

**LANKA ORIX
FINANCE COMPANY
LIMITED**

FINANCIAL STATEMENTS

31 MARCH 2005



KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
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REPORT OF THE AUDITORS TO THE MEMBERS OF LANKA ORIX FINANCE COMPANY LIMITED

We have audited the Balance Sheet of Lanka Orix Finance Company Limited as at 31 March 2005 and the related Statements of Income, Changes in Equity and Cash Flows for the year then ended, together with the Accounting Policies and Notes there to.

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 accounts for the year ended 31 March 2005, 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 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 2005 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 2005 except as stated in Note 22 to these Financial Statements.

CHARTERED ACCOUNTANTS
Colombo, 30 May 2005
F/SM

LANKA ORIX FINANCE COMPANY LIMITED
BALANCE SHEET AS AT 31 MARCH 2005

	Note	31.03.2005 Rs.	31.03.2004 Rs.
ASSETS			
Cash in Hand and at Banks		2,193,318	58,053
Investments in Treasury Bills		197,663,268	33,547,066
Investments in Dealing Securities	2	1,853,000	9,765,100
Deposits, Advances and Prepayments		2,231,000	1,448,000
Rentals Receivable on Leased Assets	3	548,287,404	224,032,461
Loans and Advances	4	116,993,864	33,737,546
Amount due from Related Companies	5	1,417,180	600,623
Other Receivables		63,465,565	31,359,219
Real Estate Stocks	6	6,961,363	6,895,863
Property, Plant and Equipment	7	11,856,242	6,141,022
TOTAL ASSETS		<u>952,922,204</u>	<u>347,584,953</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Bank Overdraft		6,659,813	28,026,748
Deposits from Customers	8	716,205,751	196,623,412
Trade Payables	9	7,959,873	10,121,063
Accruals and Other Payables	10	21,444,713	7,154,988
Amount due to Related Companies	11	80,013,548	232,873
Provision for Retiring Gratuities	12	240,126	150,050
		<u>832,523,824</u>	<u>242,309,134</u>
EQUITY			
SHARE CAPITAL	13	<u>100,000,000</u>	<u>100,000,000</u>
Statutory Reserve	14.1	1,019,919	207,768
Accumulated Profits	14.2	19,378,461	5,068,051
SHAREHOLDERS' FUNDS		<u>120,398,380</u>	<u>105,275,819</u>
TOTAL EQUITY AND LIABILITIES		<u>952,922,204</u>	<u>347,584,953</u>

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

The Accounting Policies and Notes annexed form an integral part of these Financial Statements

For and on behalf of the Board of Directors

.....
Director

.....
Director

Colombo, 30 May 2005
F/SM/jm

LANKA ORIX FINANCE COMPANY LIMITED
INCOME STATEMENT FOR THE YEAR ENDED
31 MARCH 2005

	Note	2004/2005 Rs.	2003/2004 Rs.
Gross Income	15	97,067,994	26,413,557
Interest Expenses	16	<u>(44,181,122)</u>	<u>(8,450,660)</u>
Net Interest Income		52,886,872	17,962,897
Less:			
Expenses			
Direct Expenses excluding Interest Cost	17	(8,477,137)	(4,217,713)
Staff Cost		(13,964,724)	(7,959,465)
Depreciation of Property, Plant and Equipment		(3,651,104)	(1,689,589)
Other Operating Expenses		<u>(22,177,340)</u>	<u>(9,366,211)</u>
Operating Profit/(Loss)	18	4,616,567	(5,270,081)
Other Income / (Expenses)	19	10,384,556	6,390,542
Profit before Taxation		<u>15,001,123</u>	<u>1,120,461</u>
Taxation	20	121,438	-
Net Profit for the Year		<u><u>15,122,561</u></u>	<u><u>1,120,461</u></u>
Earnings Per Share	21	<u><u>1.51</u></u>	<u><u>0.11</u></u>

The Notes and Accounting Policies annexed form an integral part of
these Financial Statements

LANKA ORIX FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2005

	Ordinary Share Capital Rs.	Statutory Reserve Rs.	Accumulated Profits Rs.	Total Equity Rs.
Balance as at 01 April 2003	100,000,000	-	4,155,358	104,155,358
Net Profit for the Year	-	-	1,120,461	1,120,461
Transfers during the Year	-	207,768	(207,768)	-
Balance as at 31 March 2004	<u>100,000,000</u>	<u>207,768</u>	<u>5,068,051</u>	<u>105,275,819</u>
Net Profit for the Year	-	-	15,122,561	15,122,561
Transfers during the Year	-	812,151	(812,151)	-
Balance as at 31 March 2005	<u><u>100,000,000</u></u>	<u><u>1,019,919</u></u>	<u><u>19,378,461</u></u>	<u><u>120,398,380</u></u>

The Accounting Policies and Notes annexed form an integral part of these Financial Statements

LANKA ORIX FINANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED
31 MARCH 2005

	2004/2005 Rs.	2003/2004 Rs. -
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	15,122,561	1,120,461
Adjustment for:		
Depreciation	3,651,104	1,689,589
Provision for Gratuity	90,076	86,620
Profit on Sale of Property, Plant & Equipment	-	(15,000)
Provision for diminution in value of share portfolio	(436,000)	4,064,383
Investment income	(6,129,000)	(8,039,948)
Interest cost	44,181,122	8,450,660
Profit on Trading in Dealing Securities	(2,406,013)	(2,296,284)
	<u>38,951,289</u>	<u>3,940,020</u>
Operating profit before working capital change	54,073,850	5,060,481
(Increase)/Decrease in Accounts Receivables and Others	(33,705,903)	(29,444,189)
Increase/(Decrease) in Accounts Payables	12,128,535	14,947,112
Net Investment in Leases	(324,254,943)	(224,032,461)
Net Proceeds from Deposits from Customers	519,582,339	196,623,411
Increase/(Decrease) in Related Party Payables	79,780,675	(1,145,672)
(Increase)/Decrease in Real Estate Stocks	(65,500)	(6,895,863)
Net investment in Advances and Other Loans	(83,256,318)	(33,737,546)
	<u>170,208,885</u>	<u>(83,685,208)</u>
Net cash generated from / (used in) operating activities	<u>224,282,735</u>	<u>(78,624,727)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(9,366,324)	(7,670,234)
Investments in Treasury Bills	(164,116,202)	70,201,467
Income from Treasury Bills	6,129,000	8,039,948
Proceed from Disposal of Shares	12,104,113	13,422,351
Investment in Shares	(1,350,000)	(24,955,550)
Net cash generated from / (used in) investing activities	<u>(156,599,413)</u>	<u>59,037,982</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(44,181,122)	(8,450,660)
Net cash used in financing activities	<u>(44,181,122)</u>	<u>(8,450,660)</u>
Net increase/(decrease) in Cash and Cash Equivalents during the Year	23,502,200	(28,037,405)
Cash and Cash Equivalents at the Beginning of the Year	(27,968,695)	68,710
Cash and Cash Equivalents at the End of the Year	<u>(4,466,495)</u>	<u>(27,968,695)</u>
Analysis of Cash and Cash equivalents at the End of the Year		
Cash in Hand and at Banks	2,193,318	58,053
Bank Overdraft	(6,659,813)	(28,026,748)
	<u>(4,466,495)</u>	<u>(27,968,695)</u>

The Accounting Policies and Notes annexed form an integral part of these Financial Statements