



INTERIM FINANCIAL STATEMENTS

For the year ended
31st March 2017

LOLC FINANCE PLC

LOLC Finance PLC

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As at 31st March 2017

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LOLC Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31st March 2017

	As at 31.03.2017 (Unaudited) Rs. '000	As at 31.03.2016 (Audited) Rs. '000
ASSETS		
Cash and bank balances	4,917,691	3,497,994
Deposits with banks and other financial institutions	6,469,298	10,206,771
Investment in government securities and others	15,541,355	8,397,496
Derivative assets	23,840	98,163
Rentals receivable on leased assets	18,408,733	17,243,862
Hire purchases, loans and advances	55,484,081	53,335,175
Factoring receivable	16,524,638	13,598,601
Margin trading receivables	94,825	85,597
Other receivables	1,071,662	694,055
Investment securities	324,629	1,083,471
Amount due from related companies	224,506	3,271
Investment properties	906,300	930,200
Property plant and equipment	2,621,022	1,210,407
Total assets	122,612,580	110,385,065
LIABILITIES		
Bank overdraft	2,394,515	1,941,608
Interest bearing borrowings	24,414,128	35,070,152
Deposits from customers	80,607,115	60,197,201
Trade payables	677,878	637,850
Accruals and other payables	1,655,534	1,018,603
Derivative liabilities	18,978	17,859
Amount due to related companies	434,259	996,781
Current tax payable	268,932	309,888
Deferred tax liability	1,102,058	984,741
Defined benefit obligations	17,018	12,249
Total liabilities	111,590,415	101,186,931
EQUITY		
Stated capital	2,000,000	2,000,000
Statutory reserve	1,556,439	1,239,075
Revaluation reserve	206,230	-
Cash flow hedge reserve	14,237	22,748
Available for sale investment reserve	(119,576)	(160,154)
Retained earnings	7,364,836	6,096,465
Total equity	11,022,165	9,198,134
Total liabilities and equity	122,612,580	110,385,065
Net assets per share (Rs.)	3.94	3.29

Certification :

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

Sgd.

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

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

Sgd.

(Mrs.) K.U. Amarasinghe - Director

Sgd.

Ashan Nissanka - Director/ CEO

26th May 2017
Rajagiriya (Greater Colombo)

LOLC Finance PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2017

	For the period ended			For the quarter ended		
	31.03.2017 (Unaudited) Rs '000	31.03.2016 (Audited) Rs '000	Variance %	31.03.2017 (Unaudited) Rs '000	31.03.2016 (Audited) Rs '000	Variance %
Interest income	18,489,741	13,137,597	41%	5,084,852	3,788,963	34%
Interest expense	(11,459,273)	(6,499,475)	76%	(3,175,312)	(2,020,420)	57%
Net interest income	7,030,467	6,638,122	6%	1,909,540	1,768,543	8%
Net other operating income	2,348,653	1,245,509	89%	728,745	432,595	68%
Total income	9,379,121	7,883,631	19%	2,638,285	2,201,139	20%
Operating expenses						
Direct expenses excluding interest cost	(1,311,408)	(911,717)	44%	(282,358)	(318,075)	-11%
Allowance for impairment & write-offs	(1,329,042)	(1,568,576)	-15%	(514,091)	(566,574)	-9%
Personnel expenses	(1,424,495)	(1,100,550)	29%	(477,290)	(362,975)	31%
Depreciation	(148,246)	(32,717)	353%	(44,358)	(15,205)	192%
General & administration expenses	(2,624,517)	(1,974,524)	33%	(521,184)	(546,712)	-5%
Profit from operations	2,541,412	2,295,547	11%	799,004	391,598	104%
Value added tax on financial services	(364,835)	(275,891)	32%	(138,967)	(50,332)	176%
Profit before income tax expense	2,176,577	2,019,656	8%	660,037	341,266	93%
Income tax expense	(589,759)	(592,663)	0%	(131,141)	(55,385)	137%
Profit for the period	1,586,818	1,426,993	11%	528,896	285,881	85%
Other comprehensive income						
Items that will never be reclassified to profit or loss						
Remeasurements of defined benefit liability - gain / (loss)	(1,505)	1,372	-210%	(1,505)	1,372	-210%
Related tax	421	(384)	-210%	421	(384)	-210%
	(1,083)	988	-210%	(1,083)	988	-210%
Items that are or may be reclassified to profit or loss						
Available-for-sale financial assets net change in fair value	40,578	(246,191)	-116%	(10,047)	(207,680)	-95%
Gain / (loss) on cash flow hedges	(11,821)	34,156	-135%	5,124	34,156	-85%
Related tax	3,310	(11,409)	-129%	3,310	-	-
Revaluation surplus	216,990	-	-	216,990	-	-
Related tax	(10,760)	-	-	(10,760)	-	-
	238,297	(223,443)	-207%	204,617	(173,523)	-218%
Total comprehensive income	1,824,032	1,204,538	51%	732,429	113,346	546%
Basic earnings per share (Rs.)	0.57	0.51		0.19	0.10	

Figures in brackets indicate deductions.

LOLC Finance PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2017

	Stated Capital Rs '000	Statutory Reserve Rs '000	Revaluation Reserve Rs '000	Cash flow Hedge Reserve Rs '000	Available for Sale Investment Reserve Rs '000	Retained Earnings Rs '000	Total Equity Rs '000
Balance as at 01 April 2015	2,000,000	953,677	-	-	86,037	4,953,882	7,993,596
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	1,426,993	1,426,993
<i>Other comprehensive income, net of income tax</i>							
Net change in fair value of AFS investments	-	-	-	-	(246,191)	-	(246,191)
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	988	988
Net movement of cashflow hedges	-	-	-	22,748	-	-	22,748
Total other comprehensive income for the period	-	-	-	22,748	(246,191)	988	(222,455)
Total comprehensive income for the period	-	-	-	22,748	(246,191)	1,427,981	1,204,538
Transactions recorded directly in equity							
Transfer to Statutory Reserve Fund	-	285,399	-	-	-	(285,399)	-
Total transactions recorded directly in equity	-	285,399	-	-	-	(285,399)	-
Balance as at 31 March 2016	2,000,000	1,239,075	-	22,748	(160,154)	6,096,465	9,198,134
Balance as at 01 April 2016	2,000,000	1,239,075	-	22,748	(160,154)	6,096,465	9,198,134
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	1,586,818	1,586,818
<i>Other comprehensive income, net of income tax</i>							
Net change in fair value of AFS investments	-	-	-	-	40,578	-	40,578
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	(1,083)	(1,083)
Revaluation of property, plant and equipment	-	-	206,230	-	-	-	206,230
Net movement of cashflow hedges	-	-	-	(8,511)	-	-	(8,511)
Total other comprehensive income for the period	-	-	206,230	(8,511)	40,578	(1,083)	237,214
Total comprehensive income for the period	-	-	206,230	(8,511)	40,578	1,585,735	1,824,032
Transactions recorded directly in equity							
Transfer to Investment Fund Reserve	-	-	-	-	-	-	-
Transferred to retained earnings during the year	-	-	-	-	-	-	-
Transfer to Statutory Reserve Fund	-	317,364	-	-	-	(317,364)	-
Total transactions recorded directly in equity	-	317,364	-	-	-	(317,364)	-
Balance as at 31 March 2017	2,000,000	1,556,439	206,230	14,237	(119,576)	7,364,836	11,022,165

LOLC Finance PLC

STATEMENT OF CASH FLOWS

For the year ended 31st March 2017

	2017 Rs '000	2016 Rs '000
Cash flows from / (used in) operating activities		
Profit before income tax expense	2,176,577	2,019,656
Adjustments for:		
Depreciation	148,246	32,717
(Profit) / loss on Sales of Investment property	(11,903)	32,316
Change in fair value of derivatives - forward contracts	28,699	(94,334)
Provision for fall / (increase) in value of investments	(31,952)	(8,503)
Impairment provision for the period	549,529	907,112
Provision for defined benefit plans	10,500	9,540
Change in fair value of investment property	(24,458)	(29,071)
Provision for defined benefit plans	5,142	3,651
Investment income	(1,456,265)	(593,897)
Finance costs	11,282,235	6,499,475
Operating profit / (loss) before working capital changes	12,676,349	8,778,662
Change in other receivables	(340,001)	(37,911)
Change in trade and other payables	666,460	178,567
Change in amounts due to / due from related parties	(783,757)	(1,456,705)
Change in lease receivables	(1,201,164)	(4,038,795)
Change in hire purchase, loans and advances	(2,295,076)	(16,930,762)
Change in factoring receivables	(3,330,707)	(8,134,078)
Change in margin trading advances	(9,228)	208,115
Change in fixed deposits from customers	19,085,135	17,776,409
Change in savings deposits from customers	755,577	307,447
Cash generated from / (used in) operations	25,223,587	(3,349,053)
Finance cost paid	(7,513,260)	(3,936,071)
Gratuity paid	(1,877)	(481)
Income tax paid	(520,427)	(505,672)
Net cash from / (used in) operating activities	17,188,024	(7,791,277)
Cash flows from / (used in) investing activities		
Acquisition of property, plant & equipment	(749,012)	(428,735)
Net proceeds from investments in term deposits	2,431,597	(9,445,676)
Proceeds from sale of investment property	74,258	209,715
Investments in companies	-	(66,125)
Net proceeds from Investments in unit trust	790,793	(1,000,000)
Net proceeds from investments in government securities	(5,797,404)	(2,742,969)
Interest received	1,456,265	593,897
Net cash flows used in investing activities	(1,793,503)	(12,879,892)
Cash flows from / (used in) financing activities		
Net proceeds from interest bearing loans & borrowings	(10,664,578)	23,292,962
Lease rentals paid	(637,032)	(111,557)
Finance cost paid on bank loans and over draft	(3,126,121)	(1,596,093)
Net cash flows from / (used in) financing activities	(14,427,730)	21,585,312
Net increase / (decrease) in cash and cash equivalents	966,791	914,143
Cash and cash equivalents at the beginning of the year	1,556,386	642,243
Cash and cash equivalents at the end of the period	2,523,176	1,556,386
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	4,917,691	3,497,994
Bank overdraft	(2,394,515)	(1,941,608)
	2,523,176	1,556,386

LOLC Finance PLC

OPERATING SEGMENTS

For the year ended 31st March 2017

	Conventional Financial Services Rs '000	Islamic Financial Services Rs '000	Factoring Business Rs '000	Others/ Adjustments Rs '000	Total Rs '000
For the year ended 31st March 2017					
Total revenue	14,947,090	2,156,290	3,735,014	-	20,838,394
Inter-segmental revenue	-	-	-	-	-
External revenue	14,947,090	2,156,290	3,735,014	-	20,838,394
Net interest cost	(8,850,888)	(874,068)	(1,734,318)	-	(11,459,273)
Profit before operating expenses	6,096,203	1,282,222	2,000,696	-	9,379,121
Operating expenses	(4,287,561)	(551,762)	(669,343)	-	(5,508,666)
Allowance for impairment & write-offs	(854,152)	(45,477)	(429,414)	-	(1,329,042)
Value added tax on financial services	(65,144)	(99,988)	(199,703)	-	(364,835)
Profit before income tax	889,346	584,995	702,237	-	2,176,577
For the year ended 31st March 2016					
Total revenue	10,869,523	1,636,308	1,877,274	-	14,383,106
Inter-segmental revenue	-	-	-	-	-
External revenue	10,869,523	1,636,308	1,877,274	-	14,383,106
Net interest cost	(4,885,942)	(612,957)	(1,000,575)	-	(6,499,475)
Profit before operating expenses	5,983,581	1,023,351	876,699	-	7,883,631
Operating expenses	(3,177,195)	(376,785)	(465,529)	-	(4,019,508)
Allowance for impairment & write-offs	(757,041)	(75,856)	(735,679)	-	(1,568,576)
Value added tax on financial services	(220,325)	(55,565)	-	-	(275,891)
Profit before income tax	1,829,020	515,145	(324,509)	-	2,019,656
As at 31.03.2017					
Total assets	96,675,199	11,435,702	16,524,638	(2,022,959)	122,612,580
Total liabilities	87,428,038	9,660,698	16,524,638	(2,022,959)	111,590,415
As at 31.03.2016					
Total assets	88,717,036	11,043,205	13,598,601	(2,973,777)	110,385,065
Total liabilities	80,834,237	9,727,871	13,598,601	(2,973,777)	101,186,931

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2017

1. General

- These interim financial statements have been prepared in accordance with LKAS 34 Interim Financial Reporting and do not include all of the information required for a full set of financial statements.
- The requirements of the Colombo Stock Exchange and the Companies Act No.7 of 2007 have also been considered in preparing these financial statements
- The information for the preparation of these interim financial statements has been drawn up from the unaudited financial records of the
- Accounting policies and methods of computation as stated in the annual report for the year 2015/16 are followed in the preparation of these Interim Financial Statements

2. Stated Capital

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

3. Provision for management expenditure

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

4. Share information

Market prices of ordinary shares recorded during the quarter ended 31st March 2017 are as follows:

	Rs'
Market price as at 31st March 2017	2.20
Highest Price	3.50
Lowest Price	1.90

5. Debenture information

The debt capital of the company comprises of fifty million (50,000,000) rated unsecured subordinated redeemable debentures issued in January, 2015. These debentures are listed in the Colombo Stock Exchange.

ICRA Lanka Ltd upgraded the credit rating of the above debentures to [SL]A- with stable outlook from [SL]BBB+ with stable outlook during the financial year 2015/16.

- Interest rates of the debentures

Instrument type	Interest frequency	Coupon (% p.a)	Interest yield as at last trade	Yield to maturity of last trade done	Interest rate of comparable Government Security
Type A - 5 Years Tenor	Quarterly	9.00%	9.80%	11.07%	12.53%
Type B - 5 Years Tenor	Semi Annually	9.10%	9.10%	9.10%	12.53%
Type C - 5 Years Tenor	Annually	9.25%	9.25%	9.25%	12.53%

- Market prices & issue prices of debentures recorded during the quarter ended 31st March 2017 are as follows.

Instrument Type	Issue Price	Highest Price	Lowest Price	Last Traded Price	Last Traded Date
Type A - 5 Years Tenor	Rs.100.00	Rs. 91.79	Rs. 91.79	Rs. 91.79	28-Mar-17
Type B - 5 Years Tenor	Rs.100.00	Not Traded	Not Traded	Not Traded	N/A
Type C - 5 Years Tenor	Rs.100.00	Not Traded	Not Traded	Not Traded	N/A

- Debt security related ratios

	As at 31.03.2017	As at 31.03.2016
Debt to equity ratio	9.75 times	10.57 times
Quick asset ratio	0.86 times	0.83 times
Interest cover	1.19 times	1.31 times

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2017

6 Financial assets and liabilities

6.1 Accounting classifications and fair values

As at 31st March 2017

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

Description	Fair value – derivatives	Fair value - held for trading	Fair value through other comprehensive income / carried at cost– available for sale	Amortized cost / Not measured at fair value	Total Carrying amount	Rs. '000	
						Fair value	Fair value measurement level
Cash and cash equivalents	-	-	-	4,917,691	4,917,691	4,917,691	
Deposits with banks	-	-	-	6,469,298	6,469,298	6,469,298	
Investment in government securities							
- Measured at fair value	-	-	2,276,478		2,276,478	2,276,478	Level 1
- Measured at amortized cost	-	-		11,959,000	11,959,000	11,959,000	
Derivative assets	23,840	-	-	-	23,840	23,840	Level 2
Investment securities	-	258,161	-	1,372,345	1,630,506	1,630,506	Level 1
Rentals receivable on leased assets	-	-	-	18,408,733	18,408,733	18,279,673	Level 2
Hire purchases, loans and advances	-	-	-	55,484,081	55,484,081	54,309,994	Level 2
Factoring receivable	-	-	-	16,524,638	16,524,638	16,524,638	
Margin trading receivables	-	-	-	94,825	94,825	94,825	
Amount due from related companies	-	-	-	224,506	224,506	224,506	
Other financial assets	-	-	-	329,118	329,118	329,118	
Total financial assets	23,840	258,161	2,276,478	115,784,235	118,342,715	117,039,568	
Bank overdraft	-	-	-	2,394,515	2,394,515	2,394,515	
Interest bearing borrowings	-	-	-	24,414,128	24,414,128	23,975,905	Level 2
Deposits from customers	-	-	-	80,607,115	80,607,115	80,402,810	Level 2
Trade payables	-	-	-	677,878	677,878	677,878	
Accruals and other payables	-	-	-	1,628,613	1,628,613	1,628,613	
Derivative liabilities	18,978	-	-	-	18,978	18,978	Level 2
Amount due to related companies	-	-	-	434,259	434,259	434,259	
Total financial liabilities	18,978	-	-	110,156,508	110,175,486	109,532,958	

LOLC Finance PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2017

Financial assets and liabilities (Cont.)

6.1 Accounting classifications and fair values

As at 31st March 2016

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

Description	Fair value – derivatives	Fair value - held for trading	Fair value through other comprehensive income / carried at cost– available for sale	Amortized cost / Not measured at fair value	Total Carrying amount	Rs. '000	
						Fair value	Fair value measurement level
Cash and cash equivalents	-	-	-	3,497,994	3,497,994	3,497,994	
Deposits with banks	-	-	-	10,206,771	10,206,771	10,206,771	
Investment in government securities							
- Measured at fair value	-	-	2,187,792	-	2,187,792	2,187,792	Level 1
- Measured at amortized cost	-	-	-	6,209,705	6,209,705	6,209,705	
Derivative assets	98,163	-	-	-	98,163	98,163	Level 2
Investment securities	-	1,017,003	66,468	-	1,083,471	1,083,471	Level 1
Rentals receivable on leased assets	-	-	-	17,243,862	17,243,862	17,325,394	Level 2
Hire purchases, loans and advances	-	-	-	53,335,175	53,335,175	53,271,076	Level 2
Factoring receivable	-	-	-	13,598,601	13,598,601	13,598,601	
Margin trading receivables	-	-	-	85,597	85,597	85,597	
Amount due from related companies	-	-	-	3,271	3,271	3,271	
Other financial assets	-	-	-	251,507	251,507	251,507	
Total financial assets	98,163	1,017,003	2,254,260	104,432,484	107,801,909	107,819,343	
Bank overdraft	-	-	-	1,941,608	1,941,608	1,941,608	
Interest bearing borrowings	-	-	-	35,070,152	35,070,152	34,937,608	Level 2
Deposits from customers	-	-	-	60,197,201	60,197,201	59,832,205	Level 2
Trade payables	-	-	-	637,850	637,850	637,850	
Accruals and other payables	-	-	-	659,679	659,679	659,679	
Derivative liabilities	17,859	-	-	-	17,859	17,859	Level 2
Amount due to related companies	-	-	-	996,781	996,781	996,781	
Total financial liabilities	17,859	-	-	99,503,271	99,521,130	99,023,590	

6.2 Financial assets and liabilities- Valuation technique

Level 2 fair value – market comparison technique

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

Level 2 fair value – discounted cash flows

Financial instruments not measured at fair value

- For the purpose of disclosing fair value of the financial instruments not measured at fair value (carried at amortized cost) discounted cash flows has been used to derive the fair value.

7. Selected performance indicators

Regulatory Capital Adequacy		31.03.2017	31.03.2016
- Total Tier I Core Capital	Rs. '000	9,600,962	9,175,386
- Total Capital Base	Rs. '000	11,973,230	12,272,285
- Core capital adequacy ratio (Minimum requirement 5%)		9.96%	10.07%
- Total capital adequacy ratio (Minimum requirement 10%)		12.42%	13.47%
Asset Quality Ratios		31.03.2017	31.03.2016
- Gross Non-Performing Advances Ratio		4.41%	4.15%
- Net Non-Performing Advances Ratio		0.75%	0.50%
Regulatory Liquidity		31.03.2017	31.03.2016
- Available Liquid Assets	Rs. '000	11,622,479	8,041,208
- Required Liquid Assets	Rs. '000	9,577,060	7,689,912
- Liquid assets to Deposits ratio		14.42%	13.36%

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 2016.

9. Comparative information

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

10. Events after reporting date

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

LOLC Finance PLC

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

As at 31st March 2017

Directors Name	No. of shares	%
Mr. R.K.S.S Chandra (Chairman)	Nil	Nil
Mr. I. C. Nanayakkara (Deputy Chairman)	Nil	Nil
Mr A. Nissanka (Director / CEO)	1,300,800	0.05%
Mrs. K. U. Amarasinghe	Nil	Nil
Mrs. D.P Pieris	1,000,000	0.04%
Dr. L. M. J. S.H. Cabral	Nil	Nil

LOLC Finance PLC

TOP 20 SHAREHOLDERS

As at 31st March 2017

	Shareholder	No. of Shares	% of Issued Capital
1	Lanka ORIX Leasing Company PLC	2,520,000,000	90.00%
2	Saakya Capital (Pvt) Ltd	128,045,234	4.57%
3	Satya Capital (Pvt) Ltd	52,000,000	1.86%
4	Capital Alliance Holdings Ltd	28,000,000	1.00%
5	Dr. R.R.De Silva	11,371,515	0.41%
6	National Savings Bank	4,550,000	0.16%
7	Mr D. Kotthoff	2,200,000	0.08%
8	Dr A R Wikramanayake	1,688,500	0.06%
9	People's Leasing and Finance PLC / Mr D.K.L. Chandrasena	1,601,000	0.06%
10	Mr S V Somasunderam	1,500,000	0.05%
11	Bansei Securities Capital (Pvt) Ltd / Mr A. Nissanka	1,300,800	0.05%
12	Mr L.A.J.F. Morais	1,111,449	0.04%
13	Mr W.A.S.P. De Saram	1,039,089	0.04%
14	Mrs D.P. Pieris	1,000,000	0.04%
15	Mr P.M.M. Pieris	1,000,000	0.04%
16	Nation Lanka Capital Ltd / Mr Rienzie Collom	944,140	0.03%
17	Mrs B.C.R Wickramaratne	930,000	0.03%
18	Pan Asia Banking Corporation PLC / Mr S.S. Weerabahu	900,460	0.03%
19	Mr A.W.A.L. Dharmaprema	800,012	0.03%
20	Bansei Securities Capital (Pvt) Ltd / M.I.Y. Dharmawardhana	700,000	0.03%
Total shares held by Top 20 Shareholders		2,760,682,199	98.60%

Public share holding as at 31st March 2017 was 10% comprising of 2,744 shareholders.