

**INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015**



LB Finance PLC						
STATEMENT OF COMPREHENSIVE INCOME						
Period ended 30 September 2015	FOR THE 3 MONTHS ENDED		VARIANCE	FOR THE 6 MONTHS ENDED		VARIANCE
	30.09.2015	30.09.2014		30.09.2015	30.09.2014	
	Rs.('000)	Rs.('000)	%	Rs.('000)	Rs.('000)	%
Income	3,726,265	3,696,960	1	7,396,931	7,235,558	2
Interest Income	3,459,444	3,417,307	1	6,833,688	6,699,827	2
Interest Expenses	(1,390,237)	(1,478,251)	6	(2,694,882)	(3,075,769)	12
Net Interest Income	2,069,207	1,939,056	7	4,138,805	3,624,057	14
Fee and Commission Income	276,664	238,300	16	546,841	461,295	19
Net Trading Income	1,432	2,185	(34)	3,293	2,473	33
Other Operating Income	(11,276)	39,168	(129)	13,109	71,963	(82)
	266,821	279,653	(5)	563,243	535,731	5
Total Operating Income	2,336,028	2,218,710	5	4,702,049	4,159,789	13
Impairment (Charges) / Reversal for loans and other losses	(113,817)	(458,358)	75	(346,897)	(825,398)	58
Gold Loan Auction Losses	(9,213)	(53,227)	83	(18,340)	(185,002)	90
Net Operating Income	2,212,998	1,707,124	30	4,336,811	3,149,389	38
Operating Expenses						
Personnel Expenses	(467,517)	(379,281)	(23)	(878,897)	(733,871)	(20)
Depreciation of Property, Plant and Equipment	(81,192)	(84,875)	4	(165,974)	(166,722)	0
Amortisation of Intangible Assets	(3,608)	(3,185)	(13)	(6,851)	(6,023)	(14)
Other Operating Expenses	(327,287)	(285,193)	(15)	(651,463)	(572,816)	(14)
Operating Profit before Value Added Tax on Financial Services	1,333,394	954,590	40	2,633,626	1,669,958	58
Value Added Tax on Financial Services	(132,899)	(79,787)	(67)	(249,182)	(139,382)	(79)
Profit before Taxation	1,200,495	874,803	37	2,384,444	1,530,576	56
Income Tax Expense	(411,246)	(320,280)	(28)	(819,371)	(513,155)	(60)
Profit after Taxation	789,249	554,523	42	1,565,072	1,017,422	54
Other Comprehensive Income / (Expenses)						
Gains and Losses arising on re-measuring Available for Sale Financial Assets						
Sri Lanka Government securities	-	57,386	(100)	-	69,086	(100)
Equity Securities	(7,870)	31,192	125	37,469	49,416	24
Other Comprehensive Income / (Expenses) before Taxation	(7,870)	88,578	(109)	37,469	118,502	(68)
Income Tax (Charge) / Reversal Relating to Components of Other Comprehensive Income	-	(5,458)	100	-	(13,836)	100
Other Comprehensive Income for the Period, Net of Tax	(7,870)	83,120	(109)	37,469	104,666	(64)
Total Comprehensive Income for the Period, Net of Tax	781,379	637,643	23	1,602,541	1,122,087	43
Basic Earnings Per Share (Rs) * [Please refer Note 02]	5.70	4.00		11.30	7.35	
* Calculated based on the Profit for the Period						

LB Finance PLC						
STATEMENT OF CHANGES IN EQUITY						
	Stated Capital	Retained Earnings	Statutory Reserve	Investment Fund Reserve	Available for Sale Reserve	Total
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
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
Balance as at 1 April 2015	838,282	5,180,486	1,897,483	-	10,842	7,927,092
Net profit for the period	-	1,565,072	-	-	-	1,565,072
Other comprehensive income net of tax	-	-	-	-	37,469	37,469
Transfer to Statutory Reserve	-	(313,014)	313,014	-	-	-
Dividend for 2014/15	-	(692,571)	-	-	-	(692,571)
Balance as at 30 September 2015	838,282	5,739,972	2,210,497	-	48,311	8,837,062

LB Finance PLC		
STATEMENT OF FINANCIAL POSITION		
As at 30 September 2015		
	30.09.2015	Audited
	Rs.('000)	31.03.2015
		Rs.('000)
Assets		
Cash and Cash Equivalents	5,263,420	6,067,670
Financial Investments - Held for Trading	13,050	10,064
Loans and Receivables	22,905,786	22,262,761
Lease Rentals Receivable and Stock out on Hire	40,086,351	33,695,517
Financial Investments - Available for Sale	178,056	140,587
Other Financial Assets	1,829,728	2,140,178
Other Non Financial Assets	950,001	1,206,275
Intangible Assets	37,179	35,307
Property, Plant and Equipment	1,986,208	1,984,160
Total Assets	73,249,778	67,542,519
Liabilities		
Due to Banks	11,134,990	7,703,265
Due to Customers	47,093,374	45,430,552
Debt Issued and Other Borrowed Funds	3,030,992	3,529,575
Other Financial Liabilities	1,878,690	1,776,066
Other Non Financial Liabilities	527,386	516,719
Post Employment Benefit Liability	127,116	112,575
Current Tax Liabilities	608,238	534,745
Deferred Tax Liabilities	11,930	11,930
Total Liabilities	64,412,716	59,615,427
Shareholders' Funds		
Stated Capital	838,282	838,282
Retained Earnings	5,739,972	5,180,486
Reserves	2,258,808	1,908,324
Total Shareholders' Funds	8,837,062	7,927,092
Total Liabilities and Shareholders' Funds	73,249,778	67,542,519
Net Asset Value per Share (Rs) [Please refer Note 02]	63.80	57.23
Commitments and Contingencies	1,128,020	1,105,985

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

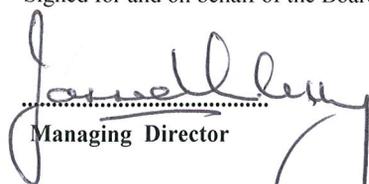
CERTIFICATION:

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

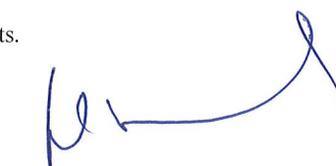


Chief Financial Officer

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
 26th October 2015
 Colombo



Director

LB Finance PLC		
CASH FLOW STATEMENT		
Period ended 30 September 2015	FOR THE 6 MONTHS ENDED	
	30.09.2015 Rs.(‘000)	30.09.2014 Rs.(‘000)
Cash Flows From / (Used in) Operating Activities		
Profit before Income Tax Expense	2,421,913	1,649,078
Adjustments for		
Depreciation of Property, Plant and Equipment	165,974	166,722
Amortisation of Intangible Assets	6,851	6,023
Impairment Charges / (Reversal) for Loans and Other Losses	346,897	825,398
Gold Loan Auction Losses	18,340	185,002
Interest Cost on Finance Lease	104	988
Diminution/(Appreciation) in Value of Investments	(40,455)	(120,552)
Loss/(Profit) on Disposal of Property, Plant and Equipment	46,645	(37)
Provision/(reversal) for Defined Benefit Plans	18,029	19,416
Dividend Received	(3,858)	(662)
Interest Income on Investing Activities	(245,220)	(301,981)
Notional Tax Credit on Interest on Treasury Bills and Bonds	(20,983)	(22,579)
Withholding Tax Attributed to Fixed Deposits	(2,995)	(318)
Operating Profit before Working Capital Changes	2,711,241	2,406,497
(Increase)/Decrease in Loans and Receivables	(722,981)	(3,109,651)
(Increase)/Decrease in Lease Rentals Receivable and Stock out on Hire	(6,656,452)	(1,063,685)
(Increase)/Decrease in Other Financial Assets	310,450	1,710,068
(Increase)/Decrease in Other Non Financial Assets	262,634	109,213
Increase/(Decrease) in Amounts Due to Customers	1,662,822	2,513,124
Increase/(Decrease) in Other Financial Liabilities	102,624	(105,009)
Increase/(Decrease) in Other Non Financial Liabilities	18,766	205,146
Cash Generated from Operations	(2,310,896)	2,665,704
Retirement Benefit Liabilities Paid	(3,488)	(7,570)
Taxes Paid	(820,927)	(237,334)
Net Cash From/(Used in) Operating Activities	(3,135,310)	2,420,800
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property and Equipment	(228,004)	(156,994)
Acquisition of Intangible Assets	(8,725)	(9,625)
Proceeds from Sales of Property, Plant and Equipment	78,244	21,092
Sale/(Purchase) of financial investments- available- for- sale	-	660,097
Interest Received	245,220	301,981
Dividend Received	3,858	662
Net Cash Flows from/(Used in) Investing Activities	90,593	817,212
Cash Flows from / (Used in) Financing Activities		
Payment under Finance Lease Liabilities	(842)	(7,384)
Net Cash Flow from Syndicated Loans and Other Bank Facilities	3,580,976	(1,135,411)
Net Cash Flow from Debt Issued and Other borrowings	(871,038)	(211,801)
Dividends Paid	(692,571)	(450,171)
Net Cash Flows from/(Used in) Financing Activities	2,016,525	(1,804,766)
Net Increase in Cash and Cash Equivalents	(1,028,192)	1,433,246
Cash and Cash Equivalents at the beginning of the Period	5,085,754	1,244,760
Cash and Cash Equivalents at the end of the Period	4,057,562	2,678,006
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT		
Notes and Coins Held	390,771	337,891
Balances with Banks	964,657	555,314
Treasury Bills Repurchase Agreements	3,907,991	2,230,679
Bank Overdrafts	(1,205,858)	(445,878)
Net Cash and Cash Equivalents	4,057,562	2,678,006

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 and Receivables		Others		Total	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)	Rs.('000)
Interest Income	4,097,322	4,041,803	2,491,146	2,356,043	245,220	301,981	6,833,688	6,699,827
Interest Expenses	(1,528,524)	(1,628,282)	(936,430)	(1,171,604)	(229,928)	(275,884)	(2,694,882)	(3,075,769)
Net Interest Income/(Expenses)	2,568,798	2,413,521	1,554,716	1,184,439	15,292	26,097	4,138,805	3,624,057
Fee and Commission Income	348,183	256,749	193,486	203,287	5,172	1,260	546,841	461,296
Net Trading Income and Other Operating Income	(13,366)	67,949	340	1,512	29,429	4,975	16,403	74,436
Impairment Charge/Reversal on Loans and Other Losses	(265,933)	(681,806)	(60,944)	(143,591)	(20,020)	-	(346,897)	(825,398)
Gold Loan Auction Losses	-	-	(18,340)	(185,002)	-	-	(18,340)	(185,002)
Net Operating Income	2,637,681	2,056,413	1,669,258	1,060,645	29,873	32,332	4,336,812	3,149,390
Other Costs	(852,490)	(687,816)	(655,610)	(604,857)	(22,261)	(14,014)	(1,530,360)	(1,306,687)
Depreciation	(107,067)	(101,067)	(65,016)	(69,999)	(742)	(1,679)	(172,825)	(172,745)
Operating Profits Before Taxes	1,678,124	1,267,530	948,632	385,790	6,871	16,638	2,633,626	1,669,958
Taxes							(1,068,554)	(652,536)
Profits for the Period							1,565,072	1,017,422
Segmental Assets	41,240,511	31,806,052	23,565,286	22,489,664	8,443,982	8,581,041	73,249,778	62,876,758
Segmental Liabilities	36,014,568	28,483,371	20,579,124	19,555,166	7,819,024	7,959,616	64,412,716	55,998,153

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 six months ended 30 September 2014 or 2015.

EXPLANATORY NOTES

01. 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 2015.

02. Sub-division of shares as recommended by the Board of Directors whereby each of the 69,257,142 ordinary shares in issue being sub-divided into 2 Ordinary Shares thereby increasing the number of Ordinary Shares in issue to 138,514,284, was approved at the Extraordinary General Meeting of the shareholders held on 8th July 2015. Consequent to the sub-division of shares, the Basic Earnings per Ordinary Share (EPS) disclosed in the Statement of Comprehensive Income and the Net Asset Value (NAV) per Share disclosed in the Statement of Financial Position has been adjusted accordingly.

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

An imposition of a Super Gains Tax has been approved by the parliament after the reporting date. The Company has not provided for the potential liability of Rs. 484,230,584/- in the Financial Statements for the six months ended 30 September 2015.

04. The Commitments and Contingencies as at 30th September 2015 was Rs.1,128 Mn and as at 31st March 2015 was Rs.1,106 Mn.

INFORMATION ON SHARES AND LISTED DEBENTURES

			For the Period Ended	
			30.09.2015	30.09.2014
<u>Information on Shares</u>				
Share Price during the Quarter	Highest	Rs.	* 234.00	180.00
	Lowest	Rs.	110.00	121.70
	Closing	Rs.	115.40	173.00
* Before sub-division of shares				
Number of Ordinary Shares issued as at			138,514,284	69,257,142
<u>Information on Listed Debentures</u>				
Debt Equity Ratio			238.60%	189.94%
Quick Asset Ratio			16.66%	15.42%
Interest Cover			1.90	1.54
			Interest yield	
			30.09.2015	30.09.2014
Debentures Issued - November 2013				
5 year fixed rate (14.00 % p.a. Payable Monthly)			Not Traded	Not Traded
5 year fixed rate (14.50 % p.a. Payable Semi-Annually)			9.79%	Not Traded
5 year fixed rate (15.00 % p.a. Payable Annually)			Not Traded	Not Traded
Yield of Comparable Government Securities (%)				
05 Year treasury bond			9.50%	7.37%

SELECTED PERFORMANCE INDICATORS

	As At	As At
	30.09.2015	30.09.2014
<u>Capital Adequacy</u>		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	13.06%	11.02%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	16.14%	16.04%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	18.76%	14.15%
<u>Profitability</u>		
Return on Avg Shareholders' Funds (After Tax) - Annualized	38.24%	34.30%
Return on Avg Assets (After Tax) - Annualized	4.55%	3.63%
<u>Liquidity (Rs.'Mn)</u>		
Required Minimum Amount of Liquid Assets	4,824	4,947
Available Amount of Liquid Assets	6,564	6,194
Required Minimum Amount of Government Securities	3,562	3,305
Available Amount of Government Securities	4,240	4,200

L B Finance PLC

Interim Financial Statements for the six months ended 30th September 2015

Additional Notes

Twenty largest shareholders as at 30th September 2015

Name		No. of Shares	(%)
1 Vallibel One PLC		70,642,400	51.000
2 Royal Ceramics Lanka PLC	31,427,232]	36,123,232	26.079
Commercial Bank of Ceylon PLC/Royal Ceramics Lanka PLC	4,696,000]		
3 Esna Holdings (Pvt) Ltd		14,062,400	10.152
4 Sri Lanka Insurance Corporation Ltd - Life Fund		3,685,800	2.661
5 Mercantile Investments and Finance PLC		1,907,200	1.377
6 Commercial Bank of Ceylon PLC/Dunamis Capital PLC		1,090,830	0.788
7 Janashakthi Insurance PLC (Policy Holders)		500,000	0.361
8 Global Sea Foods (Pvt) Ltd		338,621	0.244
9 Mr. H A Van Starrex		332,852	0.240
10 Mr. A A Page		314,800	0.227
11 Mr. E Bianchi		308,800	0.223
12 Waldock Mackenzie Ltd /Mrs G Soysa		222,504	0.161
13 Mrs. P C Cooray		208,632	0.151
14 Mellon Bank N A - Commonwealth of Massachusetts		161,138	0.116
15 Mr. K Sabaratnam		160,000	0.116
16 Mr. P Somadasa		155,444	0.112
17 Mr. T Jeremiah		155,164	0.112
18 Mr. N P D E Samaranyake		150,000	0.108
19 Mr. K Karunanayake and Miss. P N Karunanayake		148,324	0.107
20 Waldock Mackenzie Limited/Mr. P S R Casie Chitty		110,000	0.079
		130,778,141	94.415
Others		7,736,143	5.585
Total		138,514,284	100.000

Directors' and Chief Executive Officer's holding in shares as at 30th September 2015

Name	No. of Shares	(%)
Mr. Thosapala Hewage	-	-
Mr. K D D Perera	-	-
Mr. L N De Silva Wijeyeratne	-	-
Mr. J A S S Adhietty	106,120	0.077
Mr. Nimal Perera	-	-
Mr. N Udage	27,346	0.020
Mr. B D A Perera	-	-
Mrs. K Fernando	3,200	0.002
Mrs. Shirani Jayasekara	-	-
Mrs. A K Gunawardhana	-	-

PUBLIC HOLDING

Public Holding percentage as at 30th September 2015 being 22.74% comprising of 2,062 shareholders.