

INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014



LB Finance PLC

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2014

	FOR THE 3 MONTHS ENDED		VARIANCE	FOR THE 6 MONTHS ENDED		VARIANCE
	30.09.2014 Rs.('000)	30.09.2013 Rs.('000)		%	30.09.2014 Rs.('000)	
Income	3,696,960	3,443,315	7	7,235,558	6,648,058	9
Interest Income	3,417,307	3,241,500	5	6,699,827	6,239,512	7
Interest Expenses	(1,478,251)	(1,801,473)	18	(3,075,769)	(3,583,380)	14
Net Interest Income	1,939,056	1,440,027	35	3,624,057	2,656,132	36
Fee and Commission Income	238,300	169,256	41	461,295	332,767	39
Net Fee and Commission Income	238,300	169,256	41	461,295	332,767	39
Net Trading Income	2,185	(831)	(363)	2,473	(749)	(430)
Other Operating Income	39,168	33,390	17	71,963	76,527	(6)
Total Operating Income	41,354	32,559	27	74,436	75,779	(2)
Total Operating Income	2,218,710	1,641,842	35	4,159,789	3,064,678	36
Impairment (Charges) / Reversal for loans and other losses	(458,358)	124,948	467	(825,398)	(261,566)	(216)
Gold Loan Auction Losses	(53,227)	(681,355)	92	(185,002)	(753,704)	75
Net Operating Income	1,707,124	1,085,435	57	3,149,389	2,049,409	54
Operating Expenses						
Personnel Expenses	(379,281)	(337,139)	(13)	(733,871)	(646,925)	(13)
Depreciation of Property, Plant and Equipment	(84,875)	(83,228)	(2)	(166,722)	(155,996)	(7)
Amortisation of Intangible Assets	(3,185)	(2,125)	(50)	(6,023)	(3,885)	(55)
Other Operating Expenses	(285,193)	(243,489)	(17)	(572,816)	(486,880)	(18)
Operating Profit before Value Added Tax on Financial Services	954,590	419,455	128	1,669,958	755,723	121
Value Added Tax on Financial Services	(79,787)	(13,424)	(494)	(139,382)	(38,488)	(262)
Profit before Taxation	874,803	406,032	115	1,530,576	717,235	113
Income Tax Expense	(320,280)	(115,754)	(177)	(513,155)	(198,941)	(158)
Profit after Taxation	554,523	290,277	91	1,017,422	518,294	96
Other Comprehensive Income / (Expenses)						
Gains & Losses arising on re-measuring Available for Sale Financial Assets						
Sri Lanka Government securities	57,386	(6,392)	(998)	69,086	(1,391)	(5,066)
Equity Securities	31,192	(20,801)	(250)	49,416	(6,368)	(876)
Other comprehensive income / (expenses) before taxation	88,578	(27,194)	(426)	118,502	(7,759)	(1,627)
Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income	(5,458)	5,442	(200)	(13,836)	-	(100)
Other Comprehensive Income for the Period, Net of Tax	83,120	(21,752)	(482)	104,666	(7,759)	(1,449)
Total Comprehensive Income for the Period, Net of Tax	637,643	268,525	137	1,122,087	510,535	120
Basic Earnings Per Share (Rs)	8.01	4.19		14.69	7.48	

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	-	518,294	-	-	-	518,294
Other comprehensive income net of tax	-	-	-	-	(7,759)	(7,759)
Transfer to Statutory Reserve	-	(103,659)	103,659	-	-	-
Transfer to Investment Fund Reserve	-	(117,344)	-	117,344	-	-
Dividend for 2012/13	-	(450,171)	-	-	-	(450,171)
Balance as at 30 September 2013	838,282	2,669,423	1,296,710	558,145	(3,694)	5,358,865
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	-	1,017,422	-	-	-	1,017,422
Other comprehensive income net of tax	-	-	-	-	104,666	104,666
Transfer to Statutory Reserve	-	(203,484)	203,484	-	-	-
Transfer to Investment Fund Reserve	-	(26,045)	-	26,045	-	-
Dividend for 2013/14	-	(450,171)	-	-	-	(450,171)
Balance as at 30 September 2014	838,282	3,602,995	1,664,542	645,727	127,059	6,878,605

LB Finance PLC		
STATEMENT OF FINANCIAL POSITION		
As at 30 September 2014		
	30.09.2014	Audited
	Rs.('000)	31.03.2014
		Rs.('000)
Assets		
Cash and Cash Equivalents	3,123,884	1,865,100
Financial Investments - Held for Trading	9,645	7,595
Loans and Receivables	21,652,895	18,893,238
Lease Rentals Receivable & Stock out on Hire	30,728,020	30,299,456
Financial Investments - Available for Sale	927,008	1,468,602
Other Financial Assets	3,371,702	5,083,136
Other Non Financial Assets	793,319	921,042
Intangible Assets	40,028	36,426
Property, Plant and Equipment	2,058,399	2,067,929
Deferred Tax Assets	171,857	171,857
Total Assets	62,876,758	60,814,381
Liabilities		
Due to Banks	2,717,541	4,034,675
Due to Customers	48,608,330	46,095,205
Debt Issued and Other Borrowed Funds	2,669,011	2,864,872
Other Financial Liabilities	480,837	586,347
Other Non Financial Liabilities	1,034,823	829,677
Post Employment Benefit Liability	106,454	93,199
Current Tax Liabilities	381,157	103,717
Total Liabilities	55,998,153	54,607,692
Shareholders' Funds		
Stated Capital	838,282	838,282
Retained Earnings	3,602,995	3,265,274
Reserves	2,437,328	2,103,133
Total Shareholders' Funds	6,878,605	6,206,689
Total Liabilities and Shareholders' Funds	62,876,758	60,814,381
Net asset value per share (Rs)	99.32	89.62
Commitments and Contingencies	895,876	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.



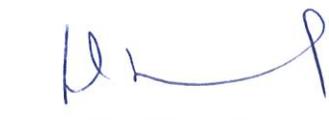
Chief Financial Officer

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

11th November 2014

Colombo

LB Finance PLC		
CASH FLOW STATEMENT		
Period ended 30 September 2014	FOR THE 6 MONTHS ENDED	
	30.09.2014 Rs.(‘000)	30.09.2013 Rs.(‘000)
Cash Flows From / (Used in) Operating Activities		
Profit before Income Tax Expense	1,649,078	709,476
Adjustments for		
Depreciation of Property, Plant and Equipment	166,722	155,996
Amortisation of Intangible Assets	6,023	3,885
Impairment Provision	825,398	261,566
Gold Loan Auction Losses	185,002	753,704
Interest Cost on Finance Lease	988	1,669
Diminution/(Appreciation) in Value of Investments	(120,552)	8,508
Loss/(Profit) on Disposal of Property, Plant and Equipment	(37)	(1,677)
Provision/(reversal) for Defined Benefit Plans	19,416	21,721
Dividend Received	(662)	(2,395)
Interest Income on Investing Activities	(301,981)	(328,201)
Notional Tax Credit on Interest on Treasury Bills	(22,579)	(18,438)
Withholding Tax Attributed to Fixed Deposits	(318)	(127)
Operating Profit before Working Capital Changes	2,406,497	1,565,685
(Increase)/Decrease in Loans and Receivables	(3,109,651)	(1,279,083)
(Increase)/Decrease in Lease Rentals Receivable & Stock out on Hire	(1,063,685)	(1,667,826)
(Increase)/Decrease in Other Financial Assets	1,710,068	(838,959)
(Increase)/Decrease in Other Non Financial Assets	109,213	(54,122)
Increase/(Decrease) in Amounts Due to Customers	2,513,124	4,098,089
Increase/(Decrease) in Other Financial Liabilities	(105,009)	(134,486)
Increase/(Decrease) in Other Non Financial Liabilities	205,146	27,999
Cash Generated from Operations	2,665,704	1,717,297
Retirement Benefit Liabilities Paid	(7,570)	(2,653)
Taxes Paid	(237,334)	(363,619)
Net Cash From/(Used in) Operating Activities	2,420,800	1,351,025
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property and Equipment	(156,994)	(165,868)
Acquisition of Intangible Assets	(9,625)	(11,256)
Proceeds from Sales of Property, Plant and Equipment	21,092	3,603
Sale/(Purchase) of financial investments- available- for- sale	660,097	(867,090)
Interest Received	301,981	328,201
Dividend Received	662	2,395
Net Cash Flows from/(Used in) Investing Activities	817,212	(710,015)
Cash Flows from / (Used in) Financing Activities		
Payment under Finance Lease Liabilities	(7,384)	(8,985)
Net Cash Flow from Securitised Borrowings, Syndicated Loans and Other Bank Facilities	(1,135,411)	(716,489)
Net Cash Flow from Debt Issued and Other borrowings	(211,801)	(814,681)
Dividends Paid	(450,171)	(450,171)
Net Cash Flows from/(Used in) Financing Activities	(1,804,766)	(1,990,326)
Net Increase in Cash and Cash Equivalents	1,433,246	(1,349,316)
Cash and Cash Equivalents at the beginning of the year	1,244,760	3,141,180
Cash and Cash Equivalents at the end of the year	2,678,006	1,791,864
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT		
Notes and Coins Held	337,891	332,298
Balances with Banks	555,314	487,636
Treasury Bills Repurchase Agreements	2,230,679	1,600,084
Bank Overdrafts	(445,878)	(628,153)
Net Cash and Cash Equivalents	2,678,006	1,791,864

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	4,041,803	3,820,164	2,356,043	2,064,819	301,981	354,529	6,699,827	6,239,512
Interest Expenses	(1,628,282)	(2,117,247)	(1,171,604)	(1,254,063)	(275,884)	(212,070)	(3,075,769)	(3,583,380)
Net Interest Income/(Expenses)	2,413,521	1,702,918	1,184,439	810,756	26,097	142,458	3,624,057	2,656,132
Fee and Commission Income	256,749	206,804	203,287	117,888	1,260	8,076	461,296	332,767
Net Trading Income and Other Operating Income	67,949	61,113	1,512	11,404	4,975	3,262	74,436	75,779
Impairment Charge/Reversal on Loans and Losses	(681,806)	(258,092)	(143,591)	(3,473)	-	-	(825,398)	(261,566)
Gold Loan Auction Losses	-	-	(185,002)	(753,704)	-	-	(185,002)	(753,704)
Net Operating Income	2,056,413	1,712,742	1,060,645	182,871	32,332	153,796	3,149,390	2,049,409
Other Costs	(687,816)	(641,519)	(604,857)	(479,554)	(14,014)	(12,731)	(1,306,687)	(1,133,805)
Depreciation	(101,067)	(90,677)	(69,999)	(68,255)	(1,679)	(949)	(172,745)	(159,881)
Operating Profits Before Taxes	1,267,530	980,546	385,790	(364,938)	16,638	140,115	1,669,958	755,723
Taxes							(652,536)	(237,429)
Profits for the Period							1,017,422	518,294
Segmental Assets	31,806,052	30,884,494	22,489,664	17,663,173	8,581,041	7,755,569	62,876,758	56,303,236
Segmental Liabilities	28,483,371	28,596,559	19,555,166	16,055,502	7,959,616	6,262,211	55,998,153	50,914,272

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 September 2014 was Rs.896 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	
			30.09.2014	30.09.2013
<u>Information on Shares</u>				
Share Price During the Quarter	Highest	Rs.	180.00	130.00
	Lowest	Rs.	121.70	103.00
	Closing	Rs.	173.00	109.90
No of Ordinary Share Issued As At			69,257,142	69,257,142
<u>Information on Listed Debentures</u>				
Debt Equity Ratio			189.94%	163.78%
Quick Asset Ratio			15.42%	11.71%
Interest Cover			1.54	1.20
Interest yield				
			30.09.2014	30.09.2013
Debentures Issued - November 2013				
5 year fixed rate (14.00 % p.a. Payable Monthly)			Not Traded	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			7.37%	11.17%

SELECTED PERFORMANCE INDICATORS

	As At	As At
	30.09.2014	30.09.2013
<u>Capital Adequacy</u>		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	11.02%	11.52%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	16.04%	12.54%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	14.15%	12.58%
<u>Profitability</u>		
Return on Avg Shareholders' Funds (After Tax) - Annualized	34.30%	19.05%
Return on Avg Assets (After Tax) - Annualized	3.63%	1.85%
<u>Liquidity (Rs.'Mn)</u>		
Required Minimum Amount of Liquid Assets	4,947	4,311
Available Amount of Liquid Assets	6,194	5,329
Required Minimum Amount of Government Securities	3,305	2,484
Available Amount of Government Securities	4,200	2,861

L B Finance PLC

Interim Financial Statements for the six months ended 30th September 2014

Additional Notes

Twenty largest shareholders as at 30th September 2014

Name		No. of Shares	(%)
1 Vallibel One PLC		35,321,200	51.000
2 Royal Ceramics Lanka PLC	15,713,616	18,061,616	26.079
Commercial Bank of Ceylon PLC/Royal Ceramics Lanka PLC	2,348,000		
3 Esna Holdings (Pvt) Ltd		7,031,200	10.152
4 Sri Lanka Insurance Corporation Ltd - Life Fund		1,842,900	2.661
5 Commercial Bank of Ceylon PLC/Dunamis Capital PLC		1,010,700	1.459
6 Mercantile Investments and Finance PLC		953,600	1.377
7 Pan Asia Banking Corporation PLC/Mrs. M Mathews		380,399	0.549
8 Janashakthi Insurance PLC (Policy Holders)		250,000	0.361
9 Mr. A A Page		157,400	0.227
10 Mr. E Bianchi		154,400	0.223
11 Waldock Mackenzie Ltd /Mrs G Soysa		111,252	0.161
12 Mr. K D A Perera		100,000	0.144
13 Mrs. P C Cooray		95,716	0.138
14 Mr. T Ono		93,475	0.135
15 Mr.T Jeremiah		77,582	0.112
16 Mr. K Karunanayake and Miss. P N Karunanayake		74,162	0.107
17 Mr. P Somadasa		72,372	0.104
18 Mr. J A S S Adhihetty		53,060	0.077
19 Waldock Mackenzie Limited/Mr. K R E M D M B Jayasundara		52,642	0.076
20 Mrs. S Santhanayaki		50,000	0.072
21 Mr. K Sabaratnam		50,000	0.072
22 Bartleet Asset Management (Pvt) Ltd		50,000	0.072
23 D S L Investments (Private) Ltd		50,000	0.072
		66,093,676	95.430
Others		3,163,466	4.570
Total		69,257,142	100.000

Directors' and Chief Executive Officer's holding in shares as at 30th September 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		53,060	0.077
Mr. Nimal Perera		25,920	0.037
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

Public Holding percentage as at 30th September 2014 being 22.55% comprising of 1,534 shareholders.