



PRIME FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30TH JUNE 2018



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STATEMENT OF FINANCIAL POSITION

As at 30th June 2018

	As At 30.06.2018	As At 31.03.2018
	Rs.	Rs.
	Unaudited	Audited
Assets		
Cash & Cash Equivalents	123,910,660	417,958,339
Loans and Advances	2,692,599,632	2,184,713,733
Lease Rentals Receivable & Stock Out on Hire	709,061,264	496,020,155
Financial Investments - Available for Sale	56,300	56,300
Financial Investments - Held to Maturity	125,136,398	122,468,456
Other Financial Assets	207,052,952	153,375,687
Inventories - Real Estate Stock	126,528,758	129,266,607
Other Non Financial Assets	5,928,933	11,415,435
Investment Property	105,439,534	105,439,534
Property, Plant & Equipment	27,946,871	28,525,141
Intangible Assets	2,039,205	2,222,312
Deferred Tax Asset	19,913,154	19,913,154
Total Assets	4,145,613,663	3,671,374,853
Liabilities		
Due to Banks	423,213,079	192,350,891
Due to Customers	2,660,005,420	2,399,149,502
Other Financial Liabilities	246,303,732	240,422,196
Other Non-Financial Liabilities	169,416,577	223,210,024
Retirement Benefit Liability	3,916,261	3,167,412
Total liabilities	3,502,855,069	3,058,300,025
Shareholders' Funds		
Stated Capital	508,500,000	508,500,000
Retained Earnings	125,567,389	95,883,622
Other Reserves	8,691,206	8,691,206
Total Shareholders' Funds	642,758,595	613,074,827
Total Liabilities and Shareholders' Funds	4,145,613,663	3,671,374,853
Commitments and Contingencies	75,314,084	13,403,458
Net Assets Per Share (Rs.)	17.85	17.03

We certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Sgd.
T M M Tennakoon
AGM - Finance

Sgd.
Rasika Kaluarachchi
Chief Executive Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;

Sgd.
M. D. Saddha Mangala Goonetilleke
Director

Sgd.
H. M. Hennayaka Bandara
Director

STATEMENT OF COMPREHENSIVE INCOME

INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30TH JUNE 2018

	30.06.2018 (Unaudited) Rs.	30.06.2017 (Unaudited) Rs.	Variance %
Interest Income	193,583,628	75,562,371	156%
Interest Expenses	(92,140,330)	(38,262,191)	-141%
Net Interest Income	101,443,298	37,300,180	172%
Fee and Commission Income	6,950,220	1,374,541	406%
Net Fee and Commission Income	6,950,220	1,374,541	406%
Net Gain/(Loss) from Trading	-	20	-100%
Other Operating Income (net)	20,289,463	899,277	2156%
Total Operating Income	128,682,980	39,574,019	225%
Impairment (Charges)/Reversals for Loans and Other Credit Losses	(16,812,171)	(41,532,106)	60%
Net Operating Income	111,870,809	(1,958,088)	5813%
Operating Expenses			
Personnel Costs	(29,659,107)	(18,299,296)	-62%
Depreciation of Property Plant & Equipment	(3,030,888)	(2,420,695)	-25%
Amortisation of Intangible Assets	(183,106)	(271,732)	33%
Other Operating Expenses	(33,740,463)	(16,998,642)	-98%
Profit/ (Loss) before VAT on financial services	45,257,244	(39,948,453)	-213%
Value Added Tax on Financial Services	(9,351,115)	-	-100%
Profit/(Loss) from Operations before Taxation	35,906,129	(39,948,453)	190%
(Provision)/Reversal for Income Taxation	(6,222,362)	-	-100%
Profit/(Loss) for the Year	29,683,767	(39,948,453)	174%
Other Comprehensive Income / (Expenses)			
Other Comprehensive Income not to be reclassified to Profit or Loss			
Actuarial Gain / (Loss) on Retirement Benefit Obligations	-	-	-
Other Comprehensive Income to be reclassified to Profit or Loss			
Gain/ (Loss) on Available for Sale Financial Assets	-	-	-
Adjustment for impairment of Available for Sale Financial Assets	-	-	-
Other Comprehensive Income/(Expense) for the Year, net of taxes	-	-	-
Total Comprehensive Income/(Expense) for the Year	29,683,767	(39,948,453)	174%
Earnings Per Share (Rs)	0.82	(1.78)	

Prime Finance PLC

STATEMENT OF CHANGES IN EQUITY

INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30TH JUNE 2018

	Stated Capital	Retained Earnings	Statutory Reserve	Total
Note	Rs.	Rs.	Rs.	Rs.
Balances as at 01st April 2017	225,000,000	83,402,419	8,036,670	316,439,089
Net Profit for first quarter of the Year	-	(39,948,453)	-	(39,948,453)
Other Comprehensive Income	-	-	-	-
Transfer to Statutory Reserve	-	-	-	-
Transfers during the year	-	-	-	-
Rights Issue	-	-	-	-
Balances as at 30th June 2017	<u>225,000,000</u>	<u>43,453,966</u>	<u>8,036,670</u>	<u>276,490,636</u>
Balances as at 01st April 2018	508,500,000	95,883,622	8,691,206	613,074,828
Net Profit for first quarter of the Year	-	29,683,767	-	29,683,767
Other Comprehensive Income	-	-	-	-
Transfer to Statutory Reserve	-	-	-	-
Transfers during the year	-	-	-	-
Rights Issue	-	-	-	-
Balances as at 30th June 2018	<u>508,500,000</u>	<u>125,567,389</u>	<u>8,691,206</u>	<u>642,758,595</u>

Prime Finance PLC

STATEMENT OF CASH FLOWS

INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30TH JUNE 2018

	30.06.2018 Rs. Unaudited	30.06.2017 Rs. Unaudited
Cash Flows From / (Used in) Operating Activities		
Profit/(Loss) before Income Tax Expense	35,906,129	(39,948,453)
Adjustments for		
Depreciation	3,030,888	2,420,695
Amortisation of Intangible Assets	183,106	271,732
Impairment Provision	16,812,171	41,532,106
Interest Cost on Finance Lease	17,494	51,725
Diminution/(Appreciation) in value of investments	-	(20)
Provision/(Reversal) for Defined Benefit Plans	748,849	576,591
Operating Profit before Working Capital Changes	56,698,638	4,904,376
(Increase)/Decrease in Real Estate Stock	2,737,849	(42,327,091)
(Increase)/Decrease in Loans and Advances	(520,831,041)	(141,253,937)
(Increase)/Decrease in Lease Rentals Receivable & Stock out on hire	(216,908,140)	20,040,073
(Increase)/Decrease in Other Financial Assets(Excluding Investments in Banks & other financial Institutions)	-	(21,138)
(Increase)/Decrease in Other Non Financial Assets	315,861	(4,822,675)
Increase/(Decrease) in Amounts Due to Customers	260,855,918	21,451,998
Increase/(Decrease) in Other Financial Liabilities	(380,074)	(4,856,420)
Increase/(Decrease) in Other Non Financial Liabilities	(53,793,448)	(5,658,253)
Cash Generated from/(Used in) Operations	(471,304,437)	(152,543,067)
Economic Service Charges Paid	(1,051,721)	-
Net Cash From/(Used in) Operating Activities	(472,356,158)	(152,543,067)
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(2,452,619)	(1,473,250)
Investments in Banks & Other Financial Institutions	(53,677,265)	103,973,567
Sale/(Purchase) of Financial Investments- Held to Maturity	(2,667,942)	1,676,809
Dividend Received	-	-
Net Cash Flows from/(Used in) Investing Activities	(58,797,826)	104,177,126
Cash Flows from / (Used in) Financing Activities		
Payment under Finance Lease Liabilities	(183,444)	(275,166)
Net movement in the borrowings	52,572,325	-
Net Cash Flows from/(Used in) Financing Activities	52,388,881	(275,166)
Net Increase in Cash and Cash Equivalents	(478,765,103)	(48,641,107)
Net Cash and Cash Equivalents at the beginning of the Year	375,681,787	90,198,372
Cash and Cash Equivalents at the end of the year	(103,083,316)	41,557,265

NOTES TO THE FINANCIAL STATEMENTS

INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30TH JUNE 2018

SEGMENTAL INFORMATION

For management purposes, the Company is organised into three operating segments based on services offered to customers as follows.

The following table presents income and profit and certain asset and liability information regarding the Company's operating segments.

	Leasing & Stock out on Hire		Loans & Receivables		Others		Total	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Interest Income	30,852,871	2,446,228	150,800,550	64,834,430	11,930,208	8,281,713	193,583,628	75,562,371
Interest Expenses	(14,685,094)	(1,238,686)	(71,776,795)	(32,829,930)	(5,678,441)	(4,193,575)	(92,140,330)	(38,262,191)
Net Interest Income/(Expenses)	<u>16,167,777</u>	<u>1,207,542</u>	<u>79,023,754</u>	<u>32,004,501</u>	<u>6,251,766</u>	<u>4,088,138</u>	<u>101,443,298</u>	<u>37,300,180</u>
Fee and Commission Income	1,107,708	44,499	5,414,182	1,179,391	428,329	150,651	6,950,220	1,374,541
Other Operating Income	-	-	-	-	20,289,463	899,297	20,289,463	899,297
Impairment (Charge)/Reversal for Loans and Other Credit Losses	(3,867,030)	22,805,767	(12,945,141)	(64,337,874)	-	-	(16,812,171)	(41,532,106)
Net Operating Income	<u>13,408,455</u>	<u>24,057,808</u>	<u>71,492,795</u>	<u>(31,153,982)</u>	<u>26,969,558</u>	<u>5,138,086</u>	<u>111,870,809</u>	<u>(1,958,088)</u>
Other Costs	10,104,464	1,142,722	49,387,906	30,286,526	3,907,200	3,868,690	63,399,570	35,297,938
Depreciation & Amortisation	512,238	87,164	2,503,684	2,310,171	198,073	295,093	3,213,995	2,692,427
Profit/ (Loss) before VAT on financial services	<u>2,791,753</u>	<u>22,827,922</u>	<u>19,601,206</u>	<u>(63,750,679)</u>	<u>22,864,285</u>	<u>974,303</u>	<u>45,257,244</u>	<u>(39,948,453)</u>
Value Added Tax on Financial Services & Income Tax							(15,573,477)	-
Profit/(Loss) for the Year							<u>29,683,767</u>	<u>(39,948,453)</u>
Segmental Assets	<u>741,196,882</u>	<u>105,129,766</u>	<u>2,814,631,897</u>	<u>1,283,412,372</u>	<u>589,784,883</u>	<u>310,360,756</u>	<u>4,145,613,663</u>	<u>1,698,902,894</u>
Segmental Liabilities	<u>626,277,667</u>	<u>88,020,256</u>	<u>2,378,235,989</u>	<u>1,074,541,398</u>	<u>498,341,413</u>	<u>259,850,604</u>	<u>3,502,855,069</u>	<u>1,422,412,258</u>

NOTES TO THE FINANCIAL STATEMENTS

1. The Interim Financial Statements of the Company have been prepared based on the Sri Lanka Accounting Standards that came into effect from January 01, 2012 (SLFRS/LKAS). There were no changes to the Accounting Policies and methods of computation since the publication of the Audited Financial Statements for the Year Ended 31st March 2018. Further, these Interim Financial Statements have been prepared in compliance with the requirements of the Sri Lanka Accounting Standard (LKAS 34) on Interim Financial Reporting and provide the information required by the Colombo Stock Exchange.

The Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) is effective for annual periods beginning on or after 01st January 2018. SLFRS 9 (Financial Instruments) replaces the existing standard LKAS 39. However, CA Sri Lanka has granted the option through the Statement of Alternative Treatment (SoAT) to prepare the interim financial statements continuing the application of LKAS 39 (Financial Instruments: Recognition and Measurement), with disclosures on impact to the Statement of Comprehensive Income for the period, if SLFRS 9 has been applied. Accordingly, as permitted by the above SoAT, the Company has prepared the Interim Financial Statements for the quarter ended 30th June 2018 based on LKAS 39. Based on the preliminary assessments undertaken to date which is yet to be audited, with the transition from LKAS 39 incurred loss method to SLFRS 9 expected credit loss method, it is expected 15% - 25% increase in overall impairment provision as at 31st March 2018.

2. There were no significant changes in the nature of contingent liabilities which were disclosed in the Audited Financial statements for the year ended 31st March 2018.

3. **Public share holdings**

The percentage of shares held by the public as at 30th June 2018 was 10.05% and the number of public shareholders as at 30th June 2018 were 912

3.1 **Director's share holding as at 30th June 2018**

The number of shares held by the Board of Directors are as follows;

Name of the director	No. of shares	(%)
Mr. M. D. Saddha Mangala Goonetilleke	10,000	0.03%
Ms. H. K. Sadamini Rukmal Perera	50,000	0.14%
Mr. B. Premalal	50,000	0.14%
Mr. Nandana A. Wickramage	20,000	0.06%
Mr. P. Anura Wijesiri Perera	10,000	0.03%
Mr. H. M. Hennayaka Bandara	Nil	Nil
Mr. Mahinda Perera	Nil	Nil
Mr. Dhammika Hemantha Kalapuge	Nil	Nil

3.2 **Twenty largest shareholders as at 30th June 2018**

	Name	No. of shares	% of holding
1	Seylan Bank PLC/M/s Prime Lands (Pvt) Ltd	32,191,761	89.42%
2	Mr.Peramuna Gamaethige Kumaradasa	1,227,428	3.41%
3	Mr. Francis Jayarupan Pradeep Raj	153,631	0.43%
4	Mr.Ruminda Randeniya	152,000	0.42%
5	Mr.Lalith Rukman Jayaweera	113,795	0.32%
6	Mr.Premadasa Manamperi	103,888	0.29%
7	Mrs. Deyalage Janitha Shamali	100,100	0.28%
8	Mr. Ranasinghe Halnetti Padmaperuma Dushantha Rangana	100,100	0.28%
9	Mr. Mallikage Adisha Sagara Wijerathne	80,000	0.22%
10	The Victoria International Private Limited	65,069	0.18%
11	Bansei Securities Capital (Pvt) Ltd/M.A.U. Gnanatilake	59,389	0.16%
12	Mr. Heenatigala Mudiyansele Nalinda Udesh Kumara	50,000	0.14%
13	Mr.Brahmanage Premalal	50,000	0.14%
14	Mrs.Hena Kankanamge Sandamini Rukmal Perera	50,000	0.14%
15	Ms. Shehana Sonali Ann Piumi Brahmanage	50,000	0.14%
16	Mr. Herath Mudiyansele Prabath Krishantha Bandara	50,000	0.14%
17	Citizens Development Business Finance PLC/W.G.J.Banda	48,331	0.13%
18	Mr.Don Hema Jayantha Wijeratna Ponnampereuma	40,000	0.11%
19	Bansei Securities Capital (Pvt) Ltd/M.A.Waas	38,000	0.11%
20	People'S Leasing & Finance PLC/ Mr.M.A.U.Gnanathilake	34,960	0.10%
		34,758,452	96.55%
	Others	1,241,548	3.45%
		36,000,000	100.00%

NOTES TO THE FINANCIAL STATEMENTS

3.3 Computation of Public Share Holding as at 30th June 2018

	No. of shares as at 30th June 2018	% of shares
3.3.1 Parent, subsidiary or associate entities or any subsidiary or associates of its Parent Entity		
Seylan Bank PLC/M/s Prime Lands (Pvt) Ltd	32,191,761	89.42%
3.3.2 Directors of the entity, their spouses and children under 18 years of age		
Mr. M. D. Saddha Mangala Goonetilleke	10,000	0.03%
Ms. H. K. Sadamini Rukmal Perera	50,000	0.14%
Mr. B. Premalal	50,000	0.14%
Mr. Nandana A. Wickramage	20,000	0.06%
Mr. P. Anura Wijesiri Perera	10,000	0.03%
Mr. H. M. Hennayaka Bandara	Nil	Nil
Mr. Mahinda Perera	Nil	Nil
Mr. Dhammika Hemantha Kalapuge	Nil	Nil
3.3.3 Key Management personnel and their close family members	Nil	Nil
3.3.4 Other related entites/ parties		
Mr. H.M.N.U. Kumara	50,000	0.14%
Total non-public share holding	32,381,761	89.95%
Public Share Holding	3,618,239	10.05%
Total Issued Share Capital	36,000,000	100.00%
3.3.5 Total number of non-public shareholders as at 30.06.2018		7
Total number of public shareholders as at 30.06.2018		912
Total number of shareholders as at 30.06.2018		919

3.4 Stated Capital

Stated Capital is represented by number of shares in issue as given below:

	No of Shares as at	
	30-Jun-18	31-Mar-18
Ordinary Shares	36,000,000	36,000,000

3.5 Earning per share

Earning per share has been calculated, for all periods, based on the number of shares in issue as at 31st March 2018

3.6 Market value per share for the quarter ended

	30-Jun-18	30-Jun-17
	Rs.	Rs.
Highest Price	24.00	31.00
Lowest Price	18.80	26.20
Last Traded	19.90	27.00

NOTES TO THE FINANCIAL STATEMENTS

4 Commitments and Contingencies

There were no material contingent liabilities and /or capital commitments as at reporting date except for the undrawn loan commitment as follows :

	30-Jun-18	31-Mar-18
	Rs.	Rs.
Commitment for Unutilized Facilities	75,314,084	13,403,458

5 Events occurring after Balance Sheet date

The Company issued 43.2 Million ordinary shares by way of a Rights Issue to holders of the ordinary shares of the Company at a price of Rs. 20.00 per share, amounting to Rs. 864 Million, and the allotment of Shares was finalized on 18th July, 2018 and raised the Capital of Rs. 864 Million for Cash considerations. With the Rights issue, the Stated Capital of the Company has increased from Rupees Five Hundred and Eight Million Five Hundred Thousand (Rs. 508,500,000/-) representing Thirty-Six Million Shares, to Rupees One Billion Three Hundred and Seventy-Two Million Five Hundred Thousand (Rs. 1,372,500,000/-) representing Seventy-Nine Million Two Hundred Thousand Shares.

6 Comparative figures

Comparative period's figures have been presented with out any amendment.

7 RELATED PARTY DISCLOSURES

Quarter Ended
30th June 2018
Rs.

7.1 Transactions with Parent's Company (Prime Lands)

Saving Deposit Balance as at 31.03.2018	452,425,381
Interest Expense on Deposits	6,799,894
WHT on Deposits for the quarter ended 30.06.2018	(339,995)
Balance as at 30.06.2018	458,885,280

Items in Statement of Comprehensive IncomeReported under

Interest Expense on Deposits for the quarter ended 30.06.2018	Interest Expenses	6,799,894
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7.2 Transactions with Directors' and CEO of the Company

Deposits made by directors, their spouses and CEO and his spouse as at 31st March 2018.

Items in statement of Financial PositionReported under

Net Deposits made during the quarter ended 30.06.2018	Due to Customers	
Renewal with Interest		
Net Interest payable on Deposits for the quarter ended 30.06.2018	Due to Customers	
Balance as at 30.06.2018	Due to Customers	

B. Premalal	H.K.S.R. Perera	N.A. Wickramage	R.P. Kaluarachchi	B.M.D.C. Prabath
Rs.	Rs.	Rs.	Rs.	Rs.
12,263,235	34,214,590	5,373	24,193	-
-	-	-	67,449	4,750,000
-	417,627	-	-	-
418,966	556,049	77	1,329	76,482
12,682,201	35,188,266	5,450	92,971	4,826,482

Items in Statement of Comprehensive Income

Interest Expense on Deposits for the quarter ended 30.06.2018	Interest Expenses	
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418,973	933,232	81	1,399	76,482
418,973	933,232	81	1,399	76,482

7.3 Related Party transactions for the quarter ended 30th June 2018 exceeding 10% of the Equity or 5% of the total Assets of the entity as per Audited Financial Statements, whichever is lower.

Name of the Related Party	Relationship	Terms of the Transaction	Date Of Transaction	Amount (Rs.)	Rationale for Entering Transaction
Prime Lands (Pvt) Ltd.	Parent Company	Saving Deposits placed at the Company	01/02/2018 16/03/2018	200,000,000 250,000,000	Refer the Note

Note : Prime Lands (Pvt) Ltd deposited Rs.450Mn in the savings account maintained with the company as per the requirement imposed by the Central Bank of Sri Lanka in order to utilize the same as a part of the consideration to the allotment of Rights issue. The proposed Right issue was concluded on 18th July 2018 and Rs. 450Mn. was withdrawn and utilized in the Right issue.

Name of the Company

Prime Finance PLC

Legal Form

Public Limited Liability Company domiciled in Sri Lanka and incorporated on 10th September 2004 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007.

The Company is licensed under the Finance Business Act, No. 42 of 2011.

Company registration number is PB 351 PQ

Stock Exchange Listing

The Company was listed on the Diri Savi Board of the Colombo Stock Exchange on 12th September 2012.

Board of Directors

1. Mr. M. D. Saddha Mangala Goonetilleke - Chairman/Independent Non Executive Director
2. Mrs. H. K. Sadamini Rukmal Perera - Executive Director
3. Mr. B. Premalal - Non Independent Non Executive Director
4. Mr. Nandana A. Wickramage - Non Independent Non Executive Director
5. Mr. P. Anura Wijesiri Perera - Non Independent Non Executive Director
6. Mr. H. M. Hennyaka Bandara - Independent Non Executive Director
7. Mr. Mahinda Perera - Independent Non Executive Director
8. Mr. Dhammika Hemantha Kalapuge - Independent Non Executive Director

Secretaries to the Company

S S P Corporate Services (Private) Limited
No 101, Inner Flower Road, Colombo 03

Head office & registered office of the company

Registered Office :- No.61 ,D.S Senanayake Mawatha, Colombo 08.

Head Office :- No.61 ,D.S Senanayake Mawatha, Colombo 08.

Telephone No :- (+94) 112 679 280 - 82 / (+94) 112 679 285 - 87 / (+94) 112 679 289 - 90 / (+94) 112 473 473

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Corporate Website :- www.primefinance.lk

Bankers of the Company

Hatton National Bank PLC
Commercial Bank PLC
Seylan Bank PLC
Union Bank PLC
DFCC Bank PLC
Bank of Ceylon
People's Bank
Sampath Bank PLC
Nations Trust Bank PLC
National Development Bank PLC

Auditors

Messrs Ernst & Young
No. 201, De Saram Place, P.O.Box 101,Colombo.10,Sri Lanka