

LANKA ORIX FINANCE COMPANY LIMITED

FINANCIAL STATEMENT

31 MARCH 2009

HMAJ/RM/AD

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LANKA ORIX FINANCE COMPANY LIMITED****Report on the Financial Statements**

We have audited the accompanying financial statements of Lanka Orix Finance Company limited ("Company"), which comprise the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

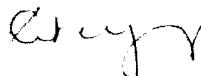
We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2009 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151 (2) of the Companies Act No. 07 of 2007.

29 May 2009
Colombo.

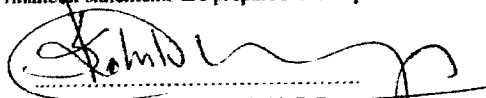
Lanka ORIX Finance Company Limited

BALANCE SHEET

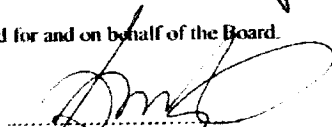
As at 31 March 2009

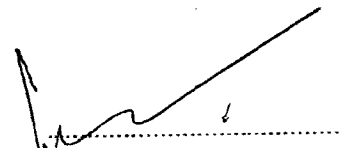
	Notes	2009 Rs.	2008 Rs.
ASSETS			
Cash and cash equivalents		340,451,981	348,915,923
Investments in Treasury Bill and Fixed Deposit		2,412,496,025	713,391,095
Deposits, advances and prepayments		7,971,222	35,894,249
Rentals receivable on leased assets	3	865,496,194	981,677,623
Hire purchases, loans and advances	4	2,524,545,699	2,456,830,237
Amount due from related companies	5	6,381,863	6,115,432
Other receivables	6	460,047,059	172,503,495
Real estate stocks	7	120,986,031	121,467,176
Margin trading stock	8	51,070,162	79,880,328
Property, plant and equipment	9	14,667,809	12,979,035
Total assets		6,804,114,046	4,929,654,594
LIABILITIES			
Bank overdraft		89,083,164	203,941,879
Deposits from customers	10	5,303,920,975	3,339,664,871
Trade payables	11	18,311,640	35,484,040
Accruals and other payables	12	211,925,596	161,370,473
Amount due to related companies	13	191,879,350	247,759,058
Deferred Tax	14	12,770,412	15,786,093
Retirement benefit obligations	15	1,667,165	1,872,065
Total liabilities		5,829,558,300	4,005,878,480
SHAREHOLDER'S FUNDS			
Stated capital	16	800,000,000	800,000,000
Statutory reserve	17	24,469,671	11,262,873
Retained earnings	17	150,086,075	112,513,241
Total equity		974,555,746	923,776,114
Total liabilities and equity		6,804,114,046	4,929,654,594
Commitments and contingencies	27	38,332,221	11,261,500

These financial statements are prepared in compliance with the requirements of the Companies No. 07 of 2007.


 Chief Financial Officer - LOLC Group

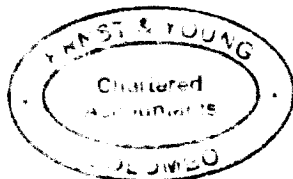
Approved and signed for and on behalf of the Board.


 Director


 Director

The accounting policies and notes on pages 6 through 21 form an integral part of the Financial Statements.

29 May 2009
 Rajagiriya (Greater Colombo)



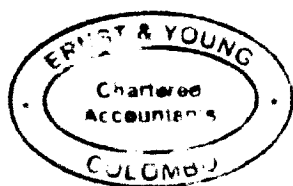
Lanka ORIX Finance Company Limited

INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009 Rs.	2008 Rs.
Gross income	18	1,111,044,331	725,105,774
Interest expense	19	(913,526,485)	(471,530,715)
Net interest income		197,517,846	253,575,059
Other operating income	20	260,618,626	104,741,129
Direct expenses excluding interest cost	21	(132,842,530)	(86,039,132)
Personnel expenses		(63,899,058)	(48,750,328)
Depreciation		(5,743,561)	(6,201,033)
General & Administration Expenses		(131,167,216)	(98,203,580)
Profit from Operations	22	124,484,108	119,122,115
Value Added Tax on Financial Service		(21,311,665)	(19,547,828)
Profit before Tax		103,172,443	99,574,287
Income tax expense	14	(37,138,453)	(49,602,769)
Profit for the period		<u>66,033,990</u>	<u>49,971,518</u>
Basic earnings per share	24	0.83	0.62

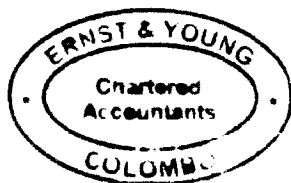
The accounting policies and notes on pages 6 through 21 form an integral part of the Financial Statements.



Lanka ORIX Finance Company Limited
STATEMENT OF CHANGES IN EQUITY
 Year ended 31 March 2009

	Stated Capital Rs.	Statutory Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 31 March 2007	800,000,000	8,032,036	65,772,560	873,804,596
Profit for the year	-	-	49,971,518	49,971,518
Transfers during the year	-	3,230,837	(3,230,837)	-
Balance as at 31 March 2008	<u>800,000,000</u>	<u>11,262,873</u>	<u>112,513,241</u>	<u>923,776,114</u>
Profit for the year	-	-	66,033,990	66,033,990
Transfers during the year	-	13,206,798	(13,206,798)	-
Dividend paid	-	-	(15,254,358)	(15,254,358)
Balance as at 31 March 2009	<u>800,000,000</u>	<u>24,469,671</u>	<u>150,086,075</u>	<u>974,555,746</u>

The accounting policies and notes on pages 6 through 21 form an integral part of the Financial Statements.



Lanka ORIX Finance Company Limited

CASH FLOW STATEMENT

Year ended 31 March 2009

	2009 Rs.	2008 Rs.
Cash flows from operating activities		
Net profit before taxation	103,172,443	99,574,287
Adjustments for:		
Depreciation	5,743,561	6,201,033
Profit on sale of property, plant and equipment	-	(1,460,000)
Provision for retirement benefit obligations	(204,900)	859,065
Investment income	(186,346,634)	(66,646,049)
Interest cost	831,244,839	471,530,715
	<u>650,436,866</u>	<u>410,484,764</u>
Operating profit before working capital changes	753,609,308	510,059,051
Change in accounts receivables and others	(259,886,969)	(60,129,299)
Change in related party receivable	-	(327,610)
Change in real estate stocks	481,145	(18,247,775)
Change in margin trading stocks	28,810,166	15,314,356
Change in accounts payables	43,676,695	7,331,353
Change in related party payables	(55,879,707)	27,418,203
Change in net investment in leases	1,718,923,219	92,916,408
Net proceeds from deposits from customers	1,932,018,583	1,545,934,191
Net proceeds from savings deposits	32,237,522	47,565,940
Net investment in hire purchases, advances and other loans	<u>(1,670,457,599)</u>	<u>(1,235,095,188)</u>
	2,523,532,363	932,739,630
Interest paid on deposits	(784,400,649)	(381,978,559)
Gratuity paid	-	(84,375)
Income tax Paid	<u>(50,447,763)</u>	-
Net cash flow from operating activities	<u>1,688,683,951</u>	<u>550,676,696</u>
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	-	1,460,000
Purchase of property, plant and equipment	(7,432,335)	(5,173,008)
Net proceeds from investments in treasury bills & deposits	(1,587,377,619)	(409,596,276)
Income from treasury bills & deposits	74,619,323	59,500,393
Net cash flow from investing activities	<u>(1,520,190,631)</u>	<u>(353,808,891)</u>
Cash flow from financing activities		
Repayment of short term loan	-	(50,000,000)
Interest paid	(46,844,190)	(34,760,477)
Dividend Paid	(15,254,358)	-
Net cash flow from financing activities	<u>(62,098,548)</u>	<u>(84,760,477)</u>
Net increase/(decrease) in cash and cash equivalents during the year	106,394,773	112,107,328
Cash and cash equivalents as at 1st April	<u>144,974,044</u>	<u>32,866,716</u>
Cash and cash equivalents as at 31st March	<u><u>251,368,817</u></u>	<u><u>144,974,044</u></u>
Analysis of cash and cash equivalents at the end of the year		
Cash in hand and at banks	340,451,981	348,915,923
Bank overdraft	<u>(89,083,164)</u>	<u>(203,941,879)</u>
	<u>251,368,817</u>	<u>144,974,044</u>

The accounting policies and notes on pages 6 through 21 form an integral part of the Financial Statements.

