

**LOLC FINANCE COMPANY
LIMITED**

FINANCIAL STATEMENTS

31 MARCH 2003



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 2003 and the related Statements of Income, Changes in Equity and Cash Flow for the year 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 2003, and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity and Cash Flow 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 2003 and of its profit and cash flows for the year 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 year ended 31 March 2003 except as stated in Note 13 to these Financial Statements.

CHARTERED ACCOUNTANTS

Colombo, 28 May 2003

F/SM/dg



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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. Sirikanathan, F.C.A.
C.P. Jayatilake, F.C.A.

LOLC FINANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED
31 MARCH 2003

	2002/2003	From 13.12.2001 to 31.03.2002
	Rs.	Rs.
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) from Operations	6,582,684	(123,386)
Adjustments for:		
Depreciation of Property, Plant and Equipment	53,459	53,459
Provision for Retiring Gratuity	63,430	
	6,699,573	(69,927)
Increase in Receivables	(3,548,653)	(400,000)
Increase in Payables	(944,506)	2,348,051
Net Cash used in Operating Activities	2,206,414	1,878,124
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	-	(267,295)
Investment in Repurchase Agreements	(3,748,533)	(100,000,000)
	(3,748,533)	(100,267,295)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Shares	-	100,000,000
Net Increase in Cash and Cash Equivalents during the Year / Period	(1,542,119)	1,610,829
Cash and Cash Equivalents at the Beginning of the Year / Period	1,610,829	-
Cash and Cash Equivalents at the End of the Period	68,710	1,610,829
Analysis of Cash and Cash Equivalents at the End of the Year		
Cash at Bank and in Hand	68,710	1,610,829

The Notes annexed form an integral part of these Financial Statements

LOLC FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2003

	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>100,000,000</u>	<u>(123,386)</u>	<u>99,876,614</u>
Balance as at 1 April 2002	100,000,000	(123,386)	99,876,614
Net Profit for the Year	-	4,278,744	4,278,744
Balance as at 31 March 2003	<u>100,000,000</u>	<u>4,155,358</u>	<u>104,155,358</u>

The Notes annexed form an integral part of these Financial Statements

LOLC FINANCE COMPANY LIMITED
INCOME STATEMENT FOR THE YEAR ENDED
31 MARCH 2003

	Note	2002/03 Rs.	From 13.12.2001 to 31.03.2002 Rs.
Net Revenue		-	-
Other Operating Income	7	13,084,485	1,512,329
		<u>13,084,485</u>	<u>1,512,329</u>
Expenses			
Staff Cost		(2,054,168)	(417,221)
Depreciation of Property, Plant and Equipment		(53,459)	(53,459)
Other Operating Expenses	8	(4,104,157)	(1,140,363)
		<u>(6,211,784)</u>	<u>(1,611,043)</u>
Profit / (Loss) from Operations	9	6,872,701	(98,714)
Finance Cost	10	(290,017)	(24,672)
Profit / (Loss) before Taxation		<u>6,582,684</u>	<u>(123,386)</u>
Taxation	11	(2,303,940)	-
Net Profit / (Loss) for the Year / Period		<u><u>4,278,744</u></u>	<u><u>(123,386)</u></u>
Earnings / (Loss) Per Share	12	<u><u>0.43</u></u>	<u><u>(0.01)</u></u>

The Notes annexed form an integral part of these Financial Statements

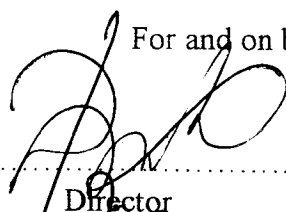
LOLC FINANCE COMPANY LIMITED
BALANCE SHEET AS AT 31 MARCH 2003

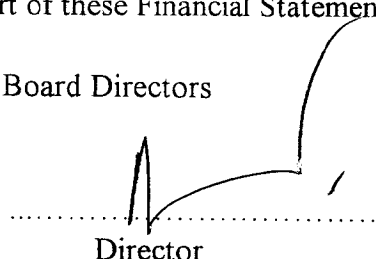
	Note	31.03.2003 Rs.	31.03.2002 Rs.
ASSETS			
Non Current Assets			
Property, Plant and Equipment	3	<u>160,377</u>	<u>213,836</u>
Current Assets			
Investments	4	103,748,533	100,000,000
Deposit and Advances		2,899,287	-
Value Added Tax Recoverable		424,201	-
With Holding Tax Recoverable		272,521	-
Other Receivables		352,644	400,000
Cash at Bank and in Hand		<u>68,710</u>	<u>1,610,829</u>
		<u>107,765,896</u>	<u>102,010,829</u>
TOTAL ASSETS		<u>107,926,273</u>	<u>102,224,665</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share Capital	5	100,000,000	100,000,000
Accumulated Profit / (Loss)		<u>4,155,358</u>	<u>(123,386)</u>
		<u>104,155,358</u>	<u>99,876,614</u>
Non Current Liabilities			
Provision for Retiring Gatuity	6	<u>63,430</u>	<u>-</u>
Current Liabilities			
Payable to Lanka ORIX Leasing Company Ltd.		1,378,545	2,323,051
Provision for Taxation		2,303,940	-
Other Payables		<u>25,000</u>	<u>25,000</u>
		<u>3,707,485</u>	<u>2,348,051</u>
TOTAL EQUITY AND LIABILITIES		<u>107,926,273</u>	<u>102,224,665</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


.....
Director


.....
Director

Colombo, 28 May 2003
F/SM

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%

A full year's depreciation is charged in the year of purchase and while none is charged in the year of disposal.

(ii) Trade and Other Receivables

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

1.3 Liabilities and Provisions

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the Balance Sheet date. Non current liabilities are those balances that fall due for payment after one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing the Financial Statements. Provisions and liabilities are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Income Taxation

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

(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.

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies (Contd.)

1.3 Liabilities and Provisions (Contd.)

(iii) Retirement Benefits

Provision has been made in the Financial Statements for retiring gratuities payable under the payment of Gratuity Act No.12 of 1983 to all employees including those who have less than 5 years of continued service with the Company. However, this provision is not funded externally.

All employees of the Company are members of the Employees' Provident Fund (EPF), and Employees Trust Fund (ETF) to which the Company contributes 12% and 3% on employees salaries respectively, which are charged against profits.

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 the "Indirect Method".

2. Incorporation

The Company was incorporated on the 13 December 2001.

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment

	Office Equipment Rs.
Cost	
Balance as at 01 April 2002	267,295
Additions	-
Balance as at 31 March 2003	<u>267,295</u>
Accumulated Depreciation	
Balance as at 01 April 2003	53,459
Charge for the Year	53,459
Balance as at 31 March 2003	<u>106,918</u>
Written Down Value	
As at 31 March 2003	<u><u>160,377</u></u>
As at 31 March 2002	<u><u>213,836</u></u>

	31.03.2003 Rs.	31.03.2002 Rs.
4. Investments		
Repurchase Agreement with Commercial Bank	<u>103,748,533</u>	<u>100,000,000</u>
5. Share Capital		
Authorised		
100,000,000 Ordinary Shares of Rs.10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid		
10,000,000 Ordinary Shares of Rs.10 each	<u>100,000,000</u>	<u>100,000,000</u>
6. Provision for Gratuity		
Balance at the beginning of the Year	-	-
Provision made during the Year	63,430	-
Balance at the end of the Year	<u>63,430</u>	<u>-</u>

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	2002/2003	From 13.12.2001 to 31.03.2002
	Rs.	Rs.
7. Other Operating Income		
Interest Income	13,065,541	1,512,329
Other Income	18,944	-
	<u>13,084,485</u>	<u>1,512,329</u>
8. Other Operating Expenses		
Selling and Distribution	1,250,266	311,301
Administration	2,853,891	829,062
	<u>4,104,157</u>	<u>1,140,363</u>
9. Profit / (Loss) from Operations		
Profit from operations is arrived at after charging all expenditure including the following:		
Directors' Emoluments	Nil	Nil
Auditors' Remuneration	25,000	25,000
	<u>25,000</u>	<u>25,000</u>
10. Finance Cost		
Interest Cost	289,017	23,172
Bank Charges	1,000	1,500
	<u>290,017</u>	<u>24,672</u>

11. Taxation

Income Taxation

The Company is liable for taxation at the of 35% on its taxable profits. Accordingly provision has been made in the accounts for the financial year.

Deferred Taxation

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

12. Earnings / (Loss) Per Share

The Company's Earnings / (Loss) Per Share is based on the net profits attributable to shareholders and the weighted average number of ordinary shares of 10,000,000 outstanding during the financial year.

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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:

Desamanya C.P.de Silva, Chairman of the Company up to 31 March 2003 was also the Chairman of Lanka ORIX Leasing Company Limited (LOLC) up to 31 March 2003. LOLC holds the entire issued share capital of the Company.

Deshabandu M.D.D.Peiris and Mr.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.Y.Ishida who was appointed as the Chairman of the Company with effect from 1 April 2003 is also the Chairman of Lanka ORIX Leasing Company Limited (LOLC), which holds the entire issued share capital of the Company.

Mr.I.C. Nanayakkara, who was appointed as a Director of the Company with effect from 26 November 2002 is also a director of Lanka ORIX Leasing Company Limited (LOLC) which holds the entire issued share capital of the Company.

Ms. K.U.Amarasinghe, who was appointed as a Director of the Company with effect from 5 March 2003 is also a director of Lanka ORIX Leasing Company Limited (LOLC) which holds the entire issued share capital of the Company.

The Company invests funds with LOLC and earn interest income and pays rent for occupation of office premises owned by LOLC.

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

14. Related Party Transactions

The Company paid to Lanka ORIX Leasing Company Limited (LOLC) Rs.280,800 (2001/02 - Rs.70,200) as rent for occupying office premises owned by LOLC during the current financial year.

The Company has invested funds with LOLC during the current financial year and earned interest amounting to Rs.12,706,660 (2001/02 - 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 2003 amount to Rs.1,378,545.(31.03.2002 - Rs.2,323,051)

LOLC FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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.

The Company has been registered with the Central Bank of Sri Lanka as a finance company under the provisions of the Finance Companies Act, No.78 of 1988.

The Company has been registered with the Central Bank of Sri Lanka as a company engaged in leasing business under the provisions of the Finance Leasing Act, No.56 of 2000.

(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. 79, C.W.W.Kanangara Mawatha, Colombo 7.

(d) Principal activities of the Company

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

20. Number of Employees

The number of employees as at 31 March 2003 is 5

