

**LOLC FINANCE COMPANY
LIMITED**

FINANCIAL STATEMENTS

31 MARCH 2002



KPMG Ford, Rhodes, Thornton & Co.

(CHARTERED ACCOUNTANTS)

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REPORT OF THE AUDITORS TO THE MEMBERS OF LOLC FINANCE COMPANY LIMITED

We have audited the Balance Sheet of LOLC Finance Company Limited as at 31 March 2002 and the related Statements of Income, Changes in Equity and Cash Flows for the period then ended, together with the Accounting Policies and Notes thereto.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these Financial Statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these Financial Statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said Financial Statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the Financial Statements, and determining whether the said Financial Statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31 March 2002, and to the best of our information and according to explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity and Cash Flows and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act, No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31 March 2002 and of its loss and cash flows for the period then ended.

Directors' Interests in Contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the period ended 31 March 2002 except as stated in Note 13 to these Financial Statements.

CHARTERED ACCOUNTANTS
Colombo, 28 May 2002



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R.N. Asirwatham, F.C.A.
M.R. Mihular, F.C.A.

A.N. Fernando, F.C.A.
Ms. M.P. Perera, F.C.A.
T.J.S. Rajakarier, F.C.A.

R. Seevaratnam, F.C.A.
P.Y.S. Perera, F.C.A.
W.W.J.C. Perera, A.C.A.

S. Sirikananathan, F.C.A.
C.P. Jayatilake, F.C.A.

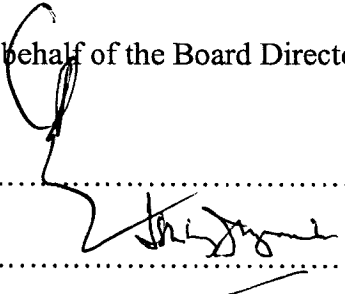
LOLC FINANCE COMPANY LIMITED
BALANCE SHEET AS AT 31 MARCH 2002

	Note	31.03.2002 Rs.
ASSETS		
Non Current Assets		
Property, Plant and Equipment	3	<u>213,836</u>
Current Assets		
Investments	4	100,000,000
Other Receivables		400,000
Cash at Bank and in Hand		<u>1,610,829</u>
		<u>102,010,829</u>
TOTAL ASSETS		<u><u>102,224,665</u></u>
EQUITY AND LIABILITIES		
Share Capital and Reserves		
Share Capital	5	100,000,000
Accumulated Losses		<u>(123,386)</u>
		<u>99,876,614</u>
Current Liabilities		
Payable to Lanka ORIX Leasing Company Ltd.		2,323,051
Other Payables		<u>25,000</u>
		<u>2,348,051</u>
TOTAL EQUITY AND LIABILITIES		<u><u>102,224,665</u></u>

The Directors are responsible for the preparation and presentation
of these Financial Statements

The Notes annexed form an integral part of these Financial Statements

For and on behalf of the Board Directors


 } Directors

Colombo, 28 May 2002
F/SM

LOLC FINANCE COMPANY LIMITED
INCOME STATEMENT FOR THE PERIOD ENDED
31 MARCH 2002

	Note	From 13.12.2001 to 31.03.2002 Rs.
Net Revenue		-
Other Operating Income	7	1,512,329
		<u>1,512,329</u>
Expenses		
Staff Cost		(417,221)
Depreciation of Property, Plant and Equipment		(53,459)
Other Operating Expenses	8	(1,140,363)
		<u>(1,611,043)</u>
Loss from Operations	9	(98,714)
Finance Cost	10	(24,672)
Loss before Taxation		<u>(123,386)</u>
Taxation	11	-
Net Loss for the Period		<u><u>(123,386)</u></u>
Loss Per Share	12	<u><u>(0.01)</u></u>

The Notes annexed form an integral part of these Financial Statements

LOLC FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2002

	Share Capital Rs.	Accumulated Losses Rs.	Total Rs.
Issue of Shares on Incorporation (13 December 2001)	100,000,000	-	100,000,000
Net Loss for the Period	-	(123,386)	(123,386)
Balance as at 31 March 2002	<u><u>100,000,000</u></u>	<u><u>(123,386)</u></u>	<u><u>99,876,614</u></u>

The Notes annexed form an integral part of these Financial Statements

LOLC FINANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDED
31 MARCH 2002

	From 13.12.2001 to 31.03.2002 Rs.
CASH FLOW FROM OPERATING ACTIVITIES	
Net Loss from Operations	(123,386)
Adjustments for:	
Depreciation of Property, Plant and Equipment	53,459
	(69,927)
Increase in Receivables	(400,000)
Increase in Short Term Investments	(100,000,000)
Increase in Payables	2,348,051
	(98,121,876)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Property, Plant and Equipment	(267,295)
CASH FLOW FROM FINANCING ACTIVITIES	
Issue of Shares	100,000,000
Net Increase in Cash and Cash Equivalents during the Period	1,610,829
Cash and Cash Equivalents at the Beginning of the Period	-
Cash and Cash Equivalents at the End of the Period	1,610,829
 Analysis of Cash and Cash Equivalents at the End of the Year	
Cash in Hand	1,610,829

The Notes annexed form an integral part of these Financial Statements

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

1.1 General

The Financial Statements are prepared in accordance with Sri Lanka Accounting Standards on the historical cost basis. No adjustments have been made for inflationary factors affecting these financial statements.

Where appropriate, the specific policies used are explained in the succeeding notes.

1.2 Assets and bases of their Valuation

(i) Property, Plant and Equipment

Property, Plant and Equipment are stated on the Balance Sheet at cost less accumulated depreciation. Depreciation is provided on straight line basis at the following rates:

	Rate Per Annum
Equipment	20%

(ii) Trade and Other Receivables

Trade and Other Debtors are stated at their estimated realisable amounts.

1.3 Liabilities and Provisions

(i) Income Taxation

Taxation is provided on the liability method and is in accordance with the provision of the Inland Act No.38 of 2000 and its subsequent amendments.

(ii) Deferred Taxation

Provision for deferred taxation would be accounted for on the liability method only for those timing differences that may reverse in the foreseeable future.

1.4 Income Statement

Revenue Recognition

Interest from bank deposits, repurchase agreements, commercial papers and similar investments are recognised on a time proportion basis from the date of the commencement of the investment to the date of the maturity/disposal or the date of the Balance Sheet.

1.5 Events occurring after the Balance Sheet date

All material post balance sheet events have been considered and where appropriate adjustments or disclosure have been made in the Financial Statements.

1.6 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Company are disclosed in the respective Notes to the Financial Statements.

1.7 Cash Flow

The Cash Flow Statement has been prepared using "Indirect Method".

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. Incorporation

The Company was incorporated on the 13 December 2001.

3. Property, Plant and Equipment

	Cost as at 31.03.2002 Rs.	Accumulated Depreciation as at 31.03.2002 Rs.	Written Down Value as at 31.03.2002 Rs.
Office Equipment	<u>267,295</u>	<u>53,459</u>	<u>213,836</u>
			31.03.2002 Rs.

4. Investments

Repurchase Agreement with Commercial Bank	<u>100,000,000</u>
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5. Share Capital

Authorised

100,000,000 Ordinary Shares of Rs.10 each	<u>1,000,000,000</u>
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Issued and fully paid

Issued on Incorporation

10,000,000 Ordinary Shares of Rs.10 each	100,000,000
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At the end of the Year

10,000,000 Ordinary Shares of Rs.10 each	<u>100,000,000</u>
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From
13.12.2001
to 31.03.2002
Rs.

7. Other Operating Income

Interest Income	<u>1,512,329</u>
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8. Other Operating Expenses

Selling and Distribution	311,301
Administration	<u>829,062</u>
	<u>1,140,363</u>

9. Loss from Operations

Loss from operations is arrived at after charging all expenditure including the following:

Directors, Emoluments	Nil
Auditors, Remuneration	<u>25,000</u>

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

From
13.12.2001
to 31.03.2002
Rs.

10. Finance Cost

Interest Cost	23,172
Bank Charges	1,500
	<hr/>
	<u>24,672</u>

11. Taxation

Income Taxation

The Company is liable for taxes on its taxable income at an effective rate of 42% for the period. However, no provision for taxation is made during the period as the Company has incurred tax losses.

Deferred Taxation

No provision for deferred taxation has been made during the period due to the immateriality of the amounts involved.

12. Loss Per Share

The Company's loss per share is based on the net loss attributable to the Company and the weighted average number of ordinary shares outstanding during the period.

13. Directors' Interest in Contracts

The Directors have no direct or indirect interest, in any contract or proposed contracts with the Company during the year other than those stated below:

Messrs. C.P.de Silva, M.D.D. Pieris and V.R. de Silva, Directors of the Company are also directors of Lanka ORIX Leasing Company Limited (LOLC), which holds the entire issued share capital of the Company.

Mr. L.S. Jayawardena, Director of the Company, was a director of LOLC, which holds the entire issued share capital of the Company. He resigned from the directorship of LOLC with effect from 24 January 2002.

Directors interest in contracts should be read in conjunction with Note 14 - Related Party Transactions.

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. Related Party Transactions

The Company paid to Lanka ORIX Leasing Company Limited (LOLC) Rs.70,200 as rent for occupying office premises owned by LOLC during the current financial period.

The Company has invested funds with LOLC during the current financial period and earned interest amounting to Rs.1,512,329 on those investments.

LOLC has incurred certain expenses on behalf of the Company and the Company has reimbursed such expenses to LOLC during the current financial period.

The amount payable to Lanka ORIX Leasing Company Ltd as at 31 March 2002 amount to Rs.82,097.

15. Events after Balance Sheet Date

Subsequent to the balance sheet date, no circumstances have arisen which would require adjustment to or disclosure in the Financial Statements

16. Capital Commitments

There were no material capital expenditure commitments outstanding as at the Balance Sheet date.

17. Contingent Liabilities

There were no contingent liabilities outstanding as at the Balance Sheet date.

18. Holding Company

The immediate and ultimate holding company is Lanka ORIX Leasing Company Limited.

19. Corporate Information

(a) Legal Form

LOLC Finance Company Limited is an un-quoted public company with limited liability incorporated under the provisions of the Companies Act, No 17 of 1982. The Company is domiciled in Sri Lanka.

(b) Address of the Registered Office of the Company

No. 100/1 Sri Jayewardenepura Mawatha, Rajagiriya.

(c) Address of the Principal Place of business of the Company

No. 100/1 Sri Jayewardenepura Mawatha, Rajagiriya.

(d) Principal activities of the Company

- Carrying out the business of a finance company.
- Carrying out the business of pawn brokering.

20. Number of Employees

The number of employees as at 31 March 2002 is six.



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11 November 2002

The Board of Directors
LOLC Finance Company Limited
No.100/1, Sri Jayewardenapura Mawatha
Rajagiriya

Dear Sirs,

LOLC FINANCE COMPANY LIMITED MANAGEMENT LETTER FOR THE PERIOD ENDED 31 MARCH 2002

We have completed our audit of Lanka Orix Finance Company Limited for the period from 13 December 2001 to 31 March 2002. During this period, the Company has not commenced its operations as a finance company and is in the process of identifying and implementing the required systems and procedures in place. In this context, we bring your notice that we have not come across to any material system weakness during our audit that would require management attention.

Further, our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures, which may exist.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to by the personnel of the organisation during the course of our examination.

Yours faithfully,

F/SM/nd



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