

THE FINANCE COMPANY PLC



INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30th of June 2017.

The Finance Company PLC
Statement of Comprehensive Income
(All amounts in Sri Lankan Rupees)

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| For the 03 months ended | 30.06.2017 (UnAudited) | (Restated) 30.06.2016 (UnAudited) | Variance % |
|--|---------------------------|---|---------------|
| Gross Income | 866,492,255 | 967,562,358 | -10% |
| Interest Income | 798,147,113 | 884,444,812 | -10% |
| Interest Expenses | (1,012,624,149) | (873,175,223) | -16% |
| Net Interest (Expense)/ Income | (214,477,036) | 11,269,590 | -2003% |
| Fee and Commission Income | 19,206,985 | 25,820,202 | -26% |
| Fee and Commission Expenses | (1,858,054) | (2,611,095) | 29% |
| Net Fee and Commission Income | 17,348,932 | 23,209,107 | -25% |
| Net Trading Income | 17,975,875 | 11,714,392 | 53% |
| Other Operating Income | 31,162,282 | 45,582,952 | -32% |
| Total Operating Income/ (Loss) | (147,989,947) | 91,776,040 | -261% |
| Impairment Charge for Loans and Other Assets | (125,671,574) | (130,874,383) | 4% |
| Net Operating Loss | (273,661,521) | (39,098,343) | -600% |
| Personnel Expenses | (156,209,759) | (164,276,427) | 5% |
| Other Operating Expenses | (112,026,794) | (130,504,667) | 14% |
| Total Operating Expenses | (268,236,553) | (294,781,094) | 9% |
| Operating Loss before Value Added Tax on Financial Services | (541,898,075) | (333,879,437) | -62% |
| Value Added Tax on Financial Services | - | - | |
| Loss before Income Tax | (541,898,075) | (333,879,437) | -62% |
| Income Taxation | - | - | |
| Loss for the Period | (541,898,075) | (333,879,437) | -62% |
| Other Comprehensive Income | | | |
| Actuarial Gain/ (Loss) on Defined Benefit Plans | - | - | |
| Net Gain/ (Loss) on Re-measuring Available-for-Sale Financial Ass | - | - | |
| Other Comprehensive Income for the Period Net of Tax | - | - | |
| Total Comprehensive Loss for the Period | (541,898,075) | (333,879,437) | -62% |
| Basic Loss per Share | (3.38) | (2.08) | |
| Dividend per Share | - | - | |

The Finance Company PLC
Statement of Financial Position
(All amounts in Sri Lankan Rupees)

| As at | 30.06.2017 (UnAudited) | 31.03.2017 (Audited) |
|--|---------------------------|-------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | 359,444,436 | 354,211,496 |
| Financial Investment - Held for Trading | 96,478,460 | 85,778,913 |
| Loans and Receivables - Hire Purchases | 4,840,051,841 | 5,113,988,913 |
| Loans and Receivables - Leases | 902,678,351 | 982,294,286 |
| Loans and Receivables - Others | 4,082,545,155 | 3,810,245,139 |
| Financial Investment - Loans and Receivables | 369,394,015 | 10,758,512 |
| Financial Investment - Held to Maturity | 4,757,177,796 | 4,863,471,236 |
| Financial Investment - Available-for-Sale | 1,544,464,263 | 1,201,483,132 |
| Investments in Real Estate | 884,129,754 | 986,525,296 |
| Other Assets | 184,098,858 | 162,115,858 |
| Investment Properties | 1,941,369,585 | 1,941,369,585 |
| Property, Plant and Equipment | 2,297,788,035 | 2,308,909,759 |
| Total Assets | 22,259,620,549 | 21,821,152,126 |
| LIABILITIES | | |
| Financial Liabilities due to Customers | 29,551,202,465 | 28,563,191,405 |
| Interest bearing Borrowings | 4,900,828,204 | 4,839,296,188 |
| Deferred Revenue | 1,739,126,669 | 1,799,912,587 |
| Other Payables | 1,015,381,447 | 1,023,772,107 |
| Current Tax Liabilities | - | - |
| Total Liabilities | 37,206,538,784 | 36,226,172,287 |
| SHARE HOLDERS' FUNDS | | |
| Stated Capital | 4,010,180,756 | 4,010,180,756 |
| Statutory Reserve Fund | 659,910,000 | 659,910,000 |
| Other Reserves | 1,436,775,714 | 1,436,775,714 |
| Retained Earnings | (21,053,784,705) | (20,511,886,630) |
| Total Shareholders' funds | (14,946,918,235) | (14,405,020,161) |
| Total Liabilities and Shareholders' funds | 22,259,620,549 | 21,821,152,126 |
| Net Asset Value per Share | (93.17) | (89.80) |
| Commitments and Contingencies | 27,750,000 | 42,650,000 |

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

.....Signed.....

Kokila Perera

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and Signed for and on behalf of the Board, by,

.....Signed.....

B.A.W. Kumarasiri

Chairman

11th August 2017

Colombo

.....Signed.....

Nimal J.B. Mamaduwa

Executive Director/CEO

The Finance Company PLC
Statement of Changes in Equity
(All amounts in Sri Lankan Rupees)

Period ended 30th June

| | Stated Capital | Statutory Reserve Fund | Other Reserves | | | Retained Earnings | Total |
|--|----------------|------------------------|---------------------|----------------------------|-----------------|-------------------|------------------|
| | | | Revaluation Reserve | Available for Sale Reserve | General Reserve | | |
| Balance as at 01st April 2016 | 4,010,180,756 | 659,910,000 | 1,343,737,920 | 113,776,903 | 4,812,195 | (19,251,825,208) | (13,119,407,433) |
| Total Comprehensive Income | | | | | | | |
| Loss for the Period | - | - | - | - | - | (333,879,437) | (333,879,437) |
| Other Comprehensive Income for the Period | - | - | - | - | - | - | - |
| Balance as at 30th June 2016 | 4,010,180,756 | 659,910,000 | 1,343,737,920 | 113,776,903 | 4,812,195 | (19,585,704,646) | (13,453,286,871) |
| Balance as at 01st April 2017 | 4,010,180,756 | 659,910,000 | 1,314,602,933 | 117,360,586 | 4,812,195 | (20,511,886,630) | (14,405,020,161) |
| Total Comprehensive Income | | | | | | | |
| Loss for the Period | - | - | - | - | - | (541,898,075) | (541,898,075) |
| Other Comprehensive Income for the Period | - | - | - | - | - | - | - |
| Balance as at 30th June 2017 | 4,010,180,756 | 659,910,000 | 1,314,602,933 | 117,360,586 | 4,812,195 | (21,053,784,705) | (14,946,918,235) |

The Finance Company PLC
Statement of Cash Flows
(All amounts in Sri Lankan Rupees)

For the period ended

30.06.2017

30.06.2016

Cash Flows from/ (used in) Operating Activities

Loss for the Period (541,898,075) (333,879,437)

Adjustments for:

Non Cash Items included in Loss Before Tax

92,767,311 78,319,748

Changes in Operating Assets

40,931,286 (4,716,983)

Changes in Operating Liabilities

980,915,122 100,606,007

Dividends Received

(257,751) (1,012,513)

Net Cash Flows from/(used in) Operating Activities

572,457,894 (160,683,179)

Cash Flows from/ (used in) Investing Activities

Acquisition of Property, Plant and Equipment

(581,500) (2,758,838)

Proceeds from Sale of Property, Plant and Equipment

195,800 106,724,219

Proceeds from / (Investment in) Investments in Banks

(350,037,387) (150,345)

Interest Received from Financial Investment - Held to Maturity

199,253,344 199,253,345

Proceeds from / (Investment in) Financial Investment - Available-for-Sale

(342,981,130) (227,871,990)

Dividends Received

257,751 1,012,513

Net Cash Flows from Investing Activities

(493,893,122) 76,208,903

Cash Flows from/ (used in) Financing Activities

Settlement of Long Term Borrowings

(74,689,318) (75,082,648)

Proceeds from Short Term Borrowings

- 10,000,691

Settlement of Short Term Borrowings

(14,867,684) -

Net Cash Flows (used in)/ from Financing Activities

(89,557,002) (65,081,958)

Net (Decrease)/ Increase in Cash and Cash Equivalents

(10,992,230) (149,556,234)

Cash and Cash Equivalents and Bank Overdrafts at the Beginning of the Year

83,324,931 109,457,206

Cash and Cash Equivalents and Bank Overdrafts at the End of the Period

72,332,701 (40,099,028)

The Finance Company PLC
Segmental Reporting
(All amounts in Sri Lankan Rupees)

Period ended 30th June

| Segment Reporting | Financial | | Real Estate | | Investment Properties | | Treasury | | Investment in Shares | | Total | |
|---|----------------------|----------------------|--------------------|--------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|------------------------|------------------------|
| | 30-06-2017 | 30-06-2016 | 30-06-2017 | 30-06-2016 | 30-06-2017 | 30-06-2016 | 30-06-2017 | 30-06-2016 | 30-06-2017 | 30-06-2016 | 30-06-2017 | 30-06-2016 |
| Segment Income | | | | | | | | | | | | |
| Interest Income | 659,597,049 | 762,855,041 | - | - | - | - | 138,550,064 | 121,589,772 | - | - | 798,147,113 | 884,444,812 |
| Real Estate Income | - | - | 27,466,785 | 19,688,590 | - | - | - | - | - | - | 27,466,785 | 19,688,590 |
| Fees and Commission Income | 19,206,985 | 25,820,202 | - | - | - | - | - | - | - | - | 19,206,985 | 25,820,202 |
| Income from Held-for-Trading Instruments | - | - | - | - | - | - | - | - | 17,975,875 | 11,714,392 | 17,975,875 | 11,714,392 |
| Dividend Income from Available for Sale Investments | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in Fair Value of Investment Property | - | - | - | - | - | - | - | - | - | - | - | - |
| Recovery of Loans Written Off | 927,462 | 2,811,268 | - | - | - | - | - | - | - | - | 927,462 | 2,811,268 |
| Rent Income | 3,763,680 | 2,657,592 | - | - | - | - | - | - | - | - | 3,763,680 | 2,657,592 |
| Total Segment Income | 683,495,175 | 794,144,102 | 27,466,785 | 19,688,590 | - | - | 138,550,064 | 121,589,772 | 17,975,875 | 11,714,392 | 867,487,900 | 947,136,855 |
| Non Segment Income | | | | | | | | | | | | |
| Gain on Disposal of Property, Plant and Equipment | - | - | - | - | - | - | - | - | - | - | 109,338 | 14,944,375 |
| Other income | - | - | - | - | - | - | - | - | - | - | (1,104,982) | 5,481,128 |
| Total Non Segment Income | - | - | - | - | - | - | - | - | - | - | (995,645) | 20,425,503 |
| Total Gross Income | 683,495,175 | 794,144,102 | 27,466,785 | 19,688,590 | - | - | 138,550,064 | 121,589,772 | 17,975,875 | 11,714,392 | 866,492,255 | 967,562,358 |
| Segment Expense | | | | | | | | | | | | |
| Fees and Commission Expenses | (1,858,054) | (2,611,095) | - | - | - | - | - | - | - | - | (1,858,054) | (2,611,095) |
| Impairment for Loans & Receivables | (125,671,574) | (130,874,383) | - | - | - | - | - | - | - | - | (125,671,574) | (130,874,383) |
| Other Operating Exp. | - | - | - | - | - | (429,388) | - | - | - | - | - | (429,388) |
| Total Segment Expenses | (127,529,628) | (133,485,478) | - | - | - | (429,388) | - | - | - | - | (127,529,628) | (133,914,866) |
| Non Segment Expense | | | | | | | | | | | | |
| Impairment for Loans & Receivables | - | - | - | - | - | - | - | - | - | - | - | - |
| Impairment Reversal of Property, Plant & Equipment | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest Expense | - | - | - | - | - | - | - | - | - | - | (1,012,624,149) | (873,175,223) |
| Personnel Expenses | - | - | - | - | - | - | - | - | - | - | (156,209,759) | (164,276,427) |
| Other Operating Expenses | - | - | - | - | - | - | - | - | - | - | (112,026,794) | (130,075,279) |
| Total Non Segment Expenses | - | - | - | - | - | - | - | - | - | - | (1,280,860,702) | (1,167,526,929) |
| Total Gross Expenses | (127,529,628) | (133,485,478) | - | - | - | (429,388) | - | - | - | - | (1,408,390,330) | (1,301,441,795) |
| Profit / (Loss) for the Period | 555,965,547 | 660,658,623 | 27,466,785 | 19,688,590 | - | (429,388) | 138,550,064 | 121,589,772 | 17,975,875 | 11,714,392 | (541,898,075) | (333,879,437) |
| As at | 30.06.2017 | 31.03.2017 | 30.06.2017 | 31.03.2017 | 30.06.2017 | 31.03.2017 | 30.06.2017 | 31.03.2017 | 30.06.2017 | 31.03.2017 | 30.06.2017 | 31.03.2017 |
| Segment Assets | 9,825,275,347 | 9,906,528,338 | 884,129,754 | 986,525,296 | 1,941,369,585 | 1,941,369,585 | 6,898,997,128 | 6,298,440,995 | 227,961,842 | 217,262,296 | 19,777,733,655 | 19,350,126,509 |
| Non-Segment Assets | - | - | - | - | - | - | - | - | - | - | 2,481,886,893 | 2,471,025,617 |
| Total Assets | 9,825,275,347 | 9,906,528,338 | 884,129,754 | 986,525,296 | 1,941,369,585 | 1,941,369,585 | 6,898,997,128 | 6,298,440,995 | 227,961,842 | 217,262,296 | 22,259,620,549 | 21,821,152,126 |
| Segment Liability | 72,273,851 | 39,974,546 | 132,636,627 | 181,289,156 | - | - | 6,639,954,873 | 6,639,208,776 | - | - | 6,844,865,351 | 6,860,472,477 |
| Non-Segment Liability | - | - | - | - | - | - | - | - | - | - | 30,361,673,433 | 29,365,699,810 |
| Total Liability | 72,273,851 | 39,974,546 | 132,636,627 | 181,289,156 | - | - | 6,639,954,873 | 6,639,208,776 | - | - | 37,206,538,784 | 36,226,172,287 |

NOTES TO THE FINANCIAL STATEMENTS

- 1 These Financial Statements are in compliance with LKAS 34 & Sri Lanka Financial Reporting Standards.
- 2 The Company has adopted consistent accounting policies as disclosed in the Annual Report for the year ended 31st March 2017.
- 3 Subsequent to the Balance Sheet date, no circumstances has arisen that would require adjustments to or disclosure in the Financial Statements.

- 4 Stated capital is represented by number of shares in issue as follows.

| | 30-06-2017 | 30-06-2016 |
|-----------------|--------------------|--------------------|
| Ordinary shares | 157,966,232 | 157,966,232 |
| Workers shares | 2,453,133 | 2,453,133 |
| | <u>160,419,365</u> | <u>160,419,365</u> |

| | 30-06-2017 | 30-06-2016 |
|-------------------|--------------------|--------------------|
| Voting shares | 60,419,365 | 60,419,365 |
| Non voting shares | 100,000,000 | 100,000,000 |
| | <u>160,419,365</u> | <u>160,419,365</u> |

- 5 Market Value of Shares during the Quarter Ended

| | | 30-06-2017 | | 30-06-2016 | |
|----------------------|-----|------------------------|------------------------|------------------------|------------------------|
| | | Voting | Non Voting | Voting | Non Voting |
| | | Ordinary Shares | Ordinary Shares | Ordinary Shares | Ordinary Shares |
| Highest traded price | Rs. | 5.60 | 3.00 | 10.20 | 4.40 |
| Lowest traded price | Rs. | 4.80 | 2.20 | 6.80 | 2.90 |
| Last traded price | Rs. | 5.30 | 2.40 | 7.00 | 3.00 |

- 6 Comparative information has been reclassified where ever applicable for better presentation

7.1 Major Shareholders - Voting Ordinary Shares - as at 30th June 2017

| | Name of the Shareholder | No. of Shares | % on Total Voting Ordinary Shares |
|----|---|-------------------|-----------------------------------|
| 1 | SAMPATH BANK PLC/ DR.T.SENTHILVERL | 7,124,900 | 11.79 |
| 2 | CEYLINCO INVESTMENT CO LTD | 6,670,230 | 11.04 |
| 3 | SEYLAN BANK PLC/DR. THIRUGNANASAMBANDAR SENTHILVERL | 5,948,480 | 9.85 |
| 4 | BANK OF CEYLON A/C CEYBANK UNIT TRUST | 5,706,601 | 9.44 |
| 5 | EMPLOYEES PROVIDENT FUND | 5,091,200 | 8.43 |
| 6 | ALLNATT INVESTMENTS (PVT) LTD | 2,906,570 | 4.81 |
| 7 | PEOPLES BANK | 2,080,400 | 3.44 |
| 8 | SEYLAN BANK PLC - A/C 3 | 1,900,338 | 3.15 |
| 9 | CEYLINCO GENERAL INSURANCE LIMITED | 1,875,000 | 3.10 |
| 10 | SEYLAN BANK PLC/K L G UDAYANANDA | 1,739,001 | 2.88 |
| 11 | MR M M C J FERNANDOPULLE | 925,000 | 1.53 |
| 12 | MR N PERERA | 889,270 | 1.47 |
| 13 | MRS R A D R P KUMARI | 672,660 | 1.11 |
| 14 | MR J L B KOTELAWALA | 526,427 | 0.87 |
| 15 | PEOPLES LEASING & FINANCE PLC/ K L UDAYANANDA | 455,530 | 0.75 |
| 16 | MR Y J S PERERA | 400,935 | 0.66 |
| 17 | MR A A N DANUSHKA | 267,017 | 0.44 |
| 18 | SEYLAN BANK LIMITED/RUWAN PRASANNA SUGATHADASA | 233,930 | 0.39 |
| 19 | MR P G PIYASIRI | 221,114 | 0.37 |
| 20 | MR G S PADUMADASA | 211,000 | 0.35 |
| | Total | 45,845,603 | 75.87 |

7.2 Major Shareholders - Non Voting Ordinary Shares - as at 30th June 2017

| | Name of the Shareholder | No. of Shares | % on Total Non- Voting Ordinary Shares |
|----|---|----------------------|---|
| 1 | MRS. R.A.D.R.P. KUMARI | 1,935,000 | 1.94 |
| 2 | THE BISHOP OF GALLE | 1,500,000 | 1.50 |
| 3 | BANK OF CEYLON A/C CEYBANK UNIT TRUST | 1,494,345 | 1.49 |
| 4 | SEYLAN BANK PLC/K.L.G. UDAYANANDA | 1,330,367 | 1.33 |
| 5 | MRS A KUNDANMAL | 1,250,000 | 1.25 |
| 6 | MR Y L FAROOK | 1,002,900 | 1.00 |
| 7 | MRS. P.S.A.V. PERERA | 945,200 | 0.95 |
| 8 | MR Y J S PERERA | 866,945 | 0.87 |
| 9 | MR. M. GUNADASA | 718,545 | 0.72 |
| 10 | MR. I.H. JAFFERJEE | 645,400 | 0.65 |
| 11 | ANDARADENIYA ESTATE PRIVATE LIMITED | 645,182 | 0.65 |
| 12 | MR. M. DE SARAM | 638,392 | 0.64 |
| 13 | MR. W.N.K. WADUGE | 617,600 | 0.62 |
| 14 | MR D RAJESWARAN | 598,800 | 0.60 |
| 15 | MR S RANAWEERA | 579,800 | 0.58 |
| 16 | MR H R FRANCIS | 568,500 | 0.57 |
| 17 | MR C SILUVAITHASAN | 537,500 | 0.54 |
| 18 | MR A GALLAGE | 523,000 | 0.52 |
| 19 | MR N PUSPARAJ | 502,090 | 0.50 |
| 20 | PEOPLES LEASING & FINANCE PLC/MR WM S BANDA | 500,000 | 0.50 |
| | Total | 17,399,566 | 17.42 |

7.3 Directors Shareholding as at 30th June 2017

| Name | Voting Ordinary Shares | Worker Shares | Non Voting Ordinary Shares |
|--------------------------|---------------------------------------|--------------------------|---|
| 1 Mr B A W Kumarasiri | Nil | Nil | Nil |
| 2 Mr N J B Mamaduwa | Nil | Nil | Nil |
| 3 Mr M K D W Amarasinghe | Nil | Nil | Nil |
| 4 Dr. W G Karunadasa | 4,620 | Nil | Nil |
| 5 Mr R Siriwardena | Nil | Nil | Nil |

| | Voting Ordinary Shares | Non- Voting Ordinary Shares |
|-----------------------------|---------------------------------------|--|
| 7.4 Public Holding % | 63.40% | 100.00% |
| No of Shareholders | 9,707 | 5,573 |

CORPORATE INFORMATION

NAME OF COMPANY

The Finance Company PLC

LEGAL STATUS

- * Incorporated under the Companies Ordinance No 51 of 1938 and re-registered under the Companies Act.No 7 of 2007
- * Date of Incorporation - 30th May 1940
- * Registered under the Finance Companies Act No 42 of 2011
- * Approved Credit Agency under the Mortgage Act No 6 of 1949 and Inland Trust Receipts Act No 14 of 1990
- * Registered under the Finance Leasing Act No 56 of 2000
- * Public Company Listed on the Colombo Stock Exchange

BOARD OF DIRECTORS

| | |
|-------------------------|----------------------------------|
| Mr. B.A.W.Kumarasiri | Chairman/ Non Executive Director |
| Mr. Nimal J B Mamaduwa | Executive Director/CEO |
| Mr. R.Siriwardhana | Non Executive Director |
| Dr.W.G.Karunadasa | Non Executive Director |
| Mr. M.K.D.W.Amarasinghe | Non Executive Director |

COMPANY SECRETARY

Ms. H.L.L.Liyanage

COMPANY REGISTRATION NUMBER PQ - 1

REGISTERED OFFICE

No.97, Hyde Park Corner,Colombo 2
Tel.No.2682745

HEAD OFFICE

The Finance House
No.55,(Lauries Place)
R.A.de Mel Mawatha
Colombo 4
Tel. Nos -2597613/2580210
Web:www.thefinance.lk

BANKERS

Seylan Bank PLC
People's Bank
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Bank of Ceylon
Deutsche Bank
Pan Asia Bank PLC
Union Bank PLC

AUDITORS

SJMS Associates
Chartered Accountants

LAWYER

Mr.A.Karunathilake
Attorney-at-Law & NP