

LB FINANCE PLC

PUBLICATION OF AUDITED FINANCIAL STATEMENTS AS PER CENTRAL BANK GUIDELINES NO.02 OF 2006

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH	Company		Group	
	2020 Rs.('000)	2019 Rs.('000)	2020 Rs.('000)	2019 Rs.('000)
Income	31,222,860	29,278,024	31,359,418	29,342,212
Interest Income	29,160,292	27,363,768	29,297,103	27,420,842
Less: Interest Expenses	13,615,391	12,951,323	13,631,371	12,953,155
Net Interest Income	15,544,901	14,412,445	15,665,732	14,467,687
Fee and Commission Income	1,941,626	1,782,072	1,950,180	1,786,919
Net Trading Income	(2,099)	(2,558)	(2,099)	(2,558)
Other Operating Income	123,041	134,742	114,234	137,009
Total Operating Income	17,607,469	16,326,701	17,728,047	16,389,057
Less: Impairment Charges and Other Losses	1,831,057	983,154	1,856,495	986,892
Net Operating Income	15,776,412	15,343,547	15,871,552	15,402,165
Less: Operating Expenses				
Personnel Expenses	3,005,189	2,693,563	3,034,198	2,707,937
Depreciation of Property, Plant and Equipment	697,508	417,889	698,639	418,438
Amortisation of Intangible Assets	15,882	17,487	18,125	18,492
Other Operating Expenses	2,168,986	2,458,340	2,188,842	2,468,485
Total Operating Expenses	5,887,565	5,587,279	5,939,804	5,613,352
Operating Profit before Tax on Financial Services	9,888,847	9,756,268	9,931,748	9,788,813
Less: Tax on Financial Services	2,278,560	2,015,619	2,278,560	2,015,619
Profit before Taxation	7,610,287	7,740,649	7,653,188	7,773,194
Less: Income Tax Expense	2,423,234	2,685,989	2,442,327	2,693,771
Profit for the Year	5,187,053	5,054,660	5,210,861	5,079,423
Profit Attributable to:				
Equity Holders of the Company	5,187,053	5,054,660	5,210,861	5,079,349
Non-Controlling Interest	-	-	-	74
Profit for the Year	5,187,053	5,054,660	5,210,861	5,079,423
Earnings per Share: Basic/Diluted (Rs.)	37.45	36.49	37.62	36.67
Dividend per Share				
Dividend per Share: Gross (Rs.)	-	12.00	-	-
Dividend per Share: Net (Rs.)	-	10.32	-	-

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH	Company		Group	
	2020 Rs.('000)	2019 Rs.('000)	2020 Rs.('000)	2019 Rs.('000)
Assets				
Cash and Cash Equivalents	6,162,637	4,040,586	6,472,312	4,058,610
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,648	6,866	4,648	6,866
Financial Assets at Amortised Cost - Loans and Receivables	58,239,254	47,395,025	58,793,344	47,773,705
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	60,626,670	66,050,429	60,626,670	66,050,429
Financial Assets Measured at Fair Value Through Other Comprehensive Income	59,141	89,710	59,141	89,710
Other Financial Assets	9,119,681	10,804,517	9,105,761	10,794,673
Other Non Financial Assets	967,469	1,067,360	976,489	1,073,065
Investment in Subsidiary	521,162	318,999	-	-
Property, Plant and Equipment and Right-of-Use Assets	8,221,248	6,577,379	8,228,222	6,580,725
Intangible Assets	41,809	39,847	55,064	43,523
Total Assets	143,963,719	136,390,718	144,321,651	136,471,306
Liabilities				
Due to Banks	22,771,085	24,633,508	22,882,941	24,633,508
Financial Liabilities at Amortised Cost - Due to Depositors	89,256,435	83,214,949	89,315,097	83,242,617
Debt Instruments Issued and Other Borrowed Funds	3,111,186	3,107,783	3,111,186	3,107,783
Other Financial Liabilities	2,766,410	1,974,490	2,766,775	1,974,490
Other Non Financial Liabilities	909,266	2,070,632	925,778	2,075,791
Current Tax Liabilities	766,572	1,395,971	777,057	1,403,916
Deferred Tax Liabilities	1,037,580	1,309,722	1,037,580	1,309,722
Post Employment Benefit Liability	345,456	256,512	345,456	256,512
Total Liabilities	120,964,170	117,963,567	121,161,870	118,004,339
Equity				
Stated Capital	838,282	838,282	838,282	838,282
Reserves	6,216,939	5,210,097	6,334,326	5,230,876
Retained Earnings	15,944,328	12,378,772	15,987,173	12,397,809
Total Equity Attributable to Equity Holders of the Company	22,999,549	18,427,151	23,159,781	18,466,967
Non-Controlling Interest	-	-	-	-
Total Equity	22,999,549	18,427,151	23,159,781	18,466,967
Total Liabilities and Equity	143,963,719	136,390,718	144,321,651	136,471,306
Commitments and Contingencies	1,928,805	1,820,856	1,816,949	1,820,856
Net Asset Value per Share (Rs.)	166.04	133.03	167.20	133.32

CERTIFICATION:
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Sgd
Malith Hewage
Assistant General Manager-Finance
The Board of Directors is responsible for these Financial Statements. Approved and signed for and on behalf of the Board of Directors by,

Sgd
J A S Sumith Adihietty
Managing Director
22 June 2020
Colombo

Sgd
Mrs. Yogadinusha Bhaskaran
Director



L B Finance PLC, 275/75, Prof. Stanley Wijesundara Mw., Colombo 7.

Tel: 0112 200 000 | www.lbfinance.com |

• A- (Ika) rating with a stable outlook by Fitch Ratings

• Gold award winner in Finance and Leasing Sector for the third consecutive year at the CA Sri Lanka Annual Report Awards

• Peoples Award for Best Financial Services Provider of the year at the SLIM-Nielsen Peoples Awards

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH	Company		Group	
	2020 Rs.('000)	2019 Rs.('000)	2020 Rs.('000)	2019 Rs.('000)
Profit for the Year	5,187,053	5,054,660	5,210,861	5,079,423
Other Comprehensive Income that will be Reclassified to Income Statement				
Net Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	-	-	96,608	15,594
Less: Deferred Tax Charge/(Reversal) on above Items	-	-	-	-
Net Other Comprehensive Income that will be Reclassified to Income Statement	-	-	96,608	15,594
Other Comprehensive Income that will never be Reclassified to Income Statement				
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	(30,569)	(31,913)	(30,569)	(31,913)
Actuarial Gains/(Losses) on Defined Benefit Plans	(41,707)	23,969	(41,707)	23,969
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	(11,678)	6,712	(11,678)	6,712
Net Actuarial Gains/(Losses) on Defined Benefit Plans	(30,029)	17,257	(30,029)	17,257
Net Other Comprehensive Income that will never be Reclassified to Income Statement	(60,598)	(14,656)	(60,598)	(14,656)
Other Comprehensive Income for the Year, Net of Tax	(60,598)	(14,656)	36,010	938
Total Comprehensive Income for the Year, Net of Tax	5,126,455	5,040,004	5,246,871	5,080,361
Attributable to:				
Equity Holders of the Company	5,126,455	5,040,004	5,246,871	5,080,240
Non-Controlling Interest	-	-	-	121
Total Comprehensive Income for the Year, Net of Tax	5,126,455	5,040,004	5,246,871	5,080,361

SELECTED PERFORMANCE INDICATORS - COMPANY AS AT 31 MARCH	2020	2019
Capital Adequacy		
Core Capital (Tier 1 Capital), Rs. '000	22,725,746	18,243,256
Total Capital Base, Rs. '000	24,769,809	20,752,197
Core Capital Adequacy Ratio, as a % of Risk Weighted Assets (Minimum 7%)	19.04%	15.53%
Total Capital Adequacy Ratio, as a % of Risk Weighted Assets (Minimum 11%)	20.75%	17.67%
Capital Funds to Deposit Liabilities Ratio (Minimum 10%)	23.98%	22.14%
Profitability (Avg)		
Return on Avg Shareholders' Funds (After Tax)	24.75%	29.84%
Return on Avg Assets (After Tax)	3.66%	3.93%
Interest Margin	11.96%	11.92%
Asset Quality		
Gross Non-Performing Accommodations, Rs. '000	5,648,464	3,773,333
Total Accommodations, Rs. '000	143,624,850	140,145,117
Gross Non-Performing Accommodations Ratio, %	3.93%	2.69%
Net Non-Performing Accommodations Ratio, %	-0.12%	-0.21%
Regulatory Liquidity (Rs. '000)		
Required Minimum Amount of Liquid Assets	9,317,201	8,761,987
Available Amount of Liquid Assets	14,307,288	13,353,654
Required Minimum Amount of Government Securities	6,120,291	5,284,295
Available Amount of Government Securities	6,790,000	6,740,000
Memorandum Information		
Number of Employees	3,606	3,618
Number of Branches	129	127
Number of Gold Loan Centers	36	36

EXTRACTED FROM THE STATUTORY FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LB FINANCE PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the financial statements of LB Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2020, income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

22 June 2020
Colombo



Ernst & Young
Chartered Accountants
201 De Saram Place
9, 10th Floor
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax : +94 11 2697600
Tel : +94 11 5578180
ey@lbfinance.com

Key audit matter

How our audit addressed the key audit matter

Impairment allowance for loans & receivables and lease rentals receivable & stock out on hire

We considered the impairment allowance for loans & receivables and lease rentals receivable & stock out on hire as a key audit matter. Significant judgments and assumptions were used by the management to determine the impairment allowance and complex calculations were involved in its estimation. Probable impacts of COVID-19 outbreak on the economically impacted customers and related government relief measures on the key assumptions, the higher level of estimation uncertainty involved, and materiality of the amounts reported in the Group's financial statements, underpinned our basis for considering it as a Key Audit Matter.

Loans & receivables and lease rentals receivable & stock out on hire amounted to Rs. 58,239,254 (Rs. '000) and Rs. 60,626,670 (Rs. '000) after deducting an impairment allowance of Rs. 2,383,038 (Rs. '000) and 2,908,033 (Rs. '000) respectively. These collectively contributed 62% to the Group's total assets.

The Note 4.16 of the financial statements describes the basis of impairment allowance and assumptions used by the management in its calculation.

Management's assessment of possible effects of COVID-19 outbreak on the nature and extent of risks arising from financial instruments and related disclosures.

Management has assessed the possible impacts of the evolving COVID-19 outbreak on, nature and extent of risks arising from financial instruments and related financial statement disclosures are made considering the best available information up to the date of assessment, as more fully described in section 5 of the financial statements.

We considered such management's assessment and related disclosures as a key audit matter, considering nature of business and use of significant management judgments and estimates considering future events and circumstances.

Our audit procedures included the following:

- We gained an understanding of management's assessment of the possible impacts of the COVID-19 outbreak on the nature and extent of risks arising from financial instruments and developing related disclosures of the Group.

- We assessed the adequacy of qualitative disclosures made in note(s) 5.2, 5.3 & 5.6 to the financial statements focusing on credit risk and liquidity risk in the light of the objective of SLFRS 7.

- In relation to significant judgments and estimates underpinning such disclosures, we assessed the reasonableness of those key assumptions considering related market information and internal decisions made by the Group.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1884.

22 June 2020
Colombo