asia Private Limited	2,614,934,919	13.58%
3 Singhe Capital Investment Limited	58,690,102	0.30%
4 Phantom Investments (Private) Limited	49,922,000	0.26%
5 Saakya Capital Private Ltd	42,520,414	0.22%
6 Hatton National Bank Plc/Hennasy Geeth Balasuriya	9,558,616	0.05%
7 Cic Holdings Plc/Cic Charitable & Educational Trust Fund	8,707,200	0.05%
8 Hatton National Bank Plc/M L Kumara Somaratne & M L A Sagari Induka	8,675,851	0.05%
9 Ranfer Teas Private Limited	7,029,083	0.04%
10 Mr W.D.N.H. Perera	6,714,979	0.03%
11 Mr K.K. Weerasinghe	6,530,522	0.03%
12 People'S Leasing & Finance Plc/Mr.D.M.P.Disanayake	6,033,647	0.03%
13 Mr A.A. Sunil	5,665,468	0.03%
14 Mrs K.V.W.S. Maddumage	5,452,884	0.03%
15 Nuwara Eliya Property Developers (Pvt) Ltd	5,334,744	0.03%
16 Mr H.G. Balasuriya	5,049,105	0.03%
17 Mr W.W.D.D.S. Perera	4,897,551	0.03%
18 Mr A.M.V.A. Chaminda	4,650,738	0.02%
19 Merchant Bank Of Sri Lanka & Finance Plc/K.K. Karunamoorthy	4,640,520	0.02%
20 Hatton National Bank Plc/Rizmy Ahamed Rishard	4,049,949	0.02%
<b>Total shares held by Top 20 Shareholders</b>	<b>18,510,823,414</b>	<b>96.15%</b>

### Public shareholding

Information pertaining to public shareholding as at 31st March 2022 is as follows:

	31-Mar-22	31-Mar-21
Public holding percentage	5.11%	5.39%
Number of public shareholders	15,620	4,154
Float Adjusted Market Capitalization	13,969,655,708	1,585,617,706

The Company is not compliant with the minimum public holding requirement stipulated in the Listing Rule 17.14.1.(i) b (Option 1) of the Colombo Stock Exchange. This arose consequent to the recent merger with the subsidiary (Commercial Leasing and Finance PLC) which took place on 31st March 2022.

The Board of Directors of the Company is in the process of evaluating options in this regard.