



SENKADAGALA FINANCE COMPANY LIMITED

## Vision

Our vision is to be a leading financial institution in Sri Lanka that delivers high quality services and achieves excellence in all spheres of activity while being socially conscious at all times.

## Mission

To provide a wide range of diversified financial services and to acquire a portfolio of loanable funds that yields an adequate return to our shareholders, whilst safeguarding the interests of our depositors and other providers of funds.

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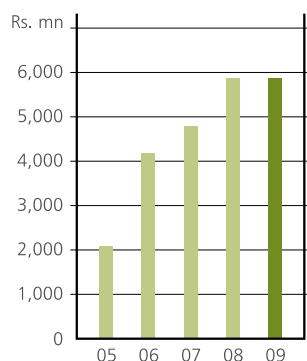
Notice of Meeting 52

Form of Proxy Enclosed

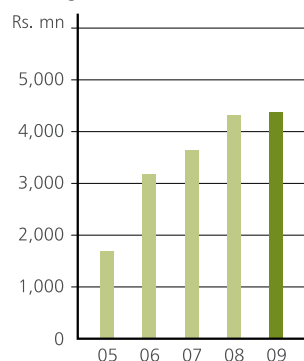
# Financial Highlights

	2009 Rs. mn	2008 Rs. mn	Change %
<b>Results for the Year</b>			
Total Advances Disbursed	2,673	2,767	(3)
Total Net Flow of Term Deposits, Certificates of Deposit (CDs) and Savings Accounts	436	172	153
Net Flow of Securitisations	(520)	355	-
Capital Expenditure Incurred	114	217	(47)
Gross Income	1,645	1,362	21
Fund-based Income	1,560	1,260	24
Fee-based Income	85	102	(17)
Gross Interest Cost	932	669	39
Interest on Term Deposits, CDs and Savings Accounts	197	101	95
Interest on Securitisations	541	443	22
Interest on Debentures	124	91	36
Other Interest Costs	70	34	106
Profit before Taxation	118	302	(60)
Profit after Taxation	66	287	(77)
Gross Dividends	32	70	(54)
<b>Financial Position at the Year End</b>			
Shareholders' Funds (Capital and Reserves)	937	903	4
Total Deposit Base (Fixed, CDs and Savings Accounts)	1,334	898	49
Loan Securitisations (Book Value)	2,401	2,921	(18)
Advances Portfolio	4,359	4,305	1
Total Assets	5,867	5,866	-
<b>Information per Ordinary Share</b>			
Earnings per Share (Rs.)	3.07	13.45	(77)
Dividends per Share (Rs.)	1.51	3.27	(54)
Net Assets per Share (Rs.)	43.87	42.30	3
<b>Ratios</b>			
Return on Average Shareholders' Funds	12.82%	38.08%	
Return on Average Gross Assets	2.00%	5.67%	
Cost to Income Ratio	63.88%	51.78%	
Gross Interest Cover (Times)	1.13	1.45	
Equity as a % of Total Assets	15.95%	15.39%	
FITCH RATING	BBB+	BBB+	
RAM RATING	A-/P2	A-/P2	

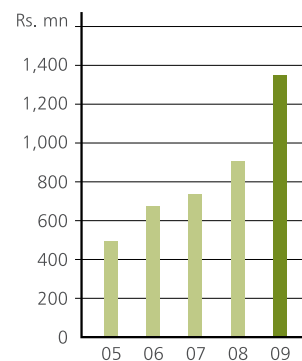
Total Assets



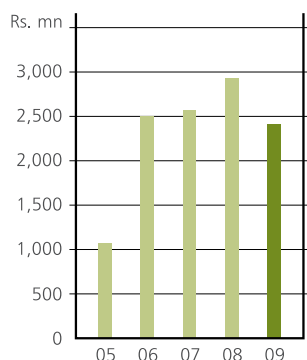
Lending Assets Portfolio



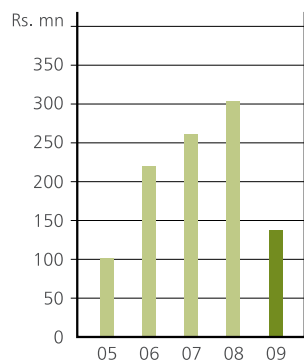
Term Deposits



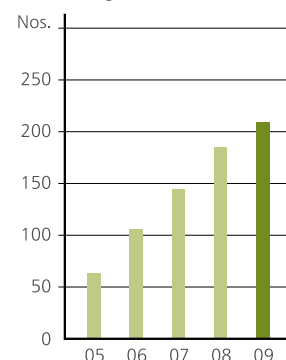
Securitized Loan Portfolio



Profits before Taxation & VAT



Staff Strength



# Corporate Reports

Chairman's Statement

Chief Executive Officer's Review

# Chairman's Statement



I have pleasure in presenting to you the Annual Report and Audited Accounts of the Company for the financial year ended 31st March 2009.

The Government recently announced that the country's Armed Forces had achieved victory over the LTTE terrorists who had been waging war against the Government for about three decades. This is the most significant event in Sri Lanka's recent history and the country owes a debt of gratitude to H.E. the President, the Government, the Defense Secretary and the Heads and Members of the Armed Forces and the Police. It is now hoped that the leaders of all political parties will get together to achieve the political changes necessary to ensure unity, peace and prosperity in Sri Lanka.

During the first part of the year under review, the world energy crisis was threatening our macroeconomic stability by way of sharply widening trade and current account deficits, and high levels of inflation not seen since the 1980s. There was also pressure on fiscal balances arising from the high defense expenditure, the duty waivers granted in order to minimise the impact of high food and energy prices on the domestic cost of living, and the cost of rehabilitation, resettlement and reconstruction in the Eastern Province. Towards the

latter part of the year, a financial crisis, which originated from the sub-prime mortgage debacle in the United States, led to unprecedented global financial turmoil. This in turn triggered a reversal of capital flows from emerging market economies. There was an outflow of around 120 bn US dollars from the Asian Region within a short period towards end 2008 and this affected all the countries of the region including Sri Lanka. Measured in terms of economic growth, Sri Lanka yet again demonstrated its resilience by recording real growth of 6% in 2008.

The end of the major conflict with the LTTE will provide an opportunity for the long suffering people of the North to return to their homes and engage in their pre-conflict activities which were largely in the agricultural sector. It will also result in an improvement in the field of tourism in the entire country and lead to a faster pace of development of tourist facilities, especially in the East. All this will come at a time of great economic turbulence which has led to a significant global economic downturn.

The rehabilitation of the displaced people and the restoration of basic infrastructure in the affected areas of the North and the East are essential steps on the journey to national reconciliation after a long, debilitating

conflict. The cost of those objectives will be very high and we will need assistance from the international community to achieve them.

Registered Finance Companies (RFCs) were active in 2008 despite unfavourable developments in international as well as domestic markets. The total number of RFCs in operation rose to 34 after 02 new companies were granted licenses, while the total number of their branches and service centres increased from 201 to 248 at the beginning of 2008. The two largest RFCs accounted for 75% of the assets. The total assets of RFCs grew by Rs. 33 bn to Rs. 176 bn in 2008 compared to an increase of Rs. 30 bn in 2007.

Deposits which increased by 32% to Rs. 103 bn in 2008 continued to be the major source of funding for RFCs and accounted for 59% of their total resources. The growth in deposits can be attributed to the higher interest rates that prevailed during the year and the expansion in the branch network of RFCs.

RFCs experienced a decline in profitability due to a narrowing of margins in their main lines of business. Net operational profit of the RFCs (before tax) decreased by 12% to Rs. 2.3 bn from Rs. 2.6 bn

in 2007. Competition among the market players was one reason for the decrease in their profitability.

A major crisis in the RFC sector occurred at the end of 2008 when a leading group of companies in the field faced difficulties in continuing its activities. This setback led to a loss of public confidence in the RFC sector and the Central Bank was compelled to take steps to restore confidence in the other companies in the field. Various legal actions have now been taken against this Group both by the authorities and by its depositors and it is hoped that the crisis will be resolved at an early date. In the meantime, the Central Bank has announced a stimulus package for RFCs in order to help them out and to restore confidence in this sector.

During the year under review, new directions were issued to finance companies, relating to corporate governance and to interest rate ceilings on deposits. The Direction on Corporate Governance was aimed at making the Boards of Directors more responsible and accountable for the business operations and also to promote overall risk management and soundness of RFCs. Some aspects of the Direction relate to the composition and responsibilities of the Boards of Directors, criteria to assess the fitness

of Directors, the separation of duties between the Chairman and the Chief Executive Officer, and the setting up of Board Committees. The Direction is applicable from 1st January 2009, with some necessary transitional provisions.

The profit of the Company before provision for tax and VAT on financial services during the year under review was Rs. 137.04 mn, as against Rs. 303.88 mn achieved a year ago. Provision for income taxes and VAT on financial services amounted to Rs. 71.44 mn resulting in a profit after tax of Rs. 65.60 mn for the year compared to Rs. 287.21 mn for the previous year. Total new disbursements on leases, hire purchase facilities and other advances decreased marginally from Rs. 2.77 bn in 2008 to Rs. 2.68 bn in 2009. Because of our programme of branch expansion, our cost to income ratio during the year under review increased to 63.88% from 51.78% in the previous year. The decline in profit was partly due to a deliberate attempt to curb the growth of new lending in a somewhat volatile credit market.

A regime of high interest rates and mounting inflationary pressures not only affected our profitability but also resulted in relatively high delinquency. This prompted us to place more emphasis on loan monitoring and to set up units to address the concerns

of our borrowers through the process of rescheduling and restructuring of overdue advances.

Both Fitch Ratings Lanka Limited and RAM Ratings (formerly Lanka Ratings Limited), reaffirmed the ratings given to the Company. Incidentally Senkadagala Finance Company Limited (SFCL) was the first finance company to obtain a domestic credit rating from Fitch Ratings Lanka Limited. The Company currently has a BBB+ (lka) investment grade rating from Fitch Ratings Lanka Limited and an A-rating from RAM Ratings, an affiliate of Standard & Poors (Malaysia). Our NPL ratio of 1.93% is well below the industry average of 7.97% as at 31st March 2009.

Both these ratings serve as independent confirmation of the financial stability of the Company. We are working hard to improve on these ratings in order to be recognised by our customers and our depositors as one of the most dependable and successful finance companies in the country.

Key elements of good corporate governance principles which include integrity, responsibility, accountability and commitment to the organisation are what we as a finance company are most concerned about. A Code of Corporate Governance Practices adopted by us is covered in detail elsewhere in this Report. I would wish to state

that it is the integrity of Directors of the Company and the use of ethical business practices that are paramount, if we are to remain successful as a respected financial institution. To this end your Company has always matched precept with practice to ensure that we would not partake in any investment opportunity that is morally indefensible or will place in jeopardy the funds that the public has placed with us on trust. Our model of governance also complies in all respects with the new Direction on Corporate Governance laid down by the Central Bank of Sri Lanka, which became operative from 01st January 2009.

The industry continues to be monitored and regulated by the Central Bank which sits at the apex of the banking and financial system in the country. The Central Bank is in a unique position to balance the complex and sometimes conflicting objectives of financial stability and a growing economy. With access to an ongoing periodic flow of information submitted by all RFCs it is best able to exercise judgment on the soundness of any finance company. The supervision of your Company and indeed all finance companies is conducted under the ambit of the Finance Companies Act No. 78 of 1988. Compliance with the wide set of rules and directions issued by the Central Bank is what

we as a Company aim to do. We understand that the Central Bank has made recommendations and will be finalising a new Finance Companies Act that would be enacted in the Parliament shortly.

We consider community relations as an integral part of our business strategy which complements and builds relationships with the people in the areas in which we operate. We seek to maintain a continuous programme that creates sustainable development. During the year under review the Company undertook several CSR programmes.

During the current financial year, we re-branded our corporate image and made available a family of branded asset and liability offerings to the market. The expansion of our delivery channels via new branches has now reached an optimum with 30 branches strategically spread throughout the country. Our branch teams are manned under a new structure with the appointment of three new Regional Managers. This creates a more dynamic outlook and closer supervision. The expansion of our loan book will also run hand in hand with the upgrading of our excellent IT systems in order to enhance efficiency and speed up our credit delivery

times. We will continue to focus on risk management principles, attain operational efficiencies and seek to increase our deposit base.

I wish to express my appreciation to all our customers and business partners who have continued to place their trust in us and to express my sincere thanks to the Managing Director and the staff for their loyalty and hard work throughout the year. In conclusion I would like to express our appreciation for the assistance rendered to us by the officials of the Central Bank, our bankers and our auditors, who have helped us to complete another satisfactory year.

*(Sgd.)*

**S.K. Wickremesinghe**  
*Chairman*

## Chief Executive Officer's Review



The Company continued to remain stable despite the turmoil faced by the finance company sector during the year under review.

Negative perceptions and loss of confidence in the sector arose particularly because of unethical business practices by some firms and a basic lack of understanding of risk management principles, resulting in a run on deposits. The crisis led to the collapse of a few companies while others had to be rescued with the assistance of the Central Bank of Sri Lanka.

Amidst this uncertainty, your Company remained calm and continued to receive acceptance from the public as a safe haven for their money. The SFCL deposit base in fact grew by 47.37% during the year as opposed to an industry growth rate of 32.32%. Most importantly, institutional investors renewed their trust in the Company with medium-term loan securitisations that helped to stabilise the deposit base as depositor funds are often of a volatile nature.

The Company implemented a fully-integrated risk management module that offered early warning signals on loan provisioning requirements, sectoral exposures and other risk management variables.

During the year under review, the Company opened 04 new branches, raising the total branch network to 30, many of which are strategically spread across almost all the provinces of the country.

The reaffirmation of SFCL's ratings from Fitch Ratings Lanka Ltd. and RAM Ratings Lanka Ltd. of BBB+ and A-/P2, respectively shows that the Company has conformed to sound and time-tested risk management principles during the course of the year.

SFCL continued to maintain sufficient liquidity in order to mitigate any risks encountered with a sudden outflow of depositor funds due to any variation in the confidence and perception factor in this sector.

The liquid assets ratio maintained during the year was 29.24%, much higher than the required rate of 15%. The Company adopted a policy of maintaining sufficient liquidity at the expense of profitability as the prevailing situation in the country necessitated that sufficient cash be retained instead of being lent.

The increase in interest rates coupled with high inflation resulted in both narrowing of our net interest margins and an increase in operational expenditure. Reduced import of motor vehicles meant the Company was not able to increase its lending activities towards the financing of motor vehicles. SFCL as well as most finance/leasing companies are constituents in financing of vehicles.

The adoption of risk management modules in our business strategies and the alignment of our business lines to risk management principles is the path that we should follow. We must seek the right funding mix in the operations

to avoid any systematic market risks. The need for increased provisioning for delinquent loans and advances well in excess of what is mandated for is something we would be doing in the future since uncertainty in the financial markets requires more stringent loan loss provisions.

Entering new credit markets such as micro financing and segmentation of the Small & Medium enterprise business market for more focused marketing is what we will focus on, in the future.

More sophisticated funding avenues are also required so that our loan maturity patterns are in line with our borrowing basket. Increased regulations on financial institutions by the Central Bank and enforcement of corporate governance practices to prevent any further crises is also on the cards. However, you can be assured that your Company and its sound business model will take these

developments in its stride as it moves towards a new era of investment, trade and development after the end to nearly three decades of conflict.

I would like to express my heartfelt thanks and appreciation to the Board of Directors for their guidance and understanding and the employees for their unstinting support and dedication in ensuring, particularly during these difficult times, the smooth running of the Company.

*(Sgd.)*

**L. Balasuriya**  
*Managing Director/CEO*

# Corporate Information

Board of Directors

Company Information

## Board of Directors



**S.K. Wickremesinghe**  
*Chairman*



**L. Balasuriya**  
*Managing Director/  
Chief Executive Officer*



**E.W. Balasuriya**  
*Director*



**Cyril Herath**  
*Director*



**Dr. A. Balasuriya**  
*Director*



**Mrs. L. Fernando**  
*Director*



**Dr. M. Balasuriya**  
*Director*

**R. Balasuriya**  
*Director*  
*(Not pictured)*

**Dr. (Mrs.) G.M. Mohan**  
*Director*  
*(Not pictured)*

**S.K. Wickremesinghe**

B.Sc. (Cey.)

*Chairman*

(Appointed w.e.f. 1st April 2008)

Mr. Wickremesinghe is a well-known business leader, who has in the past chaired the Boards of several blue-chip companies including National Development Bank, Commercial Bank of Ceylon, Ceylon Tobacco Company, Chemical Industries (Colombo), and SriLankan Airlines. He was also Sri Lanka's High Commissioner to the UK from 1995 to 1999.

**L. Balasuriya**

B.Sc. (Lond.), M.Sc. (Lancaster)

*Managing Director/*

*Chief Executive Officer*

He is a Director of Senkadagala Hotels Limited, E.W. Balasuriya & Co. (Pvt) Ltd. and Thompsons Beach Hotels Ltd. He has had over 27 years of experience in Finance, Hotels and other related fields.

**E.W. Balasuriya**

*Director*

Founder and a Past Chairman of Senkadagala Finance Company Limited. Chairman of Senkadagala Hotels Company Limited, E.W. Balasuriya & Co. (Pvt) Ltd., Thompsons Beach Hotels Ltd.

**Cyril Herath**

B.A. (Cey.)

*Director*

He was the Chairman of the National Savings Bank from 1994 to 2004 He has also served in the past as Inspector General of Police and Secretary of Defence.

**Dr. A. Balasuriya**

B.Sc. (Lond.), Ph.D. (Lond.)

*Director*

Director of Senkadagala Hotels Limited, E.W. Balasuriya & Co. (Pvt) Ltd., Thompsons Beach Hotels Ltd. Over 29 years of experience in the field of Gems and Jewellery.

**Mrs. L. Fernando**

B.Sc. (Hons.)

*Director*

Director of Senkadagala Hotels Limited, E.W. Balasuriya & Co. (Pvt) Ltd. and Thompsons Beach Hotels Ltd. She has many years of experience in the field of Finance and looks after the management of hotels in the Group.

**R. Balasuriya**

B.Sc. (E. Ang.), M.Sc. (E. Ang.)

*Director*

Director of Senkadagala Hotels Limited, E.W. Balasuriya & Co. (Pvt) Ltd. and Thompsons Beach Hotels Ltd. Over 25 years of experience in Finance and other related fields.

**Dr. (Mrs.) G.M. Mohan**

M.B.B.S.

*Director*

Director of Senkadagala Hotels Limited, E.W. Balasuriya & Co. (Pvt) Ltd. and Thompsons Beach Hotels Ltd. She is an experienced medical consultant working in the USA.

**Dr. M. Balasuriya**

B.V.Sc.

*Director*

Director of Senkadagala Hotels Limited, E.W. Balasuriya & Co. (Pvt) Ltd. and Thompsons Beach Hotels Ltd. Over 27 years of experience in Hotels and other related fields.

# Company Information

## Name of Company

Senkadagala Finance Company Limited

## Legal Status

Unquoted Public Limited Liability

Approved and Registered under the Finance Companies Act No. 78 of 1988

Approved and Registered under the Finance Leasing Act No. 56 of 2000

An approved Credit Agency under the Mortgage Act No. 06 of 1949 and the Trust Receipt Ordinance No. 12 of 1947

## Date of Incorporation

29th December 1968

## Board of Directors

Mr. Sarath Kusum Wickremesinghe

Mr. Lakshman Balasuriya

Mr. Edmund Wijenayake Balasuriya

Mr. Cyril Herath

Dr. Asoka Balasuriya

Mrs. Lakshmi Fernando

Mr. Rohan Balasuriya

Dr. (Mrs.) Gayathri Madan Mohan

Dr. Mahendra Balasuriya

## Company Registration Number

PB 238

## Tax Payer Identification Number (TIN)

104028349

## Registered Office

No. 12, Kotugodella Veediya, Kandy.

Tel: 081-2201201

Fax: 081-2201207

E-mail - senk@senfin.com

## Web site

www.senfin.com

## Secretaries

Secretaries and Registrars Limited

Silverdale Building,

No. 35, Yatinuwara Veediya, Kandy.

## Auditors

KPMG Ford, Rhodes, Thornton & Co.  
Chartered Accountants

Silverdale Building, No. 35,  
Yatinuwara Veediya, Kandy.

## Legal Consultants

Mr. M. Wannappa (Attorney-at-Law)

Mr. D.H.W. Kirinde (Attorney-at-Law)

Mr. Shirley De Silva (Attorney-at-Law)

Mr. Parakrama Keppetipola  
(Attorney-at-Law)

Mr. M.S. Sultan (Attorney-at-Law)

## Internal Auditors

MSL Management Audit Services  
(Pvt) Limited

No. 25, Peradeniya Road, Kandy.

## Bankers

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Sampath Bank PLC

Hongkong & Shanghai Banking

Corporation Limited

Standard Chartered Bank PLC

Nations Trust Bank PLC

Bank of Ceylon

Pan Asia Bank PLC

Union Bank PLC

## Stock Exchange Listings

Rs. 250 mn unsecured, unsubordinated, redeemable debentures of Rs. 100/- each (2005/09 series), rated BBB+ (Sri)

by Fitch Ratings Lanka Limited (FRL) for implied long-term unsecured senior debt, both fixed (Type 'A' - 14% p.a.) and floating (Type 'B' - 03 month Treasury Bills + 275 b.p., p.a.) interest rates are listed on the Debt Securities - Main Board of The Colombo Stock Exchange.

# Management Reports & Information

Review of Operations  
Corporate Governance Report  
Management Team

# Review of Operations

## The Economic Environment

The year under review witnessed a worsening economic environment both locally and globally. This was unhelpful to the Company since our performance could not deliver the overall results we expected to achieve, according to our medium term plan. Locally, the country's economy was beset by adverse factors such as volatile interest rates, fluctuations in foreign currencies, high inflation. We also witnessed a general loss of public confidence in finance companies. GDP for 2008 at constant factor prices grew by 6%, largely due to high growth rates in the agriculture, services and industrial sectors. Inflation as measured by the annual percentage change in the Colombo Consumer Price Index (CCPI) was 22.6% for 2008. Interest rate volatility prevailed during the period under review with the main interest rate indicators such as the three- and twelve-month Treasury Bill rates closing the year at 17.33% and 19.12% respectively. The weighted average prime lending rate as at 31st March 2009 was 18.5%. Inflation has led to rising costs which in turn has reduced the propensity to consume. This has in turn reduced the demand for loanable funds.

The crisis in global financial markets has had a direct impact on Sri Lanka's export sector, with demand and prices dwindling.

## Industry Profile

The registered finance company sector accounts for 3.7% of total financial assets of all the country's major financial institutions. The total asset structure of these major financial institutions indicates that the banking sector accounts for as much as 69.1% of total assets, whilst other deposit

taking financial institutions, which include RFCs, account for 4.6% of total assets. Specialised financial institutions hold 4.8%, whilst contractual savings institutions account for 21.5% of total assets. The total assets of all major financial institutions increased by 6.36% during the year under review, whilst the total assets held by RFCs increased by 23.66%.

## Total Assets of the Major Financial Institutions

Category	2008 (b)		2007 (a)	
	Rs. bn	% share of total	Rs. bn	% share of total
<b>Central Bank of Sri Lanka</b>	<b>597.1</b>	<b>12.5</b>	561.4	13.0
<b>Banking Sector</b>	<b>2,714.2</b>	<b>56.7</b>	2,504.2	58.1
Licensed Commercial Banks (%)	2,277.0	47.5	2,098.3	48.7
Licensed Specialised Banks	437.2	9.1	405.9	9.4
<b>Other Deposit taking Financial Institutions</b>	<b>220.1</b>	<b>4.6</b>	175.3	4.1
Registered Finance Companies	175.6	3.7	142.0	3.3
Co-operative Rural Banks	39.3	0.8	28.7	0.7
Thrift and Credit Co-op Societies	5.2	0.1	4.7	0.1
<b>Other Specialised Financial Institutions</b>	<b>229.2</b>	<b>4.8</b>	180.8	4.2
Specialised Leasing Companies	109.9	2.3	95.5	2.2
Primary Dealers	86.2	1.8	53.9	1.3
Stock Broking Companies	3.2	0.1	3.6	0.1
Unit Trusts	6.8	0.1	6.3	0.1
Venture Capital Companies	1.1	0.0	1.1	0.0
Credit Rating Agencies	0.1	0.0	0.1	0.0
Other	21.9	0.5	20.2	0.5
<b>Contractual Saving Institutions</b>	<b>1,030.2</b>	<b>21.5</b>	889.4	20.6
Insurance Companies	155.1	3.2	134.9	3.1
Employees' Provident Fund	655.3	13.7	562.4	13.0
Employees' Trust Fund	92.4	1.9	78.7	1.8
Private Provident Funds	108.0	2.3	96.2	2.2
Public Service's Provident Fund	19.4	0.4	17.3	0.4
<b>Total</b>	<b>4,790.80</b>	<b>100.0</b>	4,311.2	100.0

Source: Central Bank of Sri Lanka Annual Report - 2008

(a) Revised  
(b) Provisional

### Liability Sales

Liability products consist mainly of Term deposits and Savings deposit products. The Company has witnessed significant growth in its liability products.

The net inflow of Term deposits, Certificates of deposit and Savings accounts amounted to Rs. 436 mn for the year, an increase equivalent to a growth rate of 49%.

### Branch Activity

The Company opened 04 new branches during the year under review, which increased the total number of branches operated by the Company to 30. The distribution of branches by province is shown below:

Distribution of Branches by Province

Western	14
Central	4
North Western	4
Southern	3
Sabaragamuwa	3
North Central	1
Uva	1
<b>Total</b>	<b>30</b>

The Western Province accounts for 47%, the Central Province 13% and the North Western Province 13% of the Company's branch portfolio.

### Human Capital Data

Employee Productivity Indicators (in Rs. mn)

	2009	2008	2007	2006	2005
Gross Income per employee	7.95	7.36	7.97	6.65	5.60
Profits per employee	0.57	1.63	1.80	2.09	1.61
Number of employees	207	185	145	105	63

The Company has an ethos of maximising human potential and encouraging employees to perform to the full extent of their capabilities. We believe in taking a strategic and coherent approach to the management of our most valued

asset - our employees, for it is they who individually and collectively contribute to the achievement of the objectives of our business. We aim to create an environment that motivates people to be committed, efficient, creative and effective. Equal opportunities for career development are provided.

### Training and Development

SFCL has an excellent training faculty located at Nugegoda, which offers a wide-ranging, multi-disciplinary training curriculum.

During the year under review, a total of 26 training programmes were conducted on a wide range of operational subjects including leasing and hire purchase financing, treasury management, savings deposit mobilisation and customer service.

### Employee Relations

SFCL is proud of its people and seeks every opportunity to develop their potential and provide the best possible employment and career development opportunities. We recognise this as a mutual and participative journey where the Company and the employees 'walk the road' together.

We have a good reason to believe that our approach is successful. Our staff retention ratio stands at 94%, and

augurs well for both the Company and the employees. The employee relations at SFCL have been centred on matching the career aspirations of employees with that of the Company's growth.

This financial review revolves upon a discussion of the Company's key performance indicators and business metrics that provide a balanced framework for analytical review. We have compared the year's financial performance with the previous year's results.

Gross income increased by 21.32% from Rs. 1.36 bn in 2008 to Rs. 1.65 bn in 2009. Interest income increased from Rs. 1.26 bn in 2008 to Rs. 1.56 bn this year, which is an increase of 23.80%. Fee-based income declined from Rs. 101.90 mn in 2008 to Rs. 85.40 mn in 2009. This decline is attributed to a slowing down of our volume of lending, caused in the main by a drop in the public spending on investment goods.

The components of interest earning assets fall within two main groups - 'interest earning advances to customers' and 'other money market investments in the form of Treasury Bills, REPOs' etc. Fee-based income consists of fees and other charges levied from clients at the inception of a facility. It also comprises commission income earned on insurances executed on behalf of clients.

Risk Management is the process of identification, measurement or assessment of risks and developing strategies to manage them. Strategies include avoiding the risk, transferring risk to another party, reducing the negative effect of the risk and/or accepting some or all of the consequences of a particular risk. Traditional risk management focuses on risk stemming from physical or legal causes, e.g. natural disasters, fire, accidents, death and lawsuits whereas Financial Risk Management on the other hand focuses on risks that can be managed using traded financial instruments.

SFCL has given due consideration to Risk Management in order to achieve its goals and objectives such as maintenance and improvement of portfolio quality, reasonable and sustainable return on capital, and minimum volatility of returns. An effective Risk Management policy helps SFCL to achieve optimum trade-off between risk and returns.

The pre-tax profits of the Company declined from Rs. 302.25 mn in 2007/08 to Rs. 117.82 mn for the year 2009. This decrease was due to interest on borrowings increasing at a faster rate than interest income. The provision for tax amounted to Rs. 52.22 mn, thereby reducing profits after taxation to Rs. 65.60 mn. The high tax regime prevailing is a cause for concern. A common misconception is that finance companies charge excessive interest rates on their lending operations thereby increasing the burden on their clientele. Account should be taken of the wide range of costs associated in this business as finance companies in the main cater to a segment of the market that is considered unattractive to banks, owing to the risk profiles of the borrowers. In addition to interest costs, operating costs and cover required for loan loss provisions absorb a good proportion of interest income.

The Company provides a host of value-added services such as its own vehicle valuations at branch level, one-stop insurance facility where clients have access to any preferred insurer and synchronised document processing which ensures that credit files could be approved on line in 'real time'.

The availability of a sufficient number of delivery channels in the form of 30 strategically located branches creates opportunities for us to increase the activity and scope of fee-based financial services. We envisage and are working towards a role for our branches where they act as conduits in order to increase fee-based income by becoming collection agents for utility payments, provide money transfer facilities, facilitate encashment of foreign exchange and effectively channel repatriated funds from locals who have migrated overseas for employment.

In a recessionary economic climate the yield curve that measures the rates on money market instruments of different maturities is generally inverted. The yield curve on Government securities inverted more steeply than SFCL's yields on term deposits of similar maturities during the period January 2007 to March 2008, making it increasingly difficult for the Company to attract long-term depositor funds, as short-term risk free offerings by the Government in the form of Treasury Bills of 3-month to 12-month maturities closely followed and matched finance company interest rates of similar maturities. Borrowings in the form of securitised loans consist of a significant portion of funds that are linked to a money market rate thereby giving rise to variability in interest rates from time to time. This increased our interest costs significantly. The preference of these investors to benchmark their investments against a Government security or the weighted average prime lending rate gave rise to increased rate volatility thereby affecting our net interest margins from month to month.

The high concentration of loan securitisations in the funding mix was the result of a deliberate attempt by the Company to raise funds from institutional borrowers as it provides a quicker access to a significant volume of funds, and has a planned maturity pattern that closely correlates to our planned lending activity. The availability of a pool of funds emanating from lease receivables makes this 'method' of asset financing more suited to our operations.

The Company seeks an optimal equilibrium between risk and return so as to ensure that it does not take upon itself a level of debt in the funding mix with a view to maximising returns to shareholders. The levels of gearing as measured by the ratio of total debt outstanding (Loan securitisations, Term deposits, Certificates of deposit, Savings accounts) to equity decreased marginally during the year. The level of gearing decreased to 4.88 times in 2009 from 5.06 times in 2008.

The increase in operating costs was mainly due to the branch expansion activities of the Company and inflationary pressures. Operating costs excluding provisions for bad and doubtful debts increased to Rs. 477.10 mn in 2009 from Rs. 341.14 mn in 2008, which is an increase of 39.85%.

The Cost to Income Ratio of the Company stood at 63.88% for the period 2008/09, as against 51.78% for the previous year. This ratio, which had been relatively stable over the last five years increased significantly during the year under review mainly due to the slow growth of net interest income and the increase in the operating costs.

# Corporate Governance Report

The Company has recognised the importance of Corporate Governance and has adopted the majority of good governance practices stipulated by The Institute of Chartered Accountants of Sri Lanka (ICASL) and other regulatory authorities like the Central Bank of Sri Lanka. The Company's policy of good governance ensures that its affairs are conducted in an efficient and transparent manner and is well communicated to all branches and departments within the organisation.

The Board of Directors ensures that the operations of the Company are carried out in keeping with the highest ethical standards and in the best interest of all stakeholders.

The Board of Directors is responsible for directing the Company at strategic level, assuring long-term value creation.

Each division of the Company is headed by a member of the Corporate Management team. Targets are set for major profit and cost centres in the Budget and they are reviewed at regular intervals and variances are rectified.

## Board of Directors' Composition

The Board consists of 08 Non-Executive Directors which includes a Non-Executive Chairman. The Managing Director is the only Executive Director who is the Chief Executive Officer. The Directors bring a range of talents, skills and expertise needed to guide the Company in the interest of all stakeholders. A brief description of Directors is given in page 11 of this Annual Report.

## Responsibilities

The Board is responsible for:

- Ensuring satisfactory management of resources of the Company as trustees of the shareholders
- Driving the business of the Company to ensure long-term growth and creation of value to stakeholders
- Formulation of policies and strategies and monitoring of successful implementation of it
- Appointment of the Chief Executive Officer, approving the organisational structure and succession planning in the Company
- Implementation of an effective internal control system
- Ensuring compliance with legal and ethical standards
- Ensuring a proper risk management system is in operation
- Deciding on major capital investments, acquisition and disposal of property and premises.
- Approval of the Budget and the Corporate Plan
- Approval of credit facilities beyond the limit delegated to the Chief Executive Officer and the Credit Committee
- Approval of annual and interim Financial Statements for publication

## Independent Advice

The Board obtains independent professional advice in various matters from external sources, as and when the necessity arises.

## Company Secretary

A professional firm engaged in secretarial work ensures that all proper Board procedures and legally applicable rules and regulations are adhered to. The proceedings at the Board meetings are minuted under the supervision of the Chairman.

## Chairman and CEO

There is a clear division of responsibilities between conducting the affairs of the Board and executive responsibility in running the Company. The Chairman and the CEO positions are separated, thereby preventing unrestricted freedom in decision making in one person. Keeping in line with this highly recommended Corporate Governance principle, the Chairman is a Non-Executive Director, while the CEO is an Executive Director.

## Non-Executive Directors on the Board

The Chairman and all Directors, except MD/CEO, are Non-Executive Members of the Board.

## Major Transactions

The major transactions of the Company are disclosed wherever it is applicable.


## Audit Committee

Board Audit Committee comprises 03 Non-Executive Directors of the Company. The Managing Director/CEO and Assistant General Manager - Accounts attend the meeting by invitation.

## Management Team



Pradeep Ikirowatte  
General Manager



Jagath Jayatileke  
AGM - Operations



Nihal Karunaratne  
Chief Manager - Recoveries




Denzil Hettiarachchi  
Chief Manager - Credit




O. Sethupathi  
Manager - Deposits



Mahesha Thrimanne  
Manager - Legal



Raj Fernando  
Manager - Personnel  
& Administration



N.K.B. Rasingolla  
Manager - IT



Dilum Rathnayaka  
Regional Manager - Zone 1



Keerthi Aturupana  
AGM - Accounts



Timothy De Silva  
AGM - Information Technology



Kumudu Rajapaksa  
Senior Financial Officer



Shankar Supramaniam  
Manager - Treasury



M.M. Ariyaratne  
Manager - Recoveries

Mrs. Krishnaveni Kumarakurubaran  
Senior Secretary



Roshan Jayasinghe  
Regional Manager - Zone 2



Shamila Mendis  
Regional Manager - Zone 3



# Financial Reports

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## Directors' Report

The Directors have pleasure in submitting their report and the audited accounts of Senkadagala Finance Company Limited for the year ended 31st March 2009, which has been approved by the Board of Directors on 6th June 2009.

The Chairman's Statement, CEO's Review and Review of Operations provide a detailed description and analysis of the operations of the Company for the year under review. These reports form an integral part of the Directors' Report.

The principal lines of business of the Company include providing of financial accommodations in the form of Hire Purchase, Lease Finance and Trade Loans. Additional lines of business include Real Estate business, bill discounting, investment in money market instruments and the acceptance of Term Deposits and Certificates of Deposit. No significant changes occurred in the principal activities of the Company during the year under review.

SFCL has expanded its branch network and currently has 30 branches. During the current financial year, 04 new branches were opened. SFCL has signed agreements with MMBL agents for Western Union Money Transfer in Sri Lanka to make use of our branch network for the Western Union customers. SFCL also has signed an agreement with Capital Alliance Securities (Pvt) Ltd. to make use of our branch network for stockbroking operations.

The Directors are of the view that all statutory payments in relation to Government agencies and employees have been made up to date.

The Directors are responsible for the governance of the Company including establishment and maintenance of the Company's system of internal controls. The Directors are of the view that proper internal control systems are prevalent within the organisation.

The Directors are satisfied that the Company has at its disposal adequate resources to continue in business in the foreseeable future; and hence the going concern is adopted in the preparation of Financial Statements.

### Income

The income of the Company during the year was Rs. 1,645,526,118/- (2007/08 - Rs. 1,361,791,989/-), an analysis of which is given in Note 1 of the Financial Statements.

#### Profits and Appropriations for the year ended 31st March 2009:

	2008/09 Rs.	2007/08 Rs.
Profit before Income Tax	117,820,486	302,251,361
Income Tax on Profits	52,219,510	15,039,988
Profits after Income Tax	65,600,976	287,211,373
Retained Profits brought forward	6,988,680	5,308,464
Profits available for Appropriation	72,589,656	292,519,837
<b>Appropriated as follows:</b>		
Transfer to Reserve Fund	4,000,000	18,510,458
Transfer to General Reserve	35,000,000	197,322,092
Total Gross Dividend (32.65% Gross)	32,020,800	69,698,608
Retained Profit carried forward	1,568,856	6,988,680

The total expended for capital expenditure amounted to Rs. 114.21 mn (2007/08 - Rs. 216.8 mn). Details of property and expenditure are available in page 43 of this Annual Report. Details relating to depreciation charge for the year is also available in page 43.

The total aggregate reserves as at 31st March 2009 amounts to Rs. 723.12 mn. The aggregate reserves as at 31st March 2008 was Rs. 689.54 mn. Movement in reserves during the year is given in Statement of Changes in Equity on page 32.

The components of the shareholders' funds are appended below:

As at 31st March 2009	Rs.
Central Bank Reserve Fund	83,536,033
General Reserves	638,018,392
Profit and Loss Account	1,568,856
Total Reserves	723,123,281
Stated Capital	213,472,000
Total Stated Capital and Reserves	936,595,281

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 30 on page 45 of this Annual Report.

The Directors are pleased to recommend the payment of fourth and final dividend per share Rs. 0.80 (Rs. 0.90 in 2007/08) on the ordinary shares of the Company for the year ended 31st March 2009 for approval by the shareholders at the Annual General Meeting. The proposed fourth and final dividend has not been recognised as a liability as at 31st March 2009, in accordance with Sri Lanka Accounting Standard No. 12 (Revised) - Events Occurring After the Balance Sheet Date.

As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors confirms that the Company satisfies the Solvency Test in accordance with Section 57 of the Companies Act No. 07 of 2007, and have obtained a Certificate from the Auditors, prior to recommending fourth and final dividend of Rs. 17.1 mn for this year, which is to be approved by the shareholders at the Annual General Meeting to be held on 15th June 2009. The dividends paid out of taxable profits of the Company will be subjected to a 10% withholding tax.

The total paid up share capital as at 31st March 2009 is Rs. 213.47 mn, and it consists of 21,347,200 shares in issue. The details of the share capital are given in Note 32 of the Financial Statements.

During the year 2005/06 the Company raised Rs. 250 mn through the issue of redeemable debentures of Rs. 100/- each, listed in the Colombo Stock Exchange. The Company also raised Rs. 259 mn and Rs. 241 mn through a private placement of four-year unsecured redeemable debentures of Rs. 100/- each during the years 2006/07 and 2007/08 respectively. The details of the debentures in issue as at 31st March 2009 are given in Note 29 of the Financial Statement on page 45 of this Annual Report.

The Company is an equal opportunity employer. In its goals and objectives, it seeks to achieve excellence and market orientation in its service. Continuous training and social participation amongst employees are encouraged. A holistic approach prevails in the Company's strategic outlook where a participatory management style ensures that employees are involved in the decision making process. Incentive schemes which are related to employee performance are one of the ways in which the Company ensures that rewards are directly related to performance. A Remuneration Committee was recently set up to ensure that a balance is struck between performance and related employee rewards structure. The Company has also set up an in-house training facility in order to ensure that all employees meet certain standard requirements before job placement and also to enhance the existing skills of its senior staff. The Company had 207 employees as at 31st March 2009 (2008 - 185).

## Directors

The Board of Directors of Senkadagala Finance Company Limited consists of 09 Directors with financial and commercial experience. The qualifications and experience of the Directors are stated on page 11 of this Annual Report.

The following were the Directors during the year:

- Mr. S.K. Wickremesinghe
- Mr. Cyril Herath
- Mr. E.W. Balasuriya
- Mr. Lakshman Balasuriya
- Dr. Asoka Balasuriya
- Mr. Rohan Balasuriya
- Dr. Mahendra Balasuriya
- Mrs. Lakshmi Fernando
- Dr. (Mrs.) Gayathri Madan Mohan

## Recommended Re-elections

Mr. Lakshman Balasuriya and Dr. Asoka Balasuriya retire by rotation, in terms of the Articles of Association of the Company and, being eligible, are recommended for re-election with the unanimous support of the Board. Mr. E.W. Balasuriya and Mr. S.K. Wickremesinghe retire in terms of Section 210 of the Companies Act No. 07 of 2007 and, being eligible, are recommended for re-election.

Pursuant to Section 211 of the Companies Act No. 07 of 2007, two special notices have been received from two shareholders of the Company of their intention to propose the following resolutions as ordinary resolutions.

1. "RESOLVED that Mr. E.W. Balasuriya who has reached the age of 90 on 29th August 2008 be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007."

2. "RESOLVED that Mr. S.K. Wickremesinghe who has reached the age of 81 on 26th January, 2009 be and is hereby elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007."
3. "RESOLVED that Mr. L.G.D.C.L.S. Herath who has reached the age of 75 on 2nd October, 2008 be and is hereby elect as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007."

## Directors' Interests in Debentures

There were no debentures registered in names of the Directors as at the beginning and at the end of the year.

## Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 35 of this Annual Report on page 47.

## Provisions

The provisions made in the accounts in respect of bad and doubtful debts are well in excess of the mandatory provisions stipulated by the Department of Non-Banking Financial Institutions of the Central Bank. Further, provisions are made where necessary for the fall in value of equity investments.

## Information on Company Shares

Information relating to earnings per share, dividends per share and net assets per share is available on pages 28 and 29 of this Annual Report.

## Appointment of Auditors

The Financial Statements for the year under review have been audited by Messrs KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants, who offer themselves for re-appointment. A resolution would be proposed at the Annual General Meeting to re-appoint them as Auditors and authorising the Directors to fix their remuneration.

## Notice of Meeting

Notice of Meeting relating to Fortieth Annual General Meeting is given on page 52.

By Order of the Board,

**Secretaries & Registrars Ltd.**

*Secretaries*

20th May 2009

## Directors' Responsibility for Financial Reporting

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company for the financial year.

The Financial Statements placed before the Annual General Meeting comprise:

1. An Income Statement which presents a true and fair view of the profit or loss of the Company for the financial year; and
2. A Balance Sheet as at the end of the year which presents a true and fair view of the statement of affairs of the Company, in conformity with the Companies Act.

The Company's Financial Statements for the year ended 31st March 2009 prepared and presented in this Annual Report are in conformity with the:

- a. Provisions of the Companies Act No. 07 of 2007;
- b. Provisions of the Finance Companies Act No. 78 of 1988; and
- c. Requirements of the Sri Lanka Accounting Standards.

Directors are of the view that in preparing these Financial Statements:

1. Appropriate accounting policies have been selected and applied in a consistent manner. Material departures, if any, have been disclosed and explained;
2. All applicable Accounting Standards, where relevant, have been followed; and
3. Judgments and estimates are reasonable and prudent.

The Directors are of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company, and to ensure that the Financial Statements presented comply with the requirements of the Companies Act.

The Directors also have taken such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard the Directors have instituted an effective and comprehensive system of internal control systems.

The Directors are required to prepare the Financial Statements and to provide the External Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their Audit opinion as expressed in Auditors' Report on page 27 of this Annual Report. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

As per the Companies Act No. 07 of 2007 the Board of Directors of the Company shall cause the Annual General Meeting Report to be sent to every shareholder of the Company not less than fifteen working days before the date fixed for holding the Annual General Meeting. Provided in the first instance the Company is required to send every shareholder the Financial Statements in the summarised form as may be prescribed, in consultation with The Institute of Chartered Accountants of Sri Lanka together with the Annual Report.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for except as specified in Note 36 to the Financial Statements covering contingent liabilities.

Further, as required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors confirmed that the Company, based on the information available today, satisfies the Solvency Test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007, and have obtained a certificate from the Auditors, prior to recommending the final dividend of Rs. 1.51 per share for this year, which is to be approved by the shareholders at the Annual General Meeting to be held on 15th June 2009.

**Secretaries & Registrars Ltd.**

*Secretaries*

20th May 2009

## Report of the Audit Committee

The Audit Committee comprises the following:

Mr. S.K. Wickremesinghe	Chairman
Mr. Cyril Herath	Director
Dr. Asoka Balasuriya	Director
Ms. Surangi Kasturirathne	Secretary to the Committee

The Audit Committee consists of 03 Non-Executive Directors as at 31st March 2009.

The Audit Committee Members possess experience and skills in financial services and a brief profile of these members appear on page 11 of this Annual Report.

The Managing Director/Chief Executive Officer, Assistant General Manager - Accounts and the External Auditors attend the meeting. From time to time Members of the Management Committee and other Officers of the Company are required to participate at discussions and for clarification of issues that are brought up for discussion at the Audit Review meetings.

The Committee has reviewed all audited Financial Statements which include Quarterly Interim Statements in order to ensure that they comply with all statutory provisions, Sri Lanka Accounting Standards and Central Bank mandated directives.

The Audit Plan and the Management Letter submitted by the External Auditors have been reviewed by the Audit Committee.

**Mr. S.K. Wickremesinghe**  
*Chairman - Audit Committee*  
20th May 2009

# Independent Auditors' Report



**KPMG Ford, Rhodes, Thornton & Co.**  
- Udarata  
(Chartered Accountants)  
"Silverdale" Complex  
35, Yatinuwara Vidiya,  
Kandy 02000,  
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## TO THE SHAREHOLDERS OF SENKADAGALA FINANCE COMPANY LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Senkadagala Finance Company Limited which comprise the balance sheet as at March 31, 2009 and the income statement, statements 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 disclosure 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 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 appears from our examination, the company has maintained proper accounting records for the year ended March 31, 2009 and the financial statements give a true and fair view of the company's state of affairs as at March 31, 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

These financial statements present the information required by the Finance Companies Act No. 78 of 1988.

Chartered Accountants

Kandy, 20th May, 2009  
ANF/KKLS/nk.

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A.N. Fernando FCA  
M.R. Mihular FCA  
P.Y.S. Perera FCA  
T.J.S. Rajakarier FCA  
Ms. S. Joseph ACA

S. Sirikananathan FCA  
Ms. M.P. Perera FCA  
C.P. Jayatilake FCA  
W.W.J.C. Perera FCA

# Income Statement

For the year ended 31st March

	Note	2009 Rs.	2008 Restated Rs.
<b>Income</b>	1	1,645,526,118	1,361,791,989
Interest income	2	1,560,124,313	1,259,892,987
Interest expenses	3	(931,903,957)	(668,736,623)
Net interest income		628,220,356	591,156,364
Other operating income	4	72,687,517	85,961,028
Other operating expenses	5	(85,433,017)	(32,384,573)
<b>Net income from operations</b>		615,474,856	644,732,819
Personnel cost		(110,754,462)	(96,035,528)
Depreciation of property, plant and equipment		(70,420,130)	(55,834,323)
Provision for retiring gratuity		(85,121)	(4,167,871)
Other expenses		(210,409,833)	(152,713,286)
	6	(391,669,545)	(308,751,008)
<b>Profit before other income</b>		223,805,311	335,981,811
Other income	7	12,714,288	15,937,974
Profit before provisions		236,519,599	351,919,785
Loan losses and provisions		(99,475,283)	(48,040,219)
		137,044,316	303,879,566
Value Added Tax on financial services		(19,223,830)	(1,628,205)
<b>Profit before taxation</b>		117,820,486	302,251,361
Taxation	8	(52,219,510)	(15,039,988)
<b>Net profit for the year</b>		65,600,976	287,211,373
Earnings per share	9	3.07	13.45
Dividends per share	10	1.51	3.27

The accounting policies from pages 33 to 35 and the notes from pages 36 to 48 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Balance Sheet

As at 31st March		2009	2008
	Note	Rs.	Restated Rs.
<b>Assets</b>			
Cash and short-term funds	11	234,523,962	417,426,520
Government of Sri Lanka Treasury Bills		143,350,047	93,946,607
Advances and receivables	12	87,457,825	102,747,783
Dealing securities	13	16,232,202	16,232,202
Loans and Advances	14	4,359,416,851	4,305,258,314
Trade and other receivables	15	431,917,777	307,085,787
Seized stock	16	170,168,420	232,622,004
Investment securities	17	14,165,755	14,165,755
Deferred expenses	18	8,066,093	16,701,393
Property, plant and equipment	19	375,836,024	331,179,586
Intangible Assets	20	26,133,165	28,447,251
<b>Total assets</b>		<b>5,867,268,121</b>	<b>5,865,813,202</b>
<b>Liabilities</b>			
Saving accounts		41,177,710	19,317,807
Certificates of deposit	21	13,913,207	12,468,677
Deposits	22	1,343,059,671	905,528,201
Accrued expenses	23	121,891,270	102,560,602
Accounts payables	24	20,451,626	17,788,761
Trade payables	25	22,929,468	119,178,146
Commissioner General of Inland Revenue	26	17,618,218	2,536,248
Rentals received in advance	27	27,097,740	55,688,276
Retirement benefit obligation	28	16,210,783	16,125,663
Debentures	29	840,000,000	750,000,000
Deferred taxation	30	65,240,401	40,394,068
Assets securitisation loan	31	2,401,082,747	2,921,211,649
<b>Total Liabilities</b>		<b>4,930,672,840</b>	<b>4,962,798,097</b>
<b>Shareholders' Funds</b>			
Stated capital	32	213,472,000	213,472,000
Statutory reserve fund	33	83,536,033	79,536,033
General reserve	34	638,018,392	603,018,392
Retained profit		1,568,856	6,988,680
		936,595,281	903,015,105
<b>Total liabilities and shareholders' funds</b>		<b>5,867,268,121</b>	<b>5,865,813,202</b>
Net assets per share		43.87	42.30

I certify that the Financial Statements of the Company have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and gives a true and fair view of the state of affairs as at 31st March 2009 and of its profit for the year then ended.

(Sgd.)

**P.P.K. Ikiwatte**

*General Manager*

The accounting policies from pages 33 to 35 and the notes from pages 36 to 48 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and approved on behalf of the Board of Directors.

(Sgd.)

**Dr. A. Balasuriya**

*Director*

(Sgd.)

**L. Balasuriya**

*Director*

*Figures in brackets indicate deductions.*

20th May 2009

Kandy

# Statement of Cash Flow

<i>For the year ended 31st March</i>	2009 Rs.	2008 Rs.
<b>Cash flow from Operating Activities</b>		
Interest and commission receipts	1,375,998,231	1,112,275,018
Interest payments	(931,903,957)	(668,736,623)
Recoveries of bad debts	1,512,956	20,573,509
Other income	209,513,438	174,306,670
Operating expenditure	(85,433,017)	(32,384,573)
Cash payments to employees and suppliers	(299,610,467)	(236,860,032)
Operating profit before changes in operating assets	270,077,184	369,173,969
<b>(Increase)/decrease in Operating Assets</b>		
Increase in short-term funds	(49,403,440)	(13,919,221)
Increase in funds advanced to customers	(141,093,725)	(687,380,315)
Increase in other receivables	15,289,958	(15,110,170)
Increase in deferred expenses	(12,918,526)	(10,322,156)
Increase in trade debtors	(124,831,990)	(100,119,031)
Increase in other assets	49,913,489	(37,968,311)
	(263,044,234)	(864,819,204)
<b>Increase/(decrease) in Operating Liabilities</b>		
Increase in deposits from customers	460,835,904	172,965,546
Gratuity paid	-	(1,822,500)
Increase/(decrease) in advances received	(28,590,536)	(12,981,687)
Increase in other liabilities	(86,349,623)	90,512,417
	345,895,745	248,673,776
<b>Net cash from operating activities</b>	352,928,695	(246,971,460)
Taxes paid (Value Added Tax and SRL)	(19,311,501)	(16,896,278)
Net cash outflow from operating activities	333,617,194	(263,867,738)
<b>Cash Flow from Investing Activities</b>		
Dividends received	575,725	270,207
Interest received from Treasury activities	52,623,794	44,644,445
Investment securities acquired during the year	-	(3,939,625)
Purchase of property, plant and equipment	(114,212,622)	(205,111,690)
Purchase of Intangible Assets	(2,780,000)	(11,776,591)
Proceeds from sale of property, plant and equipment	9,532,000	18,001,999
Net cash outflow from investing activities	(54,261,103)	(157,911,255)
<b>Cash Flow from Financing Activities</b>		
Securitisation loans obtained	1,251,489,074	1,830,200,717
Unlisted debentures issued	240,000,000	241,000,000
Listed debentures redeemed	(150,000,000)	-
Repayment of securitisation loans	(1,771,617,865)	(1,476,852,024)
Dividends paid	(32,129,858)	(62,355,968)
Net cash flow from financing activities	(462,258,649)	531,992,725

<i>For the year ended 31st March</i>	2009 Rs.	2008 Rs.
Net increase/(decrease) in cash and cash equivalents	(182,902,558)	110,213,733
Cash and cash equivalents at the beginning of the period (Note 11)	417,426,520	307,212,787
Cash and cash equivalents at the end of the period (Note 11)	234,523,962	417,426,520
<b>Reconciliation of Cash and Cash Equivalents</b>		
Cash and short-term funds	234,523,962	417,426,520
	234,523,962	417,426,520
<b>Reconciliation of Operating Profit</b>		
Profit before taxation	117,820,486	302,251,361
Dividends	(575,725)	(270,207)
Bad debts written-off	86,935,188	36,509,371
Provision for impairment	12,540,095	11,530,848
Value Added Tax on profit	19,223,830	1,628,205
Depreciation	70,420,130	55,834,323
Provision for gratuity	85,121	4,167,871
Investment income	(52,623,794)	(44,644,445)
Profit on disposal of motor vehicles	(5,301,974)	(9,722,140)
Amortisation of structural fees	21,553,827	11,888,782
<b>Cash flows from operating activities before changes in operating assets</b>	<b>270,077,184</b>	<b>369,173,969</b>

The accounting policies from pages 33 to 35 and the notes from pages 36 to 48 form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*

## Statement of Changes in Equity

For the year ended 31st March 2009	Stated capital Rs.	Statutory reserve Rs.	General reserve Rs.	Retained profit Rs.	Total Rs.
Balance as at 1st April 2007 (Restated) Note A	213,472,000	61,025,575	405,696,300	5,308,464	685,502,339
Profit after tax for the year (Restated) Note B	–	–	–	287,211,373	287,211,373
Transfer to reserve	–	18,510,458	197,322,092	(215,832,550)	–
Dividend paid	–	–	–	(69,698,608)	(69,698,608)
Balance as at 31st March 2008 (Restated)	213,472,000	79,536,033	603,018,392	6,988,680	903,015,105
Balance as at 1st April 2008 (Restated) Note C	213,472,000	79,536,033	603,018,392	6,988,680	903,015,105
Profit after tax for the year	–	–	–	65,600,976	65,600,976
Transfer to reserve	–	4,000,000	35,000,000	(39,000,000)	–
Dividend paid	–	–	–	(32,020,800)	(32,020,800)
<b>Balance as at 31st March 2009</b>	<b>213,472,000</b>	<b>83,536,033</b>	<b>638,018,392</b>	<b>1,568,856</b>	<b>936,595,281</b>

The Company rectified the under provision of deferred taxation, during the current year, whereas the Company had claimed an excess amount of brought forward tax losses, while not considering the bad debt provision on lease advances in arriving at the carrying value, for the purpose of computing deferred tax liability.

The rectification was accounted for retrospectively, in accordance with the Sri Lanka Accounting Standard No. 10 - Accounting Policies, Changes in Accounting Estimates and Errors.

The restatement of the retained earning balance is summarised below:

### Note A

The deferred tax liability of Rs. 34,098,724/- that would have been provided up to 1st April 2007 has been adjusted to the retained earnings and the restated balance from reported previously is as follows:

	Rs.
Balance as at 1st April 2007 (As reported)	4,306,496
Adjustment for rectification of error	1,001,968
Balance as at 1st April 2007 (As restated)	5,308,464

### Note B

During the year ended 31st March 2008 the Company had charged Rs. 7,752,792/- as deferred tax liability arising for that year whereas the reversal of deferred tax liability would have been Rs. 6,259,344/- as if the error would have not taken place. Accordingly, the net profit has been understated by Rs. 1,457,448/- and the net profit for the year ended 31st March 2008 has been restated as follows:

	Rs.
Profit for the period (As reported)	285,753,925
Adjustment for rectification of error	1,457,448
Profit for the period (As restated)	287,211,373

### Note C

Consequent to the reversal of deferred taxation, the cumulative reversal of deferred tax liability that would have been adjusted up to 1st April 2008 is Rs. 2,459,420/- and the figures reported previously has been restated as follows:

	Rs.
Balance as at 1st April 2008 (As reported)	4,529,260
Adjustment for rectification of error (Reversal)	2,459,420
Balance as at 1st April 2008 (As restated)	6,988,680

The accounting policies from pages 33 to 35 and the Notes from pages 36 to 48 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Significant Accounting Policies

## 1. Corporate Information

### 1.1 Domicile and Legal Form

Senkadagala Finance Company Limited is a Limited Liability company incorporated under the Companies Act on 29th December 1968 and registered under the Finance Company Act No. 78 of 1988 and domiciled in Sri Lanka. Its registered office is situated at No. 12, Kotugodella Veediya, Kandy.

### 1.2 Principal Activities and Nature of Operations

The principal lines of business of the Company include providing of financial accommodations in the form of lease finance, hire purchase, trade loans and pledge loans.

### 1.3 Number of Employees

The number of employees of the Company at the end of the year was 207 (2008 - 185).

### 1.4 Approval of Financial Statements by Directors

The Financial Statements of Senkadagala Finance Company Limited for the year ended 31st March 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 20th May 2009.

### 1.5 Parent Enterprise and Ultimate Parent Enterprise

The Company is a subsidiary of E.W. Balasuriya and Company Private Limited, which is incorporated and domiciled in Sri Lanka.

## 2. Summary of Significant Accounting Policies

### 2.1 General Policies

#### 2.1.1 Basis of Preparation

##### *Statement of Compliance*

The Balance Sheet and the related Statements of Income, Changes in Equity and Cash Flow together with the Accounting Policies and Notes (Financial Statements) of Senkadagala Finance Company Limited as at 31st March 2009 and for the year then ended, comply with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka.

##### *Basis of Measurement*

The Financial Statements of the Company are prepared under the historical cost convention basis. No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial Statements of the Company are presented in Sri Lankan Rupees, which is the Company's functional currency.

#### 2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations.

#### 2.1.3 Comparative Figures

Comparative information is reclassified wherever necessary to conform with the current year's classification in order to provide a better presentation.

#### 2.1.4 Post-Balance Sheet Events

All the material post Balance Sheet events have been considered and appropriate adjustments/disclosures have been made in the accounts, wherever necessary.

#### 2.1.5 Taxation

Tax expense comprises current tax and deferred tax.

##### *(a) Current Taxes*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provision for taxation is based on the elements of income and expenditure as reported in the Financial Statements and computed in terms of the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, at the rate of 35% (2008 - 35%).

##### *(b) Deferred Taxation*

Deferred tax is provided on temporary differences as at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised on all temporary differences.

Deferred tax assets are recognised for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised, or the liabilities are settled, based on tax rate and tax laws that have been enacted or substantially enacted at the Balance Sheet date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Income Statement.

Deferred tax assets and liabilities are set off if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 2.2 Assets and Bases of their Valuation

### 2.2.1 Leases

Assets leased to the customers under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases.

Lease rentals receivable under finance leases net of unearned lease interest income, i.e., not accrued to revenue (interest in suspense), provisions for doubtful recovery of rentals and initial rentals received are classified as stock out on hire in the Balance Sheet.

Provision for bad and doubtful recoveries is made as described under 2.3.3

## 2.2.2 Investments

### (a) Dealing Securities

These are marketable securities acquired and held with the intention of resale over a short period of time. Such securities are recorded at the lower of cost and market value on an aggregate portfolio basis.

### (b) Fall in value of Investments

Unrealised losses on revaluation of dealing securities at the lower of cost and market value are taken to the Income Statement as per the provision of Sri Lanka Accounting Standard No. 22 on Accounting for Investments.

### (c) Investments in Associates

Investments in associates are stated at cost in the Company's Financial Statements in accordance with the Allowed Alternative Treatment as prescribed by Sri Lanka Accounting Standard No. 27, Accounting for Investments in Associates.

### (d) Investment Securities

Investment securities are stated at cost in the Company's Financial Statements in accordance with Sri Lanka Accounting Standard No. 22, Accounting for Investments.

## 2.2.3 Property, Plant and Equipment

The Property, Plant and Equipment are recorded at cost/valuation less accumulated depreciation and impairment losses.

Property, Plant and Equipment are recorded at cost of purchase or construction or valuation together with any incidental expenses thereon. These assets are stated at cost less accumulated depreciation, which is provided for on the basis specified below.

Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Freehold land is not depreciated.

Buildings	5%	per annum
Office Equipment	10%	per annum
Computers and Other Equipment	25%	per annum
Furniture and Fittings	10%	per annum
Motor Vehicles	16.67%	per annum
Generators	12.5%	per annum
Interior Construction	20%	per annum

## 2.2.4 Intangible Assets

### 2.2.4.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably in accordance with the Sri Lanka Accounting Standard No. 37, Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortisation and accumulated impairment loss.

### 2.2.4.2 Amortisation

The amortisation expense on intangible assets is recognised in the Income Statement in the expense category consistent with the function of the intangible assets.

### 2.2.4.3 Computer Software

Computer software is stated at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is done at 12% per annum on cost.

### 2.2.5 Debtors

Debtors are stated at their estimated realisable amounts. Provision has been made in the accounts for bad and doubtful debts.

### 2.2.6 Cash and Cash Equivalents

Cash and cash equivalent comprise of cash balances, short-term funds, balances with Central Bank of Sri Lanka and Government of Sri Lanka Treasury Bills readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

## 2.3 Liabilities and Provisions

### 2.3.1 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of other liabilities.

### 2.3.2 Retirement Benefits Obligations

The retirement benefits obligations have adopted the actuarial valuation method in accordance with SLAS 16 (Revised 2006), Employee Benefits.

The resulting increase/decrease in the obligation is dealt with as follows on initial adoption of the standard:

Where the transitional liability is more or less than the liability that would have been recognised at the same date under the Company's previous accounting policy, the increase/decrease as part of its retirement benefit obligation immediately as increase or decrease in that provision.

Up to 31st March 2008, provision had been made for retirement gratuities based on number of years of service multiplied by the half of last month's salary of those employees.

2.3.2.1 The principal actuarial assumptions used in determining the cost are ;

- (i) Retirement age - normal retirement age, or age on valuation date, if greater.
- (ii) Payment of benefit - gratuity is assumed to be paid immediately provided the participant has 5 years of service credit at the time of departure. It is also assumed that all participants who are eligible for a commuted pension will choose it in lieu of statutory gratuity payments.
- (ii) Salary scale - per annum 10%.

2.3.2.2 The liability is not externally funded.

### 2.3.3 Provision for Bad and Doubtful Debts

Provision for bad and doubtful debts is made in accordance with direction issued by the Central Bank of Sri Lanka to finance companies and Sri Lanka Accounting Standard No. 33, Revenue Recognition and Disclosure in the Financial Statements of finance companies.

In addition, wherever it is considered prudent, provisions are made on specifically identified loans and advances.

## 2.4 Income Statement

### 2.4.1 Revenue Recognition

#### (a) *Income from Lease and Hire Purchase Agreements*

The interest components of the lease/hire purchases rental receivable during the year on assets leased and on hire purchases advance to customers are recognised as income for the year.

The unearned lease/hire purchases income included in the lease/hire purchases rentals receivable is taken into revenue over the term of the lease/hire purchases commencing from the month in which the lease/hire purchases is executed in proportion to the capital outstanding, so as to provide a constant periodic return on the net investment outstanding at the end of each period.

#### (b) *Basis of Recognising Interest Income*

Interest is recognised on accrual basis and ceases to be taken into revenue for all types of advances when such contracts are classified as non-performing (where the recovery of interest or principal is in arrears for over six months). Thereafter interest on advances is accounted for on a cash basis.

#### (c) *Dividend Income*

Dividend income from share trading is recognised in the period in which they are declared.

#### (d) *Rent Income*

Rent income is recognised on an accrual basis.

#### (e) *Commission Income*

Commission income is recognised on a cash basis.

#### (f) *Recovery of Bad Debts Written Off*

Recovery of bad debts written off is recognised on a cash basis.

#### (g) *Profit on Sales of Seized Vehicle Stocks*

Profit earned on the sales of seized vehicle stocks accounted in the Income Statement based on net realisable value.

#### (h) *Interest Income from Money Market Investments*

Interest income from money market investments is recognised on a cash basis.

## 2.5 Expenditure Recognition

### 2.5.1 Interest and Other Expenses

In terms of the Sri Lanka Accounting Standard No. 33 - Revenue Recognition and Disclosure in the Financial Statements of finance companies, interest and other expenses payable are recognised on an accrual basis.

## 2.6 Cash Flow Statement

The cash flow statement has been prepared by using the 'Direct Method' in compliance with SLAS - 9, Cash Flow Statement. Cash and cash equivalents comprise mainly of cash balance and call deposits. Cash and cash equivalents are presented net of bank overdrafts for the purpose of the cash flow statement.

## 2.7 Segment Reporting

A segment is a distinguishable component of the Company that is engaged in providing services (Business Segment).

In accordance with the Sri Lanka Accounting Standard No. 28 on Segment Reporting, Segmental Information is presented in respect of the Company. The segment comprises of financing and investing.

Inter segment transactions are based on fair market prices.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of Head Office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

# Notes to the Financial Statements

<i>For the year ended 31st March</i>		2009	2008
	Note	Rs.	Rs.
<b>1. Income</b>	1.1	1,645,526,118	1,361,791,989
		1,645,526,118	1,361,791,989
<b>1.1 Income</b>			
Interest income	2	1,560,124,313	1,259,892,987
Other operating income	4	72,687,517	85,961,028
Other income	7	12,714,288	15,937,974
		1,645,526,118	1,361,791,989
<b>2. Interest Income</b>			
Lease		396,445,864	371,208,567
Hire purchase		880,312,438	652,706,515
Loans		15,970,974	12,398,556
Non-Hire purchase		51,962,428	47,367,531
Fixed deposit loans		2,730,313	1,589,451
Money market investments		29,952,065	29,178,645
Treasury Bills	2.1	22,671,729	15,465,800
Default charges		160,078,502	129,969,922
Discounting cheques		–	8,000
		1,560,124,313	1,259,892,987

## 2.1 Notional tax credit for withholding tax on Government securities on secondary market transactions

The Inland Revenue (Amendment) Act. No. 10 of 2006 provides that a Company which derives interest income from the secondary market transactions in Government securities would be entitled to a notional tax credit (being one ninth of net interest income), provided such interest income forms part of the Statutory Income of the Company for that year of assessment.

Accordingly, the net interest earned by the Company from the Secondary Market Transactions in Government securities (Treasury Bills) for the year has been grossed up in the Financial Statements.

<i>For the year ended 31st March</i>	2009	2008
	Rs.	Rs.
The resulting Notional tax credit amounts to	2,267,173	1,546,580
Net interest income amounts to	20,404,556	13,919,220
Gross interest	22,671,729	15,465,800

## 3. Interest Expenses

Fixed deposits	190,368,595	99,790,998
Certificates of deposit	3,251,643	849,588
Savings accounts	3,604,639	439,704
Securitisation loans	541,003,018	443,273,581
Debentures	123,845,605	91,068,677
Corporate loan	69,830,457	33,314,075
	931,903,957	668,736,623

<i>For the year ended 31st March</i>	2009 Rs.	2008 Rs.
<b>4. Other Operating Income</b>		
Finance charges	15,892,498	15,070,843
Commission income	28,576,214	26,996,398
Bad debts recoveries	1,512,956	20,573,509
Dividend income	575,725	270,207
Profit on sale of seized stocks	–	–
Sundry income	15,391,959	10,959,044
Legal fees	10,738,165	12,091,027
	<b>72,687,517</b>	<b>85,961,028</b>
<b>5. Other Operating Expenses</b>		
Commission paid	15,384,121	15,077,232
Value Added Tax	4,644,599	5,925,636
Debenture issue arrangement fee	701,343	490,691
CRIB charges	2,666,515	2,670,695
Loss on sale of seized stocks	62,036,439	8,220,319
	<b>85,433,017</b>	<b>32,384,573</b>
<b>6. Operating Expenses</b>		
<b>Overhead Expenses include the Followings:</b>		
Directors' remuneration	2,850,000	69,000
Salaries and wages	89,585,482	69,716,094
Employers' contribution to Employees' Provident Fund	10,791,996	8,365,931
Employers' contribution to Employees' Trust Fund	2,697,999	2,091,483
Directors' fees	180,000	135,000
Auditors' remuneration	386,062	275,000
Amortisation of securitisation loan structuring fee	21,553,827	11,888,782
<b>7. Other Income</b>		
Rent income	1,760,000	1,920,000
Inspection fees	765,528	1,307,254
Investment income	3,274,886	2,988,580
Profit on disposal of motor vehicles	5,301,974	9,722,140
Staff bonus over provision	1,611,900	–
	<b>12,714,288</b>	<b>15,937,974</b>

## 8. Taxation

<i>For the year ended 31st March</i>	Note	2009 Rs.	2008 Rs.
Taxation based on profits for the year	8.1	27,373,177	8,744,644
Deferred tax charged/(reversed)		24,846,333	6,295,344
		52,219,510	15,039,988

The deferred tax charged for the year ended 31st March 2008 has been restated as described in Note to the Changes in Equity statement and as a consequent the deferred tax charge for the year ended has been restated from Rs. 7,752,792/- to Rs. 6,295,344/-.

### 8.1 Reconciliation of Effective Tax Rate

<i>For the year ended 31st March</i>	2009 Rs.	2008 Rs.
Net profit before tax	117,820,486	302,251,361
Add - Disallowable expenses	224,051,529	348,091,557
Less - Allowable expenses	(150,052,773)	(610,095,293)
Add/(less) - Adjustments	(74,971,066)	(2,190,207)
Loss from lease business	1,695,327	-
Business loss claimed during the year	(41,490,226)	(13,320,096)
Taxable income	77,053,277	24,737,322
Income Tax at 35%	26,968,647	8,658,063
Social Responsibility Levy @ 1.5% of Income Tax	404,530	86,581
Income Tax on profit for the year	27,373,177	8,744,644
Effective tax rate	23%	3%

#### 8.1.1 Loss from Lease Business

As per the provisions of the Inland Revenue Act, tax losses arising from leasing activities are not deductible from the taxable income from other activities in arriving at the tax liability of the Company with effect from year of assessment 2008/09. Accordingly, the loss incurred in lease business has been added back in arriving at the taxable income of the Company.

## 9. Earnings Per Share

Earnings per share has been calculated by dividing the net profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

<i>For the year ended 31st March</i>	2009 Rs.	2008 Rs.
Profit after taxation	65,600,976	287,211,373
Profit attributable to ordinary shareholders	65,600,976	287,211,373
Number of ordinary shares as denominator	21,347,200	21,347,200
Earnings per ordinary share	3.07	13.45

<i>For the year ended 31st March</i>		2009	2008
	Note	Rs.	Rs.
<b>10. Dividend Per Share</b>			
Final dividend paid 2007/08		19,491,780	13,128,528
1st Interim dividend paid		12,640,272	18,145,120
2nd Interim dividend paid		–	20,279,840
3rd Interim dividend paid		–	18,145,120
		<b>32,132,052</b>	<b>69,698,608</b>
Dividend per ordinary share		1.51	3.27
<b>11. Cash and Short-Term Funds</b>			
Cash and bank balances	11.1	121,188,729	136,840,878
Money at call and short notice		113,335,233	280,585,642
		<b>234,523,962</b>	<b>417,426,520</b>
<b>11.1 Cash and Bank Balances</b>			
Commercial Bank Savings		43,857	43,857
Commercial Bank - Kandy # 1		16,935,672	(8,766,664)
Commercial Bank - Kandy # 2		7,325,396	20,296,965
Commercial Bank - Kandy # 3		730,328	3,993,792
Commercial Bank - Kandy # 4		278,479	417,053
Commercial Bank - Colombo # 5		(1,923,512)	665,940
Commercial Bank # 6		1,054,319	1,109,871
Commercial Bank Corporate Branch		974,674	976,674
Hongkong and Shanghai Bank		32,670,314	19,815,825
Hatton National Bank - Kandy		2,631,188	26,263,407
Hatton National Bank - Colombo		3,327,992	2,539,087
Sampath Bank		–	6,364,014
Standard Chartered Bank		15,776	18,177
Nations Trust Bank		11,660	11,660
Bank of Ceylon		56,369	56,369
Bank of Ceylon		105,200	105,200
Pan Asia Bank		20,129,934	2,275,530
Union Bank		8,020,905	11,693,216
ICICI Bank		15,500,000	24,846,701
Cash value stamps		52,159	77,144
Encashment floats		3,410,434	3,080,111
Cash in hand		11,217,319	22,776,064
Savings ATM withdrawals		(1,379,734)	(1,819,115)
		<b>121,188,729</b>	<b>136,840,878</b>
<b>12. Advances and Receivables</b>			
Deposits		1,042,284	1,042,284
Pre-paid rent		20,310,923	23,835,826
Advance company tax recoverable	12.1	6,125,619	6,125,619
Economic Service Charge		43,537,781	32,995,601
Cash cover on securitisation loan		16,441,218	38,748,453
		<b>87,457,825</b>	<b>102,747,783</b>

#### 12.1 Advance Company Tax recoverable/Economic Service Charge (ACT/ESC)

ACT and ESC can be recovered only to the extent of the Company making taxable income in the future.

As at 31st March	2009		2008	
	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
<b>13. Dealing Securities</b>				
<b>Quoted Companies</b>				
<b>Bank Finance Investment</b>				
Central Finance Company PLC. (4,333 Ordinary Shares) (4,333 Ordinary Shares as at 31st March 2009)	243,207	680,281 (@ Rs. 157)	243,207	866,600 (@ Rs. 200)
National Development Bank (384 Ordinary Shares) (384 Ordinary Shares as at 31st March 2009)	500	34,176 (@ Rs. 89)	500	63,456 (@ Rs. 165.25)
Commercial Bank of Ceylon PLC (208 Ordinary Shares)	72,450	16,484 (@ Rs. 79.25)	72,450	29,120 (@ Rs. 140)
Debenture Commercial Bank 13.5% (50,000 Debentures of Rs. 100/- each)	5,000,000	5,000,000 (@ Rs. 100)	5,000,000	5,000,000 (@ Rs. 100)
<b>Beverage Food Tobacco</b>				
Ceylon Tobacco PLC (3,100 Ordinary Shares) (3,100 Ordinary Shares as at 31st March 2009)	142,017	297,600 (@ Rs. 96)	142,017	192,200 (@ Rs. 62)
<b>Hotels/Travel</b>				
Aitken Spence PLC (33 Ordinary Shares) (33 Ordinary Shares as at 31st March 2009)	3,355	10,395 (@ Rs. 315)	3,355	14,025 (@ Rs. 425)
<b>Investment Trust</b>				
National Equity Fund (131,399.4 Units) (131,399.4 Units as at 31st March 2009)	600,925	1,405,974 (@ Rs. 10.7)	600,925	600,925 (@ Rs. 6.09)
<b>Manufacturing</b>				
Royal Ceramics PLC (10 Ordinary Shares) (10 Ordinary Shares as at 31st March 2009)	273	273 (@ Rs. 27.25)	273	20,000 (@ Rs. 200)
Lanka Tiles Ltd. (250 Ordinary Shares)	7,175	12,250 (@ Rs. 49)	7,175	12,250 (@ Rs. 49)
<b>Diversified</b>				
John Keells Holdings PLC (1,937 Ordinary Shares) (1,937 Ordinary Shares as at 31st March 2009)	13,800	121,547 (@ Rs. 62.75)	13,800	241,536 (@ Rs. 119.75)
Orient Fund (Portfolio Investments) (1,000,000 Ordinary Shares)	10,000,000	13,582,712 (@ Rs. 13.58)	10,000,000	13,582,712 (@ Rs. 13.58)
<b>Trading</b>				
Lanka Indian Oil Corporation PLC (5,500 Ordinary Shares) (5,500 Ordinary Shares as at 31st March 2009)	148,500	88,000 (@ Rs. 16)	148,500	115,500 (@ Rs. 21)
	<b>16,232,202</b>	<b>21,249,691</b>	<b>16,232,202</b>	<b>20,738,324</b>

As at 31st March	Note	2009 Rs.	2008 Rs.
<b>14. Loans and Advances</b>			
<b>Net Investment in Lease Advances</b>			
Lease rental receivable more than one year from Balance Sheet date		1,249,369,440	889,616,492
Unearned income		(365,424,067)	(204,462,121)
		883,945,373	685,154,371
Lease rental receivable less than one year from Balance Sheet date		729,002,644	1,474,607,409
Unearned income		(213,223,649)	(485,972,428)
		515,778,995	988,634,981
<b>Net Investment in Hire Purchase</b>			
Hire purchase rental receivable more than one year from Balance Sheet date		2,578,660,040	1,392,602,862
Unearned income		(809,743,810)	(381,189,094)
		1,768,916,230	1,011,413,768
Hire purchase rental receivable less than one year from Balance Sheet date		1,504,639,003	2,305,888,711
Unearned income		(472,482,646)	(788,730,626)
		1,032,156,357	1,517,158,085
<b>Net Investment in Non-Hire Purchase</b>			
Non-hire purchase rental receivable more than one year from Balance Sheet date		126,026,413	92,454,153
Unearned income		(40,112,358)	(16,850,873)
		85,914,055	75,603,280
Non-hire purchase rental receivable less than one year from Balance Sheet date		73,535,965	85,728,169
Unearned income		(23,405,419)	(30,540,163)
		50,130,546	55,188,006
<b>Net Investment in Loans</b>			
Loan rental receivable more than one year from Balance Sheet date		57,127,939	26,748,843
Unearned income		(20,774,219)	(7,607,811)
		36,353,720	19,141,032
Loan rental receivable less than one year from Balance Sheet date		33,333,950	46,629,760
Unearned income		12,121,684	(17,796,669)
		21,212,266	28,833,091
Loans against fixed deposits		15,559,547	6,953,500
		36,771,813	35,786,591
Provision for bad and doubtful debts on loans and advances	14.1	(50,550,238)	(82,821,800)
<b>Total loans and advances</b>		<b>4,359,416,851</b>	<b>4,305,258,314</b>
<b>14.1 Movement in Provision for Bad and Doubtful Debts</b>			
Provision as at 1st April		109,765,072	73,255,701
Provision for the year		86,935,188	36,509,371
Bad debts written off		(121,615,613)	-
Provision as at 31st March		75,084,647	109,765,072
Bad debts written off		-	-
Provision for bad and doubtful debts on loans and advances		50,550,238	82,821,800
Provision for bad and doubtful debts on arrears		24,534,409	26,943,272
		75,084,647	109,765,072

As at 31st March	Note	2009 Rs.	2008 Rs.
<b>15. Trade and Other Receivables</b>			
Rentals in arrears		271,050,685	193,448,261
Provision for bad and doubtful debts on arrears		(24,534,409)	(26,943,272)
		246,516,276	166,504,989
Sundry debtors	15.1	9,752,100	6,627,731
Discounting of cheques		490,000	490,000
Stamp fees receivable		-	(73,986)
Insurance		53,974,698	10,084,621
Other receivables	15.2	97,030,913	79,656,057
Advances allowed to car sales		10,006,524	21,857,388
Advance payments		14,147,266	21,938,987
		431,917,777	307,085,787
<b>15.1 Sundry Debtors</b>			
Staff debtors		6,046,856	4,500,758
Sundry debtors		3,705,244	2,126,973
		9,752,100	6,627,731
<b>15.2 Other Receivables</b>			
Search fees and seizing charges receivables		1,687,324	1,826,608
Western Union MMBL		294,232	238,873
Goods and Service Tax recoverable		11,020,826	11,020,826
Value Added Tax recoverable		84,028,531	66,569,750
		97,030,913	79,656,057
<b>16. Seized Stock</b>			
Balance as at 31st March		182,708,515	244,152,852
Provision for impairment loss on seized stocks	16.1	(12,540,095)	(11,530,848)
Balance as at 31st March		170,168,420	232,622,004
<b>16.1 Movement in Provision for Impairment</b>			
Provision as at 1st April		11,530,848	-
Provision made during the year		12,540,095	11,530,848
Loss incurred during the period		(11,530,848)	-
Provision as at 31st March		12,540,095	11,530,848
<b>17. Investment Securities (Unquoted)</b>			
Senkadagala Hotels Limited		13,957,555	13,957,555
Credit Information Bureau		8,200	8,200
Finance House Association		200,000	200,000
		14,165,755	14,165,755
<b>18. Deferred Expenses</b>			
Pre-paid loan arrangement fees		16,701,393	18,268,018
Paid during the year		12,918,527	10,322,157
Charged during the year		(21,533,827)	(11,888,782)
Balance at the end of the year		8,066,093	16,701,393

Loan structuring fee paid for arranging loans has been treated as a deferred expense and has been charged to Income Statement over the period of repayment of the loans and an amount of Rs. 21,553,827/- has been charged to the current year's profit as amortisation.

## 19. Property, Plant and Equipment

	As at 01.04.2008 Rs.	Additions Rs.	Disposals Rs.	As at 31.03.2009 Rs.
<b>Cost</b>				
Freehold assets				
Land and buildings	102,827,846	8,717,300	–	111,545,146
Furniture and fittings	63,797,038	9,541,216	–	73,338,254
Office equipment	39,812,600	17,469,491	–	57,282,091
Air conditioners	12,806,531	6,106,122	–	18,912,653
Computers and accessories	71,305,368	5,189,053	–	76,494,421
Facsimile machines	622,083	168,400	–	790,483
Generators	22,535,598	8,494,402	–	31,030,000
Motor vehicles	109,755,685	42,890,145	(9,875,303)	142,770,527
Photostat machines	3,908,675	1,445,001	–	5,353,676
Fixtures and fittings	51,937,737	12,154,157	–	64,091,894
Printers	12,714,890	2,037,335	–	14,752,225
	492,024,051	114,212,622	(9,875,303)	596,361,370

### Depreciation

	As at 01.04.2008 Rs.	Charge for the Period Rs.	Charge on Disposals Rs.	As at 31.03.2009 Rs.
Land and buildings	6,996,320	940,165	–	7,936,485
Furniture and fittings	18,839,068	6,657,449	–	25,496,517
Office equipment	9,891,941	4,731,828	–	14,623,769
Air conditioners	8,795,705	2,709,669	–	11,505,374
Computers & accessories	53,291,918	10,690,901	–	63,982,819
Facsimile machines	278,146	65,190	–	343,336
Generators	6,342,525	3,315,450	–	9,657,975
Motor vehicles	26,168,556	20,765,609	(5,645,162)	41,289,002
Photostat machines	2,406,133	974,833	–	3,380,967
Fixtures and Fittings	20,726,955	11,560,565	–	32,287,520
Printers	7,107,197	2,914,385	–	10,021,582
	160,844,464	65,326,045	(5,645,162)	220,525,346
Written down value	331,179,586			375,836,024

## 20. Intangible Assets

As at 31st March	2009 Rs.	2008 Rs.
<b>Software Programme</b>		
Balance at the beginning of the year	99,386,628	87,610,037
Additions during the year	2,780,000	11,776,591
Balance at the end of the year	102,166,628	99,386,628
<b>Amortisation</b>		
Balance at the beginning of the year	70,939,377	65,431,913
Charge for the year	5,094,086	5,507,464
Balance at the end of the year	76,033,463	70,939,377
Net book value	26,133,165	28,447,251

<i>As at 31st March</i>	Note	2009 Rs.	2008 Rs.
<b>21. Certificates of Deposit</b>			
Certificates of deposit control account		14,400,000	13,400,000
Interest in suspense		(486,793)	(931,323)
		<u>13,913,207</u>	<u>12,468,677</u>
<b>22. Deposits</b>			
Fixed deposits		1,278,096,084	864,903,614
Accrued interest thereon		64,963,587	40,624,587
		<u>1,343,059,671</u>	<u>905,528,201</u>
<b>23. Accrued Expenses</b>			
Audit fees		386,062	316,250
Staff bonus		–	13,249,950
Interest on debentures		56,163,833	47,009,231
Securitisation loan repayment		65,378,875	41,985,171
Directors' fees		(37,500)	–
		<u>121,891,270</u>	<u>102,560,602</u>
<b>24. Accounts Payable</b>			
Debit tax payable		69,435	36,350
Pay as You Earn		–	201,271
Employees' Provident Fund		–	1,235,093
Employees' Trust Fund		–	185,264
Saving charges		–	13,060
Dividend payable		1,015,613	1,124,671
Registrar of Motor Vehicles charges		475,069	245,425
Refundable deposit		2,168,000	1,610,000
Mortgage		182,299	(16,000)
Direct deposits		3,607,796	2,807,523
Stamp Duty and ESC payable		11,652,966	9,573,926
WHT on loans and debentures		1,212,003	772,178
WHT on commission		68,445	–
		<u>20,451,626</u>	<u>17,788,761</u>
<b>25. Trade Payables</b>			
Amount payable to car sales		1,166,667	932,203
NHP - Payable		(1,784,650)	(27,469)
XL - Loan excess payment		29,061	33,227
Payable to suppliers		21,228,442	126,266,313
Sundry creditors		2,281,036	(8,035,040)
Goods and Service Tax refund for buses		8,912	8,912
		<u>22,929,468</u>	<u>119,178,146</u>
<b>26. Commissioner General of Inland Revenue</b>			
Withholding tax on Treasury Bills interest and commission		(3,814,869)	(1,546,580)
Income taxes		27,373,177	8,744,644
Income tax payment		(87,671)	–
WHT on dividends		(25,753)	(37,826)
WHT payable		(5,826,666)	(4,623,990)
		<u>17,618,218</u>	<u>2,536,248</u>

<i>As at 31st March</i>	Note	2009 Rs.	2008 Rs.
<b>27. Rentals Received in Advance</b>			
Initial payment of lease		12,286,660	21,032,485
Rental prepaid		14,811,080	34,655,791
		<b>27,097,740</b>	<b>55,688,276</b>

<b>28. Retirement Benefit Obligation</b>			
Balance as at 1st April		16,125,663	13,780,292
Provision for the period		85,120	4,167,871
Paid during the period		–	(1,822,500)
Balance as at 31st March		<b>16,210,783</b>	<b>16,125,663</b>

## 29. Debentures

Type	Purpose of Debenture	Interest Rate (p.a.)	2009 Rs.	2008 Rs.	Due/Settle Dates
Listed debentures 2005/09	To meet the working capital requirement of the Company	Note 29.1	100,000,000	250,000,000	4 years from the date of allotment
<b>Unsecured unlisted Redeemable Debentures</b>					
2006/11	To meet the working capital requirement of the Company	16% (Fixed)	259,000,000	259,000,000	5 years from the date of allotment
2007/12			241,000,000	241,000,000	
2008/13			240,000,000		
			<b>840,000,000</b>	<b>750,000,000</b>	

### 29.1 Unsecured Redeemable Listed Debentures

The Company issued 2,500,000 unsecured redeemable four-year debentures of Rs. 100/- each to the value of Rs. 250 mn during the year ended 31st March 2006. The debentures have fixed and floating interest rates as follows:

Payment Period	Fixed Rate		Floating Rate
Annually	Type A	14%	Type B 15%

The basis of calculating the floating rate of interest, for the period ended 31st March 2009 remains unchanged as per the debenture prospectus. The Company has redeemed 60% of the listed debentures issued in 2005, during the year under review amounting to Rs. 150 mn.

## 30. Deferred Taxation

<i>As at 31st March</i>	2009 Rs.	2008 Restated Rs.
Balance as at 1st April	40,394,068	35,100,695
Effect on correction of deferred taxation	–	(1,001,971)
Balance as at 1st April (Restated)	40,394,068	34,098,724
Amount originating/(releasing) during the period	24,846,333	6,295,344
Balance as at 31st March	<b>65,240,401</b>	<b>40,394,068</b>

The deferred tax liability has been restated as described in Note to the Changes in Equity Statement resulting in a decrease in deferred tax liability of Rs. 1,001,971/- as at 1st April 2007 and Rs. 1,457,448/- as at 31st March 2008 from reported previously.

### 31. Assets Securitisation Loan

<i>As at 31st March</i>	2009 Rs.	2008 Rs.
Commercial Bank Corporate Division	47,710,200	122,478,478
Hatton National Bank PLC	12,841,103	85,697,220
Commercial Bank of Ceylon PLC	499,635,336	462,300,676
Sampath Bank PLC	152,706,511	343,216,269
Capital Alliance	97,158,315	223,080,272
National Development Bank PLC	720,000,000	654,100,000
Nations Trust Bank PLC	35,937,001	84,374,500
Pan Asia Bank PLC	135,504,711	175,659,266
Waldock Mackenzie	31,250,000	56,250,000
Union Bank PLC	54,166,667	91,666,667
Hongkong and Shanghai Banking Corporation Ltd.	95,555,556	255,555,556
Investec	91,666,667	54,166,667
ICICI Bank PLC	166,950,680	239,941,605
Berkly	60,000,000	72,724,473
First Capital Market	200,000,000	-
	<b>2,401,082,747</b>	<b>2,921,211,649</b>

#### Security Pledged

Lease and hire purchase portfolio amounting to Rs. 4,914,525,034.34 has been pledged as security for the above loans.

### 32. Stated Capital

	2009 Rs.	2008 Rs.
Stated capital as at 31st March	213,472,000	213,472,000
Number of ordinary shares	21,347,200	21,347,200

### 33. Statutory Reserve Fund

Balance as at 1st April	79,536,033	61,025,575
Transfers during the period	4,000,000	18,510,458
Balance as at 31st March	<b>83,536,033</b>	<b>79,536,033</b>

Reserve fund is a statutory reserve created in compliance with the Direction No. 1 of the Central Bank Regulations of 2003. The amount transferred is not less than 5% of the net profit after taxation.

### 34. General Reserve

As at 31st March	2009 Rs.	2008 Rs.
Balance as at 1st April	603,018,392	405,696,300
Transfers during the period	35,000,000	197,322,092
Balance as at 31st March	638,018,392	603,018,392

### 35. Related Party Transactions

#### Transactions with Key Managerial Personnel

The key managerial personnel are the members of its Board of Directors of Senkadagala Finance Company Limited.

#### Remuneration of Board Members and Key Managerial Personnel

The members of the Board received a remuneration totalling to Rs. 2,850,000/- (2008 - Rs. 69,000/-).

**35.1** Mr. E.W. Balasuriya, Mr. L. Balasuriya, Mr. R. Balasuriya, Dr. M. Balasuriya, Dr. A. Balasuriya and Mrs. L. Fernando who are the Directors of the Company, are also the Directors of Senkadagala Hotels Company Limited and E.W. Balasuriya & Company (Private) Ltd. Further Dr. (Mrs.) Gayathri Madan Mohan who is a Director of the Company, is also a Director of E.W. Balasuriya & Company (Private) Ltd.

**35.2** The Company carries out transactions in the ordinary course of business on an arm's length basis with the enterprises which, the Boards of Directors of those companies have a substantial shareholding and a significant influence over the Company.

**35.3** Shareholding in the Related Company.

Name of Related Party	Ordinary Shares No.
Senkadagala Hotels Company Limited	467,109

The Company operates its registered office in the premises of Senkadagala Hotels Company Limited, and has paid Rs. 787,800/- to Senkadagala Hotels Company Limited, as rent for the year ended 31st March 2009 (in 2007/08 - Rs. 787,800/-).

### 36. Contingent Liabilities and Commitments

#### Contingent Liabilities

The Company has not exposed itself to guarantees to Banks or any third parties and commitments of a material nature as at 31st March 2009.

#### Capital Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements amounted to approximately the following:

	2009 Rs.	2008 Rs.
Approved and contracted for	2,700,000	16,015,900
Approved but not contracted for	1,700,000	52,204,000
	4,400,000	68,219,900

### 37. Events Occurring after the Balance Sheet Date

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements.

### 38. Maturity Analysis

An analysis of the total assets employed and the total liabilities of the Company as at 31st March 2009, based on the remaining period from the Balance Sheet date to the respective contractual maturity dates is given below:

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 years Rs.	More than 3 years Rs.	Total as at 31.03.2009 Rs.
<b>Interest Earning Assets</b>					
Money at call and short notice	234,523,962	–	–	–	234,523,962
Government Treasury Bills	–	143,350,047	–	–	143,350,047
Dealing securities	–	16,232,202	–	–	16,232,202
Stock out on hire	354,667,566	1,251,717,016	1,978,750,841	774,281,428	4,359,416,850
Debtors	179,214,393	290,497,808	49,663,400	–	519,375,601
Seized stock	126,413,579	43,754,841	–	–	170,168,420
Investment securities	–	–	–	14,165,755	14,165,755
<b>Total interest earning assets</b>	<b>894,819,500</b>	<b>1,745,551,913</b>	<b>2,028,414,241</b>	<b>788,447,183</b>	<b>5,457,232,837</b>
Non interest earning assets	129,254,820	–	–	280,780,464	410,035,284
<b>Total assets</b>	<b>1,024,074,320</b>	<b>1,745,551,913</b>	<b>2,028,414,241</b>	<b>1,069,227,647</b>	<b>5,867,268,121</b>
Percentage (%) 31st March 2009	17.45	29.75	34.57	18.23	100.00
<b>Interest Bearing Liabilities</b>					
Deposits	349,195,515	872,988,787	120,875,370	–	1,343,059,672
Certificates of deposit	–	12,456,604	1,456,604	–	13,913,207
Saving accounts	41,177,706	–	–	–	41,177,706
Assets securitisation funds	563,829	815,533,401	1,584,985,517	–	2,401,082,747
Debentures	–	100,000,000	239,000,000	501,000,000	840,000,000
<b>Total interest bearing liabilities</b>	<b>390,937,050</b>	<b>1,800,978,791</b>	<b>1,946,317,491</b>	<b>501,000,000</b>	<b>4,639,233,332</b>
Non-interest bearing liabilities	181,473,514	23,170,096	3,071,665	83,724,233	291,328,845
<b>Total liabilities</b>	<b>572,410,564</b>	<b>1,824,148,888</b>	<b>1,949,389,156</b>	<b>584,724,233</b>	<b>4,930,672,840</b>
Shareholders' funds	–	–	–	936,595,281	936,595,281
<b>Total shareholders' funds and liabilities</b>	<b>572,410,564</b>	<b>1,824,148,888</b>	<b>1,949,389,156</b>	<b>1,521,319,514</b>	<b>5,867,268,121</b>
Percentage (%) 31st March 2009	9.73	31.02	33.15	26.10	100

### 39. Business Segments

Financial Reporting by segment as per the provisions of Sri Lanka Accounting Standard No. 28 - Segment Reporting.

As at 31st March	Financing		Investing		Consolidated	
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
<b>Revenue</b>						
Interest	1,347,422,017	1,085,270,620	52,623,794	44,652,445	1,400,045,811	1,129,923,065
Bad debts recovered	1,512,956	20,573,509	–	–	1,512,956	20,573,509
Other income	215,285,379	184,128,190	28,681,972	27,167,225	243,967,351	211,295,415
<b>Total gross income</b>	<b>1,564,220,352</b>	<b>1,289,972,319</b>	<b>81,305,766</b>	<b>71,819,670</b>	<b>1,645,526,118</b>	<b>1,361,791,989</b>
Net result	565,882,546	617,930,927	14,034,560	61,135,199	579,917,106	679,066,126
Unallocated expenses	–	–	–	–	(514,316,130)	(391,854,753)
<b>Net profit for the year</b>					<b>65,600,976</b>	<b>287,211,373</b>
<b>Total assets</b>	<b>5,204,348,860</b>	<b>5,129,703,410</b>	<b>662,919,261</b>	<b>736,109,792</b>	<b>5,867,268,121</b>	<b>5,865,813,202</b>
<b>Total liabilities</b>	<b>4,930,672,840</b>	<b>4,962,798,097</b>	<b>–</b>	<b>–</b>	<b>4,930,672,840</b>	<b>4,962,798,097</b>

## Debenture Information

### Type "A"

Fixed interest rate of Fourteen per cent (14%) p.a. payable annually on the principal sum of debentures from the date of allotment. At the expiry of three years, 60% of the principal sum of debentures has been redeemed with the interest payment in the year under review.

Fixed interest rate of Fourteen per cent (14%) p.a. payable annually on and along with the balance 40% of the principal sum of debentures at the end of 4th year. The tenor of the debentures will be 04 years.

### Type "B"

Floating rate of 03 months Treasury Bill (Net Rate) + 275 Basis Points with a floor of Ten per cent (10%) and a Cap of Fifteen per cent (15%) payable quarterly on the principal sum of debentures from the date of allotment. At the expiry of three years, 60% of the principal sum of debentures has been redeemed with the 4th quarterly interest payment in the year under review. Floating rate of 03 months Treasury Bill (Net Rate) + 275 Basis Points with a Floor of Ten per cent (10%) and a Cap of Fifteen per cent (15%) payable quarterly on the balance 40% of the principal sum of debentures, thereafter until the expiry of the debentures issue and the balance 40% of the principal sum of debentures will be paid along with the 4th quarterly interest payment in the 4th year. The tenor of the debentures will be 04 years.

### Debentures 2005/09 Issue

	Type A	Type B
No. of debentures issued	2,242,200	257,800
Market prices during the year (ex-Interest)		
Highest price	99.96	100
Lowest price	99.96	100
Last traded price (06.03.2009)	99.96	100

### Debentures 2007/11 Issue

Unlisted debentures issued through a private placement are as follows:

2006/11	To meet the working capital	259,000,000	259,000,000	5 years from the date of allotment
2007/12	requirement of the Company	241,000,000	241,000,000	
2008/13	(At a fixed interest rate of 16%)	240,000,000	–	
		740,000,000	500,000,000	

## Distribution of Shareholdings

Shareholders as at 31st March 2009 and 2008

Name	31st March 2009		31st March 2008	
	No. of Shares	%	No. of Shares	%
M/s. E.W. Balasuriya & Co. (Pvt) Ltd.	12,572,980	58.90	12,572,980	58.90
Mr. L. Balasuriya	1,400,000	6.56	1,400,000	6.56
Dr. A. Balasuriya	1,400,000	6.56	1,400,000	6.56
Mr. R. Balasuriya	1,400,000	6.56	1,400,000	6.56
Dr. M. Balasuriya	1,400,000	6.56	1,400,000	6.56
Dr. (Mrs.) G.M. Mohan	1,400,000	6.56	1,400,000	6.56
Mrs. L. Fernando	1,166,664	5.47	1,166,664	5.47
Mr. D.K.C.R. Fernando	233,332	1.09	233,332	1.09
Admin. of the Estate of Late Mr. A.M. Thaha	155,600	0.73	155,600	0.73
Mr. D.G. Suraweera	62,240	0.29	62,240	0.29
Mr. D.G. K. Hewamallika	62,240	0.29	62,240	0.29
Mrs. C. Fernando	62,240	0.29	62,240	0.29
Mr. E.W. Balasuriya	16,664	0.08	16,664	0.08
Mr. M.M. Ariyaratne	8,960	0.04	8,960	0.04
Mrs. R. Dullewe	2,440	0.01	2,440	0.01
Mrs. S.I. Ching	1,920	0.01	1,920	0.01
Mr. C.Y. Ching	1,920	0.01	1,920	0.01
	21,347,200	100.00	21,347,200	100.00

Analysis of the distribution of Shareholdings as at 31.03.09.

Range of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
1 - 1,000	–	–	–
1,001 - 5,000	3	6,280	0.03
5,001 - 10,000	1	8,960	0.04
10,001 - 50,000	1	16,664	0.08
50,001 - 100,000	3	186,720	0.87
100,001 - 500,000	2	388,932	1.82
500,001 - 1,000,000	–	–	–
Over 1,000,000	7	20,739,644	97.15
	17	21,347,200	100.00

## Ten Year Summary

Figures in Rs. '000

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>OPERATING RESULTS</b>										
Interest Income	71,834	105,157	107,296	149,393	238,807	307,686	645,333	1,058,870	1,259,893	1,560,124
Interest Cost	25,233	33,502	37,234	55,447	104,678	126,496	268,693	499,471	668,737	931,904
Net Interest Income	46,601	71,656	70,063	93,946	134,129	181,190	376,640	559,399	591,156	628,220
Profit before Taxation and VAT	38,750	35,247	33,009	43,136	66,510	101,481	219,212	260,671	303,880	137,044
Profit after Taxation	33,180	33,326	30,013	41,318	63,050	95,685	213,889	288,866	287,211	65,601
<b>ASSET/LIABILITY MIX</b>										
<b>Assets</b>										
Cash and Near Cash Items	48,354	71,996	113,213	90,167	141,027	96,566	453,039	387,240	511,373	377,874
Investment Securities	23,427	26,427	41,500	20,166	14,166	14,166	14,166	14,166	14,166	14,166
Dealing Securities	6,039	7,161	3,616	4,130	2,004	2,153	2,153	12,293	16,232	16,232
Advances Portfolio	338,048	372,080	389,096	802,361	1,205,200	1,700,933	3,168,384	3,654,387	4,305,258	4,359,417
Property, plant and equipment	50,945	59,981	61,340	69,326	72,710	105,590	139,763	206,853	359,627	401,969
Other Assets	6,240	15,148	28,019	28,154	64,332	188,712	421,854	519,057	659,157	697,610
<b>Total Assets</b>	<b>473,053</b>	<b>552,793</b>	<b>636,784</b>	<b>1,014,304</b>	<b>1,499,439</b>	<b>2,108,120</b>	<b>4,199,359</b>	<b>4,793,996</b>	<b>5,865,813</b>	<b>5,867,268</b>
<b>Liabilities</b>										
<b>Institutional Borrowings</b>										
and Asset-backed Securitisations	–	–	–	236,360	577,627	1,063,165	2,497,594	2,566,478	2,921,212	2,401,083
Debentures	–	–	–	–	–	–	250,000	509,000	750,000	840,000
Term Deposits	256,897	305,821	331,537	403,428	448,005	496,832	669,409	739,662	905,528	1,343,060
Certificates of Deposit	6,732	11,297	35,068	38,187	34,782	26,153	17,331	24,687	12,469	13,913
Deferred Taxation	10,233	12,155	15,151	13,776	12,121	10,065	67,793	35,101	40,394	65,240
Dividends Payable	6,404	4,002	4,024	4,048	5,409	11,744	189	–	1,125	1,016
Other Liabilities	47,200	48,610	58,089	92,276	142,889	133,876	219,008	234,568	332,070	266,361
<b>Total Liabilities</b>	<b>327,466</b>	<b>381,885</b>	<b>443,869</b>	<b>788,075</b>	<b>1,220,833</b>	<b>1,741,835</b>	<b>3,721,324</b>	<b>4,109,496</b>	<b>4,962,798</b>	<b>4,930,673</b>
<b>Net Assets</b>	<b>145,587</b>	<b>170,908</b>	<b>192,915</b>	<b>226,229</b>	<b>278,606</b>	<b>366,285</b>	<b>478,035</b>	<b>684,500</b>	<b>903,015</b>	<b>936,595</b>
<b>Net Assets Position</b>										
Stated Capital	32,021	32,021	32,021	32,021	53,368	53,368	213,472	213,472	213,472	213,472
Reserves Inclusive										
of Statutory Reserves	113,566	138,887	160,174	194,208	225,238	312,917	264,563	471,028	689,543	723,123
<b>Total Shareholders' Funds</b>										
(Represented by Net Assets)	145,587	170,908	192,195	226,229	278,606	366,285	478,035	684,500	903,015	936,595

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of Senkadagala Finance Company Limited, will be held at the 2nd Floor, No. 267, Galle Road, Colombo 3 on Monday, 15th June 2009 at 10.30 a.m. for the following purposes:

- I. To receive and consider the Financial Statements of the Company for the year ended 31st March 2009 together with the Report of the Directors and Auditors thereon.
- II. To declare a Final Dividend of Rs. 0.80 (Cents eighty) per share to the shareholders of the Company as recommended by the Board of Directors.
- III. To re-elect Mr. Rohan Balasuriya, who retires by rotation in terms of Articles of Association as a Director of the Company.
- IV. To re-elect Dr. Mahendra Balasuriya, who retires by rotation in terms of Articles of Association as a Director of the Company.
- V. To re-elect Mr. E.W. Balasuriya as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:

"RESOLVED that Mr. E.W. Balasuriya who has reached the age of 90 on 29th August 2008 be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007."

- VI. To elect Mr. S.K. Wickremesinghe as a Director of the Company, a Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:

"RESOLVED that Mr. S.K. Wickremesinghe who has reached the age of 81 on 26th January 2009 be and is hereby elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007."

- VII. To re-elect Mr. L.G.D.C.L.S. Herath as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:

"RESOLVED that Mr. L.G.D.C.L.S. Herath who has reached the age of 75 on 2nd October, 2008 be and is hereby elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007."

- VIII. To reappoint the retiring Auditors Messrs KPMG Ford, Rhodes, Thornton & Company - Kandy for the ensuing year and to authorise the Directors to determine their remuneration.

## Special Business

### IX. Special Resolution

"IT IS HEREBY RESOLVED that the Memorandum of Association of the Company be amended by the deletion of existing Clause No. 2 ("The Registered Office of the Company will be situated in the District of Kandy") and the remaining Clauses be re-numbered accordingly,"

By order of the Board of  
**Senkadagala Finance Company Limited**

(Sgd.)  
**Secretaries & Registrars (Private) Limited**

25th May, 2009  
Kandy

### Note:

- i. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy who need not be a member, to attend instead of him/her. A proxy may vote on a poll or on a show of hands and to speak at the meeting.
- ii. A Form of Proxy is enclosed in this Report.
- iii. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 12, Kotugodella Veediya, Kandy not less than 48 hours before the time for holding the Meeting.

# Form of Proxy

I/we .....  
 .....  
 of .....  
 .....

Being a \*member/members of Senkadagala Finance Company Limited hereby appoint:

Mr. Sarath Kusum Wickremesinghe	of Colombo or failing him
Mr. Lakshman Balasuriya	of Colombo or failing him
Mr. Edmund Wijenayake Balasuriya	of Colombo or failing him
Mr. Cyril Lionel Sirimanne Herath	of Nugegoda or failing him
Dr. Asoka Balasuriya	of Kandy or failing him
Mrs. Lakshmi Fernando	of Colombo or failing her
Mr. Rohan Balasuriya	of Colombo or failing him
Dr. (Mrs.) Gayathri Madan Mohan	of Colombo or failing her
Dr. Mahendra Balasuriya	of Colombo or failing him

Mr./Mrs. ....  
 of .....

as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Fortieth Annual General Meeting of the Company to be held at the 2nd Floor, No. 267, Galle Road, Colombo 3 on the 15th day of June, 2009 at 10.30 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
(i) To adopt the Financial Statements of the Company for the year ended 31st March 2009.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To declare a Final Dividend of Rs. 0.80 per share to be payable on 31st July 2009.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Mr. Rohan Balasuriya as a Director in terms of Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To re-elect Dr. Mahendra Balasuriya as a Director in terms of Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(v) To re-elect Mr. E.W. Balasuriya as a Director in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To re-elect Mr. S.K. Wickremesinghe as a Director in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
(vii) To re-elect Mr. L.G.D.C. Lionel Sirimanne Herath as a Director in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
(viii) To reappoint retiring Auditors Messrs KPMG Ford, Rhodes, Thornton & Co. - Kandy and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... Two Thousand and Nine.

.....  
 Signature

**Note**

1. \* Please delete the inappropriate words.
2. Instructions as to completion are noted on the reverse hereof.

## Instructions as to Completion

1. Kindly perfect the Form of Proxy after filling in legibly your name in full and address and by signing in the space provided. Please fill in the date of signature.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy who need not be a member, to attend and vote instead of him/her.
3. In the case of corporate member, the Form of Proxy must be completed under its Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 12, Kotugodella Veediya, Kandy not less than Forty-Eight (48) hours before the appointed time for the meeting.



**Senkadagala Finance Company Limited**  
Head Office : 12 Kotugodella Veediya Kandy, Sri Lanka.

[www.senfin.com](http://www.senfin.com)