

INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2014



LB Finance PLC

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2014

	FOR THE 3 MONTHS ENDED		VARIANCE
	30.06.2014 Rs.('000)	30.06.2013 Rs.('000)	%
Income	3,538,597	3,156,672	12
Interest Income	3,282,520	2,998,012	9
Interest Expenses	(1,597,519)	(1,781,907)	10
Net Interest Income	1,685,001	1,216,105	39
Fee and Commission Income	222,995	163,511	36
Net Fee and Commission Income	222,995	163,511	36
Net Trading Income	288	82	250
Other Operating Income	32,794	43,138	(24)
	33,082	43,220	(23)
Total Operating Income	1,941,079	1,422,836	36
Impairment (Charges) / Reversal for loans and other losses	(367,039)	(386,513)	5
Gold Loan Auction Losses	(131,774)	(72,349)	(82)
Net Operating Income	1,442,266	963,974	50
Operating Expenses			
Personnel Expenses	(354,590)	(309,786)	(14)
Depreciation of Property, Plant and Equipment	(81,847)	(72,769)	(12)
Amortisation of Intangible Assets	(2,838)	(1,760)	(61)
Other Operating Expenses	(287,623)	(243,391)	(18)
Operating Profit before Value Added Tax on Financial Services	715,368	336,268	113
Value Added Tax on Financial Services	(59,595)	(25,064)	(138)
Profit before Taxation	655,773	311,203	111
Income Tax Expense	(206,711)	(83,187)	(148)
Profit after Taxation	449,062	228,016	97
Other Comprehensive Income / (Expenses)			
Gains & Losses arising on re-measuring Available for Sale Financial Assets			
Sri Lanka Government securities	11,700	5,001	134
Equity Securities	18,224	14,434	26
Other comprehensive income / (expenses) before taxation	29,924	19,435	54
Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income	(8,379)	(5,442)	54
Other Comprehensive Income for the Period, Net of Tax	21,545	13,993	54
Total Comprehensive Income for the Period, Net of Tax	470,607	242,009	94
Basic Earnings Per Share (Rs)	6.48	3.29	

LB Finance PLC

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.('000)	Retained Earnings Rs.('000)	Statutory Reserve Rs.('000)	Investment Fund Reserve Rs.('000)	Available for Sale Reserve Rs.('000)	Total Rs.('000)
Balance as at 1 April 2013	838,282	2,822,303	1,193,051	440,801	4,065	5,298,502
Net profit for the period	-	228,016	-	-	-	228,016
Other comprehensive income net of tax	-	-	-	-	13,993	13,993
Transfer to Statutory Reserve	-	(45,603)	45,603	-	-	-
Transfer to Investment Fund Reserve	-	(73,264)	-	73,264	-	-
Balance as at 30 June 2013	838,282	2,931,451	1,238,655	514,065	18,057	5,540,511
Balance as at 1 April 2014	838,282	3,265,274	1,461,057	619,682	22,393	6,206,689
Net profit for the period	-	449,062	-	-	-	449,062
Other comprehensive income net of tax	-	-	-	-	21,545	21,545
Transfer to Statutory Reserve	-	(89,812)	89,812	-	-	-
Transfer to Investment Fund Reserve	-	(26,045)	-	26,045	-	-
Balance as at 30 June 2014	838,282	3,598,478	1,550,870	645,727	43,939	6,677,296

LB Finance PLC		
STATEMENT OF FINANCIAL POSITION		
As at 30 June 2014		
	30.06.2014	Audited
	Rs.('000)	31.03.2014
		Rs.('000)
Assets		
Cash and Cash Equivalents	3,697,398	1,865,100
Financial Investments - Held for Trading	7,693	7,595
Loans and Receivables	20,127,295	18,893,238
Lease Rentals Receivable & Stock out on Hire	30,643,047	30,299,456
Financial Investments - Available for Sale	1,510,162	1,468,602
Other Financial Assets	2,620,596	5,083,136
Other Non Financial Assets	799,164	921,042
Intangible Assets	37,201	36,426
Property, Plant and Equipment	2,078,706	2,067,929
Deferred Tax Assets	171,857	171,857
Total Assets	61,693,119	60,814,381
Liabilities		
Due to Banks	3,631,250	4,034,675
Due to Customers	47,173,048	46,095,205
Debt Issued and Other Borrowed Funds	2,615,710	2,864,872
Other Financial Liabilities	338,908	586,347
Other Non Financial Liabilities	953,155	829,677
Post Employment Benefit Liability	97,864	93,199
Current Tax Liabilities	205,888	103,717
Total Liabilities	55,015,823	54,607,692
Shareholders' Funds		
Stated Capital	838,282	838,282
Retained Earnings	3,598,478	3,265,274
Reserves	2,240,536	2,103,133
Total Shareholders' Funds	6,677,296	6,206,689
Total Liabilities and Shareholders' Funds	61,693,119	60,814,381
Net asset value per share (Rs)	96.41	89.62
Commitments and Contingencies	829,689	637,847

The information contained in these statements have been extracted from the unaudited Financial Statements of the Company unless indicated as "Audited".

CERTIFICATION:

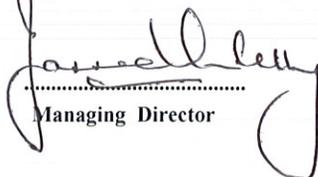
These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board of Directors by,



Managing Director



Director

08th August 2014

Colombo

LB Finance PLC		
CASH FLOW STATEMENT		
Period ended 30 June 2014	FOR THE 3 MONTHS ENDED	
	30.06.2014 Rs.('000)	30.06.2013 Rs.('000)
Cash Flows From / (Used in) Operating Activities		
Profit before Income Tax Expense	685,697	330,638
Adjustments for		
Depreciation of Property, Plant and Equipment	81,847	72,769
Amortisation of Intangible Assets	2,838	1,760
Impairment Provision	367,039	386,513
Interest Cost on Finance Lease	539	874
Diminution/(Appreciation) in Value of Investments	(30,022)	(19,486)
Loss/(Profit) on Disposal of Property, Plant and Equipment	(10)	(1,651)
Provision/(reversal) for Defined Benefit Plans	9,126	10,922
Dividend Received	(578)	(279)
Interest Income on Investing Activities	(161,782)	(181,878)
Notional Tax Credit on Interest on Treasury Bills	(11,580)	(9,013)
Withholding Tax Attributed to Fixed Deposits	(4,438)	(64)
Operating Profit before Working Capital Changes	938,675	591,107
(Increase)/Decrease in Loans and Receivables	(1,321,467)	(897,306)
(Increase)/Decrease in Lease Rentals Receivable & Stock out on Hire	(623,220)	(628,912)
(Increase)/Decrease in Other Financial Assets	2,462,540	(2,629,184)
(Increase)/Decrease in Other Non Financial Assets	137,897	(125,690)
Increase/(Decrease) in Amounts Due to Customers	1,077,843	2,500,153
Increase/(Decrease) in Other Financial Liabilities	(247,439)	(95,514)
Increase/(Decrease) in Other Non Financial Liabilities	123,478	(2,339)
Cash Generated from Operations	2,548,307	(1,287,686)
Retirement Benefit Liabilities Paid	(4,460)	(614)
Taxes Paid	(112,919)	(163,232)
Net Cash From/(Used in) Operating Activities	2,430,928	(1,451,532)
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property and Equipment	(92,652)	(59,355)
Acquisition of Intangible Assets	(3,614)	(184)
Proceeds from Sales of Property, Plant and Equipment	38	3,348
Sale/(Purchase) of financial investments- available- for- sale	(11,637)	(50,889)
Interest Received	161,782	181,878
Dividend Received	578	279
Net Cash Flows from/(Used in) Investing Activities	54,496	75,077
Cash Flows from / (Used in) Financing Activities		
Payment under Finance Lease Liabilities	(3,783)	(2,942)
Net Cash Flow from Securitised Borrowings, Syndicated Loans and Other Bank Facilities	(577,752)	91,416
Net Cash Flow from Debt Issued and Other borrowings	(249,162)	(194,500)
Net Cash Flows from/(Used in) Financing Activities	(830,696)	(106,026)
Net Increase in Cash and Cash Equivalents	1,654,728	(1,482,481)
Cash and Cash Equivalents at the beginning of the year	1,243,894	3,141,180
Cash and Cash Equivalents at the end of the year	2,898,622	1,658,699
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT		
Notes and Coins Held	330,162	336,100
Balances with Banks	440,780	631,191
Treasury Bills Repurchase Agreements	2,926,455	1,367,063
Bank Overdrafts	(798,776)	(675,655)
Net Cash and Cash Equivalents	2,898,622	1,658,699

LB Finance PLC

SEGMENTAL INFORMATION

For management purposes, the Company is organised into three operating segments based on services offered to customers as follows. The following table presents income and profit and certain asset and liability information regarding the Company's operating segments.

	Leasing & Stock out on Hire		Loans & Receivables		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Interest Income	1,992,286	1,833,593	1,128,451	982,542	161,782	181,878	3,282,520	2,998,012
Interest Expenses	(857,291)	(976,939)	(563,095)	(596,139)	(177,132)	(208,829)	(1,597,519)	(1,781,907)
Net Interest Income/(Expenses)	1,134,995	856,653	565,356	386,403	(15,350)	(26,951)	1,685,001	1,216,105
Fee and Commission Income	95,691	69,630	126,955	84,563	349	9,318	222,995	163,511
Net Trading Income and Other Operating Income	30,809	30,473	864	554	1,409	12,193	33,082	43,220
Impairment Charge/Reversal on Loans and Losses	(279,629)	(150,740)	(87,411)	(235,774)	-	-	(367,039)	(386,513)
Gold Loan Auction Losses	-	-	(131,774)	(72,349)	-	-	(131,774)	(72,349)
Net Operating Income	981,868	806,017	473,990	163,397	(13,592)	(5,441)	1,442,266	963,974
Other Costs	(380,540)	(338,390)	(252,039)	(206,489)	(9,633)	(8,298)	(642,213)	(553,177)
Depreciation	(48,835)	(44,530)	(32,076)	(27,173)	(3,774)	(2,826)	(84,685)	(74,529)
Operating Profits Before Taxes	552,493	423,097	189,875	(70,265)	(26,999)	(16,564)	715,368	336,268
Taxes							(266,306)	(108,251)
Profits for the Period							449,062	228,016
Segmental Assets	31,749,378	31,089,276	21,028,250	18,971,029	8,915,491	6,425,501	61,693,119	56,485,806
Segmental Liabilities	28,499,586	28,023,263	18,409,635	17,100,112	8,106,601	5,791,820	55,015,823	50,915,196

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2013 or 2014.

EXPLANATORY NOTES

1. These Interim Financial Statement of the Company have been prepared in accordance with Sri Lanka Accounting Standards that came into effect from April 1, 2012. Further, these Interim Financial Statements have been prepared in compliance with the requirements of Sri Lanka Accounting Standards - LKAS 34 on 'Interim Financial Reporting' & the accounting policies and methods of computation followed in preparing the above interim financial statements are the same as those disclosed in our Annual Report for the year ended 31st March 2014.

2. There have been no material events occurring after the balance sheet date that require adjustments to or disclosure in the Financial Statements.

3. The Commitment & Contingencies as at 30th June 2014 was Rs.830 Mn & as at 31st March 2014 was Rs.638 Mn.

4. Retained Earnings 31 March 2013, as reported previously (Rs '000)	2,852,402
Correction of under depreciation for the prior period (Rs '000)	(30,099)
Adjusted Balance of Retained Earnings as at 01 April 2013 (Rs '000)	<u>2,822,303</u>

INFORMATION ON SHARES AND LISTED DEBENTURES

			For the Period Ended	
			30.06.2014	30.06.2013
<u>Information on Shares</u>				
Share Price During the Quarter	Highest	Rs.	130.00	140.00
	Lowest	Rs.	100.50	125.00
	Closing	Rs.	128.60	127.10
No of Ordinary Share Issued As At			69,257,142	69,257,142
<u>Information on Listed Debentures</u>				
Debt Equity Ratio			172.09%	174.42%
Quick Asset Ratio			16.47%	15.62%
Interest Cover			1.43	1.19
			Interest yield	
Debentures Issued - November 2013			30.06.2014	30.06.2013
5 year fixed rate (14.00 % p.a. Payable Monthly)			10.90%	N/A
5 year fixed rate (14.50 % p.a. Payable Semi-Annually)			Not Traded	N/A
5 year fixed rate (15.00 % p.a. Payable Annually)			Not Traded	N/A
Yield of Comparable Government Securities (%)				
05 Year treasury bond			8.93%	11.45%

SELECTED PERFORMANCE INDICATORS

	As At	As At
	30.06.2014	30.06.2013
<u>Capital Adequacy</u>		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	12.22%	13.43%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	17.33%	14.76%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	14.15%	13.51%
<u>Profitability</u>		
Return on Avg Shareholders' Funds (After Tax) - Annualized	29.22%	17.76%
Return on Avg Assets (After Tax) - Annualized	3.07%	1.75%
<u>Liquidity (Rs.'Mn)</u>		
Required Minimum Amount of Liquid Assets	4,767	4,016
Available Amount of Liquid Assets	6,690	6,304
Required Minimum Amount of Government Securities	3,305	2,484
Available Amount of Government Securities	5,094	2,658

L B Finance PLC

Interim Financial Statements for the three months ended 30th June 2014

Additional Notes

Twenty largest shareholders as at 30th June 2014

Name	No. of Shares	(%)
1 Vallibel One PLC	35,321,200	51.000
2 Royal Ceramics Lanka PLC	15,713,616	26.079
Commercial Bank of Ceylon PLC/Royal Ceramics Lanka PLC	2,348,000	
3 Esna Holdings (Pvt) Ltd	7,018,600	10.134
4 Sri Lanka Insurance Corporation Ltd - Life Fund	1,842,900	2.661
5 Mercantile Investments and Finance PLC	953,600	1.377
6 Seylan Bank PLC/Mr. W D N H Perera	575,474	0.868
Mr. Nimal Perera	25,920	
7 Don Wilbert Capital Ltd	279,545	0.404
8 HSBC International Nominees Ltd-SSBT-Deutsche Bank AG	232,728	0.336
9 Mr. K D A Perera	172,733	0.249
10 Mr. A A Page	157,400	0.227
11 Mr. E Bianchi	154,400	0.223
12 Mr. A M Weerasinghe	148,850	0.215
13 Waldock Mackenzie Ltd /Mrs G Soysa	111,252	0.161
14 Pinnacle Trust (Pvt) Ltd	102,945	0.149
15 Mrs. P C Cooray	95,716	0.138
16 Mr.T Jeremiah	77,582	0.112
17 Mr. K Karunanayake and Miss. P N Karunanayake	74,162	0.107
18 Mr. P Somadasa	72,372	0.104
19 Mr. K Sabaratnam	70,000	0.101
20 Environmental Resources Investment PLC	54,088	0.078
	65,603,083	94.723
Others	3,654,059	5.277
Total	69,257,142	100.000

Directors' and Chief Executive Officer's holding in shares as at 30th June 2014

Name	No. of Shares	(%)
Mr. Thosapala Hewage	-	-
Mr. K D D Perera	-	-
Mr. L N De Silva Wijeyeratne	-	-
Mr. J A S S Adhihetty (Managing Director)	53,060	0.077
Seylan Bank PLC/Mr. W D N H Perera	575,474	0.868
Mr. Nimal Perera	25,920	
Mr. N Udage	11,700	0.017
Mr. B D A Perera	-	-
Mrs. K Fernando	1,600	0.002
Mrs. Shirani Jayasekara	-	-
Mrs. A K Gunawardhana	-	-

PUBLIC HOLDING

The percentage of shares held by the public as at 30th June 2014 is 21.21%