



# INTERIM FINANCIAL STATEMENTS

For the year ended

31st March 2023

LOLC FINANCE PLC

# LOLC Finance PLC

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As at 31st March 2023

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# LOLC Finance PLC

## STATEMENT OF FINANCIAL POSITION

As at 31st March 2023

	As at 31.03.2023 (Unaudited) Rs. '000	As at 31.03.2022 (Audited) Rs. '000
<b>ASSETS</b>		
Cash and bank balances	16,484,822	12,282,960
Deposits with banks and other financial institutions	2,493,925	8,885,611
Investment in government securities and others	31,452,712	23,841,483
Derivative assets	64,428	3,450,266
Financial assets at amortized cost :		
Rentals receivable on leased assets	62,065,453	56,960,215
Loans and advances	184,500,378	149,849,871
Investment securities	4,732,581	6,288,566
Investment in associates	564,085	1,833,661
Other receivables	5,490,970	47,382
Amount due from related companies	57,161	1,084,330
Inventories	146,135	428,032
Investment properties	41,252,661	38,287,958
Property plant and equipment	11,552,982	8,326,735
<b>Total assets</b>	<b>360,858,293</b>	<b>311,567,068</b>
<b>LIABILITIES</b>		
Bank overdraft	8,783,895	5,675,768
Interest bearing borrowings	31,429,414	44,309,903
Deposits from customers	201,283,884	159,252,382
Trade payables	258,736	1,141,928
Accruals and other payables	10,887,908	7,835,593
Derivative liabilities	11,635	13,176
Amount due to related companies	1,069,238	3,719,368
Current tax payable	2,681,710	2,525,556
Deferred tax liability	2,990,837	2,974,781
Defined benefit obligations	652,807	565,709
<b>Total liabilities</b>	<b>260,050,065</b>	<b>228,014,165</b>
<b>EQUITY</b>		
Stated capital	306,993,806	211,581,448
Statutory reserve	5,213,771	4,444,108
Revaluation reserve	1,247,188	1,505,632
Cash flow hedge reserve	41,014	(83,702)
Fair Value Reserve	331,629	140,753
Merger Reserve	(262,914,890)	(169,284,517)
Retained earnings	49,895,710	35,249,180
<b>Total equity</b>	<b>100,808,228</b>	<b>83,552,903</b>
<b>Total liabilities and equity</b>	<b>360,858,293</b>	<b>311,567,068</b>
Net asset value per share (Rs.)	3.05	4.34

### Certification :

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

*Sgd.*

.....  
(Mr.) Buddhika Weeratunga  
Head of Finance

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

*Sgd.*

.....  
(Mr.) Krishan Thilakarathne - Director / CEO

*Sgd.*

.....  
(Mr.) Conrad Dias - Chairman / Non Executive Director

30th May 2023  
Rajagiriya (Greater Colombo)

# LOLC Finance PLC

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2023

	For the period ended			For the quarter ended		
	31.03.2023	31.03.2022	Variance	31.03.2023	31.03.2022	Variance
	(Unaudited)	(Audited)	%	(Unaudited)	(Audited)	%
	Rs '000	Rs '000		Rs '000	Rs '000	
Interest income	68,795,587	30,859,274	123%	20,110,067	7,937,847	153%
Interest expense	(36,124,596)	(8,979,992)	-302%	(10,786,705)	(2,353,190)	-358%
<b>Net interest income</b>	<b>32,670,991</b>	<b>21,879,282</b>	<b>49%</b>	<b>9,323,362</b>	<b>5,584,658</b>	<b>67%</b>
Net other operating income	12,999,245	11,219,986	16%	3,697,451	4,833,090	-23%
<b>Total income</b>	<b>45,670,236</b>	<b>33,099,269</b>	<b>38%</b>	<b>13,020,813</b>	<b>10,417,748</b>	<b>25%</b>
<b>Operating expenses</b>						
Direct expenses excluding interest cost	(879,932)	(863,534)	-2%	(342,351)	(272,499)	-26%
Allowance for impairment & write-offs	(6,396,890)	(2,991,760)	-114%	(126,960)	(2,145,830)	94%
Personnel expenses	(6,057,681)	(3,564,803)	-70%	(2,131,830)	(1,151,863)	-85%
Depreciation	(734,354)	(207,248)	-254%	(253,133)	(58,843)	-330%
General & administration expenses	(11,289,090)	(5,891,790)	-92%	(3,326,418)	(1,640,316)	-103%
<b>Profit from operations before VAT on financial services</b>	<b>20,312,288</b>	<b>19,580,135</b>	<b>4%</b>	<b>6,840,121</b>	<b>5,148,397</b>	<b>-33%</b>
Value added tax on financial services	(4,023,911)	(1,837,501)	-119%	(1,980,112)	64,315	3179%
<b>Profit from operating activities</b>	<b>16,288,378</b>	<b>17,742,634</b>	<b>-8%</b>	<b>4,860,009</b>	<b>5,212,713</b>	<b>-7%</b>
Share of profit of equity accounted investee	(895,111)	-	-	(631,789)	-	-
<b>Profit before income tax expense</b>	<b>15,393,267</b>	<b>17,742,634</b>	<b>-13%</b>	<b>4,228,219</b>	<b>5,212,713</b>	<b>-19%</b>
Income tax expense	-	(792,048)	100%	281,608	(412,160)	168%
<b>Profit for the period</b>	<b>15,393,267</b>	<b>16,950,585</b>	<b>-9%</b>	<b>4,509,827</b>	<b>4,800,553</b>	<b>-6%</b>
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss</b>						
Remeasurements of defined benefit liability - gain / (loss)	51,711	24,422	112%	51,711	24,422	112%
Related tax	(28,785)	(5,861)	391%	(37,914)	(5,861)	547%
	22,926	18,561	24%	13,797	18,561	-26%
Revaluation of property, plant and equipment	-	1,495,420	-100%	-	1,495,420	-100%
Related tax	(258,444)	(318,626)	-19%	(71,747)	(318,626)	-77%
	(258,444)	1,176,794	-122%	(71,747)	1,176,794	-106%
Movement in fair value - equity investments at FVOCI	12,376	95,307	-87%	12,376	95,307	-87%
Related tax	5,267	-	-	5,267	-	-
	17,643	95,307	-81%	17,643	95,307	-81%
<b>Total of items that will never be reclassified to profit or loss</b>	<b>(217,875)</b>	<b>1,290,662</b>	<b>-117%</b>	<b>(40,307)</b>	<b>1,290,662</b>	<b>-103%</b>
<b>Items that are or may be reclassified to profit or loss</b>						
Movement in fair value through OCI reserve	173,233	-	-	183,777	-	-
Related tax	-	-	-	755	-	-
	173,233	-	-	184,532	-	-
Movement in hedge reserves	-	(119,317)	-100%	-	(115,562)	-100%
Related tax	124,716	8,007	1457%	155,895	8,007	1847%
	124,716	(111,309)	-212%	155,895	(107,555)	-245%
<b>Total of items that are or may be reclassified to profit or loss</b>	<b>297,949</b>	<b>(111,309)</b>	<b>-368%</b>	<b>340,427</b>	<b>(107,555)</b>	<b>-417%</b>
<b>Total other comprehensive income, net of tax</b>	<b>80,074</b>	<b>1,179,353</b>	<b>-93%</b>	<b>300,120</b>	<b>1,183,107</b>	<b>-75%</b>
<b>Total comprehensive income for the period</b>	<b>15,473,340</b>	<b>18,129,938</b>	<b>-15%</b>	<b>4,809,947</b>	<b>5,983,660</b>	<b>-20%</b>
<b>Basic earnings per share (Rs.)</b>	<b>0.71</b>	<b>0.88</b>		<b>0.16</b>	<b>0.25</b>	

Figures in brackets indicate deductions.

# LOLC Finance PLC

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2023

	Stated Capital	Statutory Reserve	Revaluation Reserve	Cash flow Hedge Reserve	Fair Value Reserve	Merger Reserve	Retained Earnings	Total Equity
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>Balance as at 01 April 2021</b>	<b>12,762,500</b>	<b>3,596,579</b>	<b>328,838</b>	<b>27,608</b>	<b>45,446</b>	<b>-</b>	<b>19,127,563</b>	<b>35,888,534</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	16,950,585	16,950,585
<i>Other comprehensive income, net of income tax</i>								
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	-	18,561	18,561
Revaluation gain on property, plant and equipment	-	-	1,176,794	-	-	-	-	1,176,794
Revaluation gain on fair value through OCI investments	-	-	-	-	95,307	-	-	95,307
Movement in fair value through OCI reserve	-	-	-	-	-	-	-	-
Net movement of cashflow hedges	-	-	-	(111,309)	-	-	-	(111,309)
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,176,794</b>	<b>(111,309)</b>	<b>95,307</b>	<b>-</b>	<b>18,561</b>	<b>1,179,353</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,176,794</b>	<b>(111,309)</b>	<b>95,307</b>	<b>-</b>	<b>16,969,146</b>	<b>18,129,938</b>
<b>Transactions recorded directly in equity</b>								
Shares issued during the year	198,818,948	-	-	-	-	-	-	198,818,948
Transfer to Statutory Reserve Fund	-	847,529	-	-	-	-	(847,529)	-
Excess of the investment and other adjustments on merger with subsidiary	-	-	-	-	-	(169,284,517)	-	(169,284,517)
<b>Total transactions recorded directly in equity</b>	<b>198,818,948</b>	<b>847,529</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(169,284,517)</b>	<b>(847,529)</b>	<b>29,534,431</b>
<b>Balance as at 31 March 2022</b>	<b>211,581,448</b>	<b>4,444,108</b>	<b>1,505,632</b>	<b>(83,702)</b>	<b>140,753</b>	<b>(169,284,517)</b>	<b>35,249,180</b>	<b>83,552,903</b>
<b>Balance as at 01 April 2022</b>	<b>211,581,448</b>	<b>4,444,108</b>	<b>1,505,632</b>	<b>(83,702)</b>	<b>140,753</b>	<b>(169,284,517)</b>	<b>35,249,180</b>	<b>83,552,903</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	15,393,267	15,393,267
<i>Other comprehensive income, net of income tax</i>								
Remeasurements of defined benefit liability - gain / (loss)	-	-	-	-	-	-	22,926	22,926
Revaluation gain on property, plant and equipment	-	-	(258,444)	-	-	-	-	(258,444)
Revaluation gain on fair value through OCI investments	-	-	-	-	17,643	-	-	17,643
Movement in fair value through OCI reserve	-	-	-	-	173,233	-	-	173,233
Net movement of cashflow hedges	-	-	-	124,716	-	-	-	124,716
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(258,444)</b>	<b>124,716</b>	<b>190,876</b>	<b>-</b>	<b>22,926</b>	<b>80,074</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(258,444)</b>	<b>124,716</b>	<b>190,876</b>	<b>-</b>	<b>15,416,193</b>	<b>15,473,340</b>
<b>Transactions recorded directly in equity</b>								
Shares issued during the year	95,412,358	-	-	-	-	-	-	95,412,358
Transfer to Statutory Reserve Fund	-	769,663	-	-	-	-	(769,663)	-
Excess of the investment and other adjustments on merger with subsidiary	-	-	-	-	-	(93,630,373)	-	(93,630,373)
<b>Total transactions recorded directly in equity</b>	<b>95,412,358</b>	<b>769,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(93,630,373)</b>	<b>(769,663)</b>	<b>1,781,985</b>
<b>Balance as at 31 March 2023</b>	<b>306,993,806</b>	<b>5,213,771</b>	<b>1,247,188</b>	<b>41,014</b>	<b>331,629</b>	<b>(262,914,890)</b>	<b>49,895,710</b>	<b>100,808,228</b>

# LOLC Finance PLC

## STATEMENT OF CASH FLOWS

For the year ended 31st March 2023

	2023 Rs '000	2022 Rs '000
<b>Cash flows from / (used in) operating activities</b>		
Profit before income tax expense	15,393,267	17,742,634
<b>Adjustments for:</b>		
Depreciation	734,354	207,248
(Profit) / loss on sales of investment property and PPE	(48,178)	(10,788)
Change in fair value of derivatives - forward contracts	3,384,297	(1,790,082)
Provision for fall / (increase) in value of investments	(51,672)	(518,067)
Change in fair value of investment property	(3,525,885)	(6,925,550)
Impairment provision for the period	1,685,315	(6,593,369)
Provision for defined benefit plans	114,013	25,946
Share profit of equity accounted investee	895,111	-
Investment income	(5,695,904)	(2,423,673)
Finance costs	36,124,596	8,979,992
<b>Operating profit / (loss) before working capital changes</b>	<b>49,009,313</b>	<b>8,694,289</b>
Change in other receivables	4,476,769	(633,796)
Change in Inventories	309,802	(147,914)
Change in trade and other payables	(5,002,188)	817,923
Change in amounts due to/ due from related parties	(3,268,094)	21,851
Change in lease receivables	5,583,532	3,032,196
Change in loans and advances	(27,913,101)	(7,725,597)
Change in factoring receivables	(741,053)	-
Change in margin trading advances	212,402	(6,808,029)
Change in fixed deposits from customers	33,414,979	7,817,174
Change in savings deposits from customers	(7,504,401)	5,300,555
<b>Cash generated from / (used in) operations</b>	<b>48,577,961</b>	<b>10,368,654</b>
Finance cost paid on deposits	(23,589,834)	(8,312,826)
Gratuity paid	(66,262)	(22,311)
Income tax paid	(7,524)	(10,570)
<b>Net cash from / (used in) operating activities</b>	<b>24,914,342</b>	<b>2,022,946</b>
<b>Cash flows from / (used in) investing activities</b>		
Acquisition of Property, Plant & Equipment & Investment property	(3,693,054)	(6,084,963)
Proceeds from sale of property, plant & equipment & investment property	390,000	299,162
Purchase of government securities	(75,957,457)	(31,393,852)
Proceeds from sale of government securities	71,794,464	27,628,389
Net proceeds from investments in commercial papers	(3,276,245)	-
Net proceeds from investments in term deposits	5,281,498	(779,143)
Net proceeds from investments securities	5,509,540	696,021
Acquisition of subsidiary (Note 13)	-	-
Investment in associates / subsidiaries	(1,025,806)	-
Interest received	4,407,974	2,423,673
<b>Net cash flows used in investing activities</b>	<b>3,430,914</b>	<b>(7,210,713)</b>
<b>Cash flows from / (used in) financing activities</b>		
Net proceeds from interest bearing loans & borrowings	(21,216,436)	218,511
Repayment of principal portion of lease liabilities	(308,982)	(26,704)
Finance cost paid on borrowings	(6,225,453)	(1,044,962)
<b>Net cash flows from / (used in) financing activities</b>	<b>(27,750,870)</b>	<b>(853,155)</b>
Net increase / (decrease) in cash and cash equivalents	594,385	(6,040,923)
Addition on merger with subsidiary	499,349	1,086,428
Cash and cash equivalents at the beginning of the year	6,607,192	11,561,686
<b>Cash and cash equivalents at the end of the period</b>	<b>7,700,926</b>	<b>6,607,192</b>
<b>Analysis of cash and cash equivalents at the end of the period</b>		
Cash and bank balances	16,484,822	12,282,960
Bank overdraft	(8,783,895)	(5,675,768)
	<b>7,700,926</b>	<b>6,607,192</b>

# LOLC Finance PLC

## OPERATING SEGMENTS

For the year ended 31st March 2023

	SME Finance Rs '000	Development Finance Rs '000	Alternative Financial Services Rs '000	Total Rs '000
<b>For the year ended 31st March 2023</b>				
Total revenue	54,470,206	21,281,619	5,147,896	80,899,720
Inter-segmental revenue	-	-	-	-
<b>External revenue</b>	<b>54,470,206</b>	<b>21,281,619</b>	<b>5,147,896</b>	<b>80,899,720</b>
Net interest cost	(24,644,457)	(9,614,426)	(1,865,713)	(36,124,596)
<b>Profit before operating expenses</b>	<b>29,825,749</b>	<b>11,667,193</b>	<b>3,282,183</b>	<b>44,775,124</b>
Operating expenses	(12,833,059)	(5,006,501)	(1,121,497)	(18,961,057)
Allowance for impairment & write-offs	(2,729,242)	(3,534,282)	(133,367)	(6,396,890)
Value added tax on financial services	(3,387,001)	(476,910)	(160,000)	(4,023,911)
<b>Profit before income tax</b>	<b>10,876,448</b>	<b>2,649,500</b>	<b>1,867,319</b>	<b>15,393,267</b>
<b>For the year ended 31st March 2022</b>				
Total revenue	22,691,189	16,689,492	2,698,580	42,079,261
Inter-segmental revenue	-	-	-	-
<b>External revenue</b>	<b>22,691,189</b>	<b>16,689,492</b>	<b>2,698,580</b>	<b>42,079,261</b>
Net interest cost	(4,787,175)	(3,446,635)	(746,182)	(8,979,992)
<b>Profit before operating expenses</b>	<b>17,904,014</b>	<b>13,242,857</b>	<b>1,952,398</b>	<b>33,099,269</b>
Operating expenses	(5,469,874)	(3,938,160)	(1,119,340)	(10,527,374)
Allowance for impairment & write-offs	(1,487,669)	(1,380,506)	(123,585)	(2,991,760)
Value added tax on financial services	(456,213)	(1,208,775)	(172,513)	(1,837,501)
<b>Profit before income tax</b>	<b>10,490,257</b>	<b>6,715,416</b>	<b>536,960</b>	<b>17,742,634</b>
<b>As at 31.03.2023</b>				
Total assets	279,641,750	49,818,536	31,398,007	360,858,293
Total liabilities	184,264,228	49,818,536	25,967,301	260,050,065
<b>As at 31.03.2022</b>				
Total assets	229,269,376	57,951,488	24,346,205	311,567,068
Total liabilities	150,474,177	57,951,488	19,588,500	228,014,165

# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2023

### 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 previous year's audited financial records of the Company.
- Accounting policies and methods of computation as stated in the audited financial statements for the year 2021/22 are followed in the preparation of these Interim Financial Statements.
- Interest income recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. Other operating income includes commission income, capital gains and losses arising from marked to market valuation of quoted shares held for trading purposes, dividends, fee income, collections from contracts written off and other sundry income.
- Profit before tax (PBT) of the Company for the year ended 31.03.2023 was 19.3 Bn which shows a 9% increase compared to the amount reported for the last comparative period. Net lending portfolio of the Company has increased by Rs.39 Bn from Rs.207Bn to Rs.246 Bn compared to 31.03.2022. Due to the high level of customer confidence in the company, LOFC has been able to increase its deposit base from Rs.159Bn of March 31,2022 to Rs.201 Bn as of March 31, 2023, despite the challenging economic environment.

### 2. Stated Capital

The Stated Capital of the Company is represented by 33,079,212,299 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 2023 are as follows:

	Rs'
Last traded price	6.00
Highest Price	8.50
Lowest Price	5.50

### 5. Debenture information

The debt capital of the company comprises rated unsecured subordinated redeemable debentures thirty four million (34,110,193) issued in July 2018 and fifty million (50,000,000) issued in Sep 2020. These debentures are listed in the Colombo Stock Exchange and ICRA Lanka Ltd rated these debentures as [SL]A-(Stable).

- 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	Semi-annually	14.75%	14.75%	11.72%	25.86%
Type B - 5 Years Tenor	At maturity	20.13%	20.13%	20.13%	25.86%
Type A - 5 Years Tenor	Semi-annually	10.50%	10.50%	8.86%	25.86%
Type B - 5 Years Tenor	Semi-annually	16.23%	16.23%	16.23%	25.86%

- Market prices & issue prices of debentures recorded during the quarter ended 31st March 2023 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. 103.45	Rs. 103.45	Rs. 103.45	23-Feb-22
Type B - 5 Years Tenor	Rs. 49.83	Not Traded	Not Traded	Not Traded	N/A
Type A - 5 Years Tenor	Rs.100.00	Rs. 105.00	Rs. 101.75	Rs. 105.00	13-Jul-21
Type B - 5 Years Tenor	Rs.100.00	Not Traded	Not Traded	Not Traded	N/A

- Debt security related ratios

	As at 31.03.2023	As at 31.03.2022
Debt to equity ratio (With Deposits)	2.4 times	2.5 times
Quick asset ratio	0.96 times	0.75 times
Interest cover	1.56 times	3.18 times

### 6. Issuer rating - Lanka Rating Agency

Lanka Rating Agency assigned the company an issuer rating of (SL) A with stable outlook.



# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2023

### 7 Financial assets and liabilities

#### 7.1 Accounting classifications and fair values

As at 31st March 2023

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

Description	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost / Not measured at fair value	Total Carrying amount	Rs. '000	
					Fair value	Fair value measurement level
Cash and cash equivalents	-	-	16,484,822	16,484,822	16,484,822	
Deposits with banks and other financial institutions	-	-	2,493,925	2,493,925	2,493,925	
Investment in government securities and others	-	-	31,452,712	31,452,712	22,934,559	Level 1
Derivative assets	64,428	-	-	64,428	64,428	Level 2
Investment securities	4,731,603	-	977	4,732,581	4,732,581	Level 1
Financial assets at amortized cost						
Rentals receivable on leased assets	-	-	62,065,453	62,065,453	59,672,568	Level 2
Loans and advances	-	-	184,500,378	184,500,378	182,891,197	Level 2
Amount due from related companies	-	-	57,161	57,161	57,161	
Other financial assets	-	-	759,628	759,628	759,628	
<b>Total financial assets</b>	<b>4,796,031</b>	<b>-</b>	<b>297,815,056</b>	<b>302,611,088</b>	<b>290,090,868</b>	
Bank overdraft	-	-	8,783,895	8,783,895	8,783,895	
Interest bearing borrowings	-	-	31,429,414	31,429,414	30,821,752	Level 2
Deposits from customers	-	-	201,283,884	201,283,884	205,193,681	Level 2
Trade payables	-	-	258,736	258,736	258,736	
Accruals and other payables	-	-	10,887,908	10,887,908	10,887,908	
Derivative liabilities	11,635	-	-	11,635	11,635	Level 2
Amount due to related companies	-	-	1,069,238	1,069,238	1,069,238	
<b>Total financial liabilities</b>	<b>11,635</b>	<b>-</b>	<b>253,713,076</b>	<b>253,724,711</b>	<b>257,026,847</b>	

# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2023

### Financial assets and liabilities (Cont.)

#### 7.1 Accounting classifications and fair values

As at 31st March 2022

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

Description	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost / Not measured at fair value	Total Carrying amount	Rs. '000	
					Fair value	Fair value measurement level
Cash and cash equivalents	-	-	12,282,960	12,282,960	12,282,960	
Deposits with banks and other financial institutions	-	-	8,885,611	8,885,611	8,885,611	
Investment in government securities and others	-	-	23,841,483	23,841,483	19,921,875	Level 1
Derivative assets	3,450,266	-	-	3,450,266	3,450,266	Level 2
Investment securities	5,993,197	294,403	966	6,288,566	6,288,566	Level 1
Financial assets at amortized cost						
Rentals receivable on leased assets	-	-	56,960,215	56,960,215	57,594,761	Level 2
Loans and advances	-	-	149,849,871	149,849,871	146,754,436	Level 2
Amount due from related companies	-	-	1,084,330	1,084,330	1,084,330	
Other financial assets	-	-	198,818	198,818	198,818	
<b>Total financial assets</b>	<b>9,443,463</b>	<b>294,403</b>	<b>253,104,253</b>	<b>262,842,119</b>	<b>256,461,623</b>	
Bank overdraft	-	-	5,675,768	5,675,768	5,675,768	
Interest bearing borrowings	-	-	44,309,903	44,309,903	43,737,350	Level 2
Deposits from customers	-	-	159,252,382	159,252,382	157,835,302	Level 2
Trade payables	-	-	1,141,928	1,141,928	1,141,928	
Accruals and other payables	-	-	6,863,858	6,863,858	6,863,858	
Derivative liabilities	13,176	-	-	13,176	13,176	Level 2
Amount due to related companies	-	-	3,719,368	3,719,368	3,719,368	
<b>Total financial liabilities</b>	<b>13,176</b>	<b>-</b>	<b>220,963,208</b>	<b>220,976,384</b>	<b>218,986,750</b>	

# LOLC Finance PLC

## NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2023

### 7.2 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.

### 8. Amalgamation of LOLC Development Finance PLC (LODF) with LOLC Finance PLC (LOFC) in terms of the provisions of the Companies Act, No. 7 Of 2007 (LOFC / "The Company")

Pursuant to the Initial Corporate Disclosure made on Colombo Stock Exchange dated on 12th December 2022, LOLC Finance PLC (LOFC - The Company) has expressed its interest in proposed amalgamation of LOLC Development Finance PLC (LODF) under Master Plan for Consolidation of Non-Bank Financial Institution imposed by Central Bank of Sri Lanka (CBSL). Accordingly, the company has received the principal approval from both Central Bank of Sri Lanka and Securities and Exchange Commission of Sri Lanka and other relevant regulatory authorities to take effect the Amalgamation on the proposed effective date of 31st January 2023.

Accordingly, Board has sought the approval from Shareholders through an Extraordinary General Meeting in compliance to the requirement imposed under Companies Act No 07 of 2007 and Securities and Exchange Commission Act and accordingly relevant approval was received on 4th January 2023.

In terms of Section 08 of the Listing Rules of the Colombo Stock Exchange (CSE), subsequent communication made in terms of Rule 5.11.2 of the Listing Rules of the CSE "the value and/ or the consideration, for the purpose of amalgamation; the share exchange ratio is based on the Market Price of a share of LODF and LOFC, as at end of Trading Five (5) Market days, prior to the dated fixed for both shareholders meeting".

Accordingly, amalgamation was executed on following manner;

	<b>31-Jan-23</b>
	<b>Rs.</b>
Existing number of shares of LODF	251,415,963
Number of new shares of LOFC issued to existing LODF shareholders	13,827,877,965
Price per share of LOFC on 31st January 2023 (effective date of Amalgamation)	6.90
Total cost to LOFC on Common Control Transaction	95,412,357,959
Net assets of LODF on 31.01.2023	2,504,524,542
Excess of consideration over and above the net asset value	93,630,373,088
Proportion of the share exchange : 55 new LOFC shares for every 1 share of LODF	

The carrying amounts of the identifiable assets and liabilities of the acquiree as at 31st January 2023, which the date of acquisition and merger is as follows;

	<b>31-Jan-23</b>
	<b>Rs '000</b>
<b>Assets</b>	
Cash and cash equivalents	508,665
Investment securities	5,698,157
Leases, advances and other loans	15,383,644
Trade and other receivables	1,359,460
Investment properties	44,500
Property, plant and equipment	262,131
<b>Total assets</b>	<b>23,256,557</b>
<b>Liabilities</b>	
Bank overdrafts	9,316
Interest bearing loans & borrowings	8,811,512
Deposits from customers	10,889,022
Trade and other payables	959,671
Provision for taxation	20,239
Retirement benefit obligations	62,273
<b>Total liabilities</b>	<b>20,752,032</b>
<b>Carrying amount of identifiable net assets acquired</b>	<b>2,504,525</b>

Results of the acquisitions of above entity are as follows:

Total cost to LOFC on Common Control Transaction	95,412,358
Carrying amount of identifiable net assets merged	(2,504,525)
Carrying amount of equity investment in LODF	722,540
<b>Resulting excess</b>	<b>93,630,373</b>

**9. 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.

**10. Selected performance indicators**

<b>Regulatory Capital Adequacy</b>		<b>31.03.2023</b>	<b>31.03.2022</b>	<b>31.03.2022</b>
- Total Tier I Core Capital	Rs. '000	64,188,592	64,969,174	27,242,787
- Total Capital Base	Rs. '000	64,684,956	65,653,398	30,351,980
- Core capital adequacy ratio (Minimum requirement 8%)		18.36%	20.49%	15.03%
- Total capital adequacy ratio (Minimum requirement 12%)		18.50%	20.71%	16.74%
<b>Asset Quality Ratios</b>		<b>31.03.2023</b>	<b>31.03.2022</b>	<b>31.03.2022</b>
- Net Non-Performing Advances Ratio		*9.65%	2.41%	2.97%
<b>Regulatory Liquidity</b>		<b>31.03.2023</b>	<b>31.03.2022</b>	<b>31.03.2022</b>
- Available Liquid Assets	Rs. '000	28,540,131	39,238,387	20,042,035
- Required Liquid Assets	Rs. '000	22,359,329	19,813,507	11,976,027
- Liquid assets to Deposits ratio		14.18%	24.64%	18.88%

\* With effect from 1st April 2022, criteria for classification of credit facilities as non-performing loans has been changed from 180 days past due to 120 days past due.

**11. Contingent liabilities**

There are no significant changes in the nature of the contingent liabilities disclosed in the audited financials for the year ended 31 March 2022.

**12. Comparative information**

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

## LOLC Finance PLC

### NOTES TO INTERIM FINANCIAL STATEMENTS

As at 31st March 2023

**13. Subordinated, Unsecured, Listed, Redeemable, Rated Debentures Issue (2018/2023) - Proceeds utilization as at 31st March 2023 are as follows.**

Objective as per Prospect	Amount allocated as per prospect in LKR	Proposed date of utilization	Amount allocated in LKR (a)	% of total proceed	Amount utilized in LKR (b)	% of utilized against allocation (b/a)	Clarification if not fully utilized including where the funds invested (e.g. whether lent to related party/s etc.)
Supporting the general business growth opportunities of the Company	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Reducing the mismatch of maturity periods between assets and liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Improve the capital Adequacy of the company's balance sheet, by strengthening its Tier II Capital, Subject to the CBSL's approval as mentioned below. Such an increase in the Tier II capital will enable the company to significantly expand its lending portfolio in conformity with the CBSL's capital requirements.	2.5 Billion	From the date of allotment	2.5 Billion	100%	2.5 Billion	100%	N/A

**Senior, Unsecured, Listed, Redeemable, Rated Debentures Issue (2020/2025) - Proceeds utilization as at 31st March 2023 are as follows.**

Objective as per Prospect	Amount allocated as per prospect in LKR	Proposed date of utilization	Amount allocated in LKR (a)	% of total proceed	Amount utilized in LKR (b)	% of utilized against allocation (b/a)	Clarification if not fully utilized including where the funds invested (e.g. whether lent to related party/s etc.)
To support the expansion of the lending portfolio of the company	3,371,250	Immediately upon receipt of the issue	3,371,250	100%	3,371,250	N/A	N/A
To support the expansion of the lending portfolio of the company	1,628,750	Immediately upon receipt of the issue	1,628,750	100%	1,628,750	N/A	N/A

**14. Rights Issue - proceeds utilization as at 31st March 2023 are as follows.**

Objective as per Circular	Amount allocated as per circular in Rs.	Proposed date of utilization as per circular	Amount allocated from proceeds in Rs.(a)	% of total proceeds	Amount utilized in Rs. (b)	% of utilize against allocation (b/a)	Clarification if not fully utilized including where the funds are invested (e.g. whether lent to related party/s etc.)
To comply with CBSL Direction No. 02 of 2006 (Risk Weighted Capital Adequacy Ratio) to facilitate the acquisition and merger of LOLC Micro Credit Ltd.	5.88 Billion	Within Two months from Allotment (26th March 2018)	5.88 Billion	100% by 26th March 2018	5.88 Billion	100%	N/A
To comply with the minimum capital adequacy requirement for every licensed finance company is required to maintain by 1st July 2019, in terms of the of the finance business act direction no. 3 of 2018 dated 6th June 2018	4.88 Billion	Within 15 - 18 month from Allotment	4.88 Billion	100% utilised for portolio growth & invest in T Bill/ Repo's	4.88 Billion	100%	N/A
To facilitate the acquisition and merger of Commercial Leasing and Finance PLC.	198.82 Billion	6th April 2022	198.82 Billion	100% by 6th April 2022	198.82 Billion	100%	N/A

## LOLC Finance PLC

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

As at 31st March 2023

Directors Name	No. of shares	%
<b>Mr F K C P N Dias</b> (Chairman / Non Executive Director)	Nil	Nil
<b>Mr D.M.D.K.Thilakaratne</b> (Director / CEO)	Nil	Nil
<b>Mrs K.U. Amarasinghe</b> (Executive Director)	Nil	Nil
<b>Mr B.C.G. de Zylva</b> (Non Executive Director)	Nil	Nil
<b>Mr P.A. Wijeratne</b> (Independent Director)	455,998	0.001%
<b>Mr K Sundararaj</b> (Independent Director)	Nil	Nil
<b>Mr. A. J. L. Peiris</b> (Independent Director)	Nil	Nil
<b>Mr. S. Lankathilake</b> (Independent Director)	Nil	Nil

# LOLC Finance PLC

## TOP 20 SHAREHOLDERS

As at 31st March 2023

Shareholder	No. of Shares	% of Issued Capital
1 LOLC Ceylon Holdings PLC	29,389,519,216	88.85%
2 LOLC Asia Private Limited	2,592,235,176	7.84%
3 Phantom Investments (Pvt) Ltd	76,644,002	0.23%
4 Saakya Capital Private Ltd	55,170,414	0.17%
5 Andaradeniya Estate Private Limited	23,809,524	0.07%
6 Mr V.R. Ramanan	20,200,000	0.06%
7 Mr S.M. Atapattu	14,411,391	0.04%
8 Maweli Finance (Pvt) Ltd	12,026,530	0.04%
9 CIC Holdings PLC / CIC Charitable & Educational Trust Fund	8,707,200	0.03%
10 DFCC Bank PLC / J N Lanka Holdings Company (Pvt) Ltd	7,670,295	0.02%
11 Mr A.J. Tissera	5,999,500	0.02%
12 People's Leasing & Finance PLC / Mr.D.M.P.Disanayake	5,833,647	0.02%
13 Mr A.A. Sunil	5,665,468	0.02%
14 Mrs K.V.W.S. Maddumage	5,500,000	0.02%
15 Nuwara Eliya Property Developers (Pvt) Ltd	5,334,744	0.02%
16 People S Leasing And Finance PLC / S.Gobinath	4,800,000	0.01%
17 Mrs M. Arudpragasam & Mr A.M. Arudpragasam	4,370,870	0.01%
18 Mr S. Selvarajah	4,169,638	0.01%
19 Merchant Bank of Sri Lanka & Finance PLC / G.K.G.L Wijayathilake	4,159,400	0.01%
20 Capstone Investment (Private) Limited	4,132,761	0.01%
<b>Total shares held by Top 20 Shareholders</b>	<b>32,250,359,776</b>	<b>97.49%</b>

### Public shareholding

Information pertaining to public shareholding as at 31st March 2023 is as follows:

	31-Mar-23	31-Mar-22
Public holding percentage	3.31%	5.11%
Number of public shareholders	19,600	15,620
Float Adjusted Market Capitalization	6,577,848,666	13,969,655,708

The Company is not compliant with the minimum public holding requirement stipulated in the Listing Rule 7.14.1.(b) (Option 1) of the Colombo Stock Exchange. This arose consequent to the merger with subsidiaries (Commercial Leasing and Finance PLC and LOLC Development Finance PLC) took place on 31st March 2022 and 31st January 2023 respectively.

The Board of Directors of the Company is in the process of evaluating options in this regard.