



**SENKADAGALA FINANCE CO. LIMITED**

**Interim Financial Statement for the six months ended 30th September 2007**



**SENKADAGALA FINANCE COMPANY LIMITED**

**Registered Office**  
No. 12, Kotugodella Veediya, Kandy



## Notes to the Financial Statements

- The Interim Financial Statements of the Company have been prepared on the basis of the same Accounting Policies and methods of computation applied for the year ended 31st March 2007 and are in accordance with Sri Lanka Accounting Standards. Interim Financial Statements are prepared in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.
- The Company paid the recommended 6.15% final ordinary dividend for the Year ended 31st March 2007. The total dividend payment amounted to Rs 13,128,528/= on 5th July 2007. Further the Company paid a 8.5% interim ordinary dividend for the First Quarter ended 30th June 2007 amounting to Rs. 18,145,120/= on 07th August 2007.
- During the quarter there were no material changes in the composition of Assets, Liabilities, Contingent Liabilities and use of funds raised through debentures.
- All known expenses have been provided for in these Financial Statements.
- During this quarter company raised Rs.60 million, 4 year unsecured redeemable debentures by way of a private placement. The funds raised were mainly utilised for working capital requirements of the company.
- The annualized Earnings per Share and other profitability ratios are the result of pro-rating the earnings for the periods under review for 12 months on the assumption that a similar trend of business activity and profitability will prevail.
- There have been no other events subsequent to the Balance Sheet date, which require disclosure in the Interim Financial Statement.

## Statement of Income

For the three months ended 30th September

	2007 Rs.	2006 Rs.	Change %
<b>Income</b>	<b>327,863,915.77</b>	<b>286,447,003.00</b>	<b>+14.46</b>
Interest income	297,569,808.72	258,666,507.00	+15.04
Interest expenses	(153,083,830.61)	(110,324,359.00)	+38.76
Net interest income	144,485,978.11	148,342,148.00	-2.60
Other operating income	9,589,112.39	28,154,572.00	-65.94
Other operating expenses	(2,889,054.24)	(8,523,485.00)	-66.10
<b>Net income from operations</b>	<b>151,186,036.26</b>	<b>167,973,235.00</b>	<b>-9.99</b>
Personnel cost	(19,845,917.42)	(17,761,012.00)	+11.74
Depreciation of Property, Plant and Equipment	(14,479,752.75)	(9,758,064.00)	+48.39
Provision for retiring gratuity	(2,637,838.81)	(681,908.00)	+286.83
Other overhead expenses	(32,426,419.00)	(40,642,131.00)	-20.21
Operating expenses	(69,389,927.98)	(68,843,115.00)	+0.79
<b>Profit before other income</b>	<b>81,796,108.28</b>	<b>99,130,120.00</b>	<b>-17.49</b>
Other income	22,576,646.54	875,435.00	
Profit before provisions	104,372,754.82	100,005,555.00	+4.37
Loan losses and provisions	(23,516,251.84)	(29,348,806.00)	-19.87
Value Added Tax on financial services	(1,628,205.27)	0.00	
<b>Profit on ordinary activities before taxation</b>	<b>79,228,297.71</b>	<b>70,656,749.00</b>	<b>+12.13</b>
Taxation	(42,249,894.22)	14,714,269.00	
<b>Profit on ordinary activities after taxation</b>	<b>36,978,403.49</b>	<b>85,371,018.00</b>	
Earnings per share	6.93	16.00	
Dividend per share	0.85	0.76	

The above figures are provisional and subject to audit.

Figures in brackets indicates deductions.

## Statement of Income

For the six months ended 30th September

	2007	2006	Change	Year Ended
	Rs.	Rs.	%	31.03.2007 Rs.
<b>Income</b>	<b>626,841,942</b>	<b>544,620,639</b>	<b>+15.10</b>	<b>1,156,166,430</b>
Interest income	574,491,360	501,913,123	+14.46	1,058,869,612
Interest expenses	(294,802,902)	(209,386,863)	+40.79	(499,470,630)
Net interest income	279,688,458	292,526,260	-4.39	559,398,983
Other operating income	31,793,809	44,705,706	-28.88	100,999,041
Other operating expenses	(13,585,956)	(15,620,259)	-13.02	(25,555,571)
<b>Net income from operations</b>	<b>297,896,311</b>	<b>321,611,707</b>	<b>-7.37</b>	<b>634,842,452</b>
Personnel cost	(39,450,440)	(28,965,352)	+36.2	(74,969,350)
Depreciation of Property, Plant and Equipment	(27,034,205)	(19,516,128)	+38.52	(50,575,393)
Provision for retiring gratuity	(4,018,178)	(1,363,815)	+194.63	(6,126,898)
Other overhead expenses	(60,216,906)	(77,952,714)	-22.75	(177,146,844)
Operating expenses	(130,719,728)	(127,798,009)	+2.29	(308,818,485)
<b>Profit before other income</b>	<b>167,176,583</b>	<b>193,813,698</b>	<b>-13.74</b>	<b>326,023,966</b>
Other income	24,077,715	1,455,869		3,488,177
Profit before provisions	191,254,297	195,269,567	-2.06	329,512,143
Loan losses and provisions	(38,211,187)	(41,205,204)	-7.27	(68,841,008)
	153,043,110	154,064,363	-66	260,671,135
Value Added Tax on financial services	(1,628,205)	(2,921,460)	-44.27	(2,921,460)
<b>Profit on ordinary activities before taxation</b>	<b>151,414,904</b>	<b>151,142,903</b>	<b>+1.8</b>	<b>257,749,675</b>
Taxation	(47,406,677)	25,613,358		31,115,984
<b>Profit on ordinary activities after taxation</b>	<b>104,008,228</b>	<b>176,756,261</b>		<b>288,865,659</b>
Earnings per share	9.74	16.56		13.53
Dividend per share	1.47	1.53		3.86

The above figures are provisional and subject to audit.

Figures in brackets indicates deductions.

## Performance Indicators

As at 30th September

	2007	2006	Minimum Statutory Requirement
<b>Capital Adequacy</b>			
Core Capital (Tier 1) Rs. Mn.	811.84	651.24	
Total Capital Base (Tier 2) Rs. Mn.	811.84	651.24	
Core Capital Ratio	17.18%	15.62%	5.00%
Total Capital Ratio	17.18%	15.62%	10.00%
Capital Funds to Total Deposit Ratio	91.36%	83.36%	10.00%
<b>Asset Quality</b>			
Total Advances Rs. Mn.	3,937.54	3,494.18	
Gross Non Performing Advances Rs. Mn.**	133.65	16.03	
Net Non Performing Advances Rs. Mn.**	22.18	12.38	
Gross Non Performing Advance Ratio	3.39%	0.46%	
Net Non Performing Advance Ratio	0.56%	0.35%	
<b>Profitability</b>			
Interest Margin	13.92%	16.37%	
Return on Average Assets	4.14%	8.46%	
Return on Equity	30.58%	49.33%	
<b>Liquidity</b>			
Total Liquid Assets (Not under lien) Rs. Mn.	482.30	564.55	
Liquid Asset Ratio	64.75%	76.79%	15.00%
Government Securities Rs. Mn.	86.62	75.50	
Government Securities to Average Deposit Ratio	11.79%	10.27%	10.00%
<b>Ratios - Debt</b>			
Debt - to Equity Ratio	1 : 4.99	1 : 5.10	
Interest Cover	1.51	1.74	
Interest Yield as at date of last trade (Debenture)	14.00%	13.77%	
Yield to maturity of trade done (Debenture)	14.00%	13.77%	
Interest rate of comparable government securities	18.80%	12.60%	
The market prices during the period (Debenture) Rs.	100.78	100.49	

The above figures are provisional and subject to audit.

**Note\*\*** In the previous years, for the purpose of Accounting, the Company had written off all outstanding on contracts of which rentals (either capital and/or interest) were in arrears for more than 6 months in preparing financial statements. Commencing from 01st April 2007 provision for Bad & Doubtful debts is made as per Direction No. 3 of 2006 issued by Central Bank of Sri Lanka to Registered Finance Companies, wherein provisioning for Bad & Doubtful is as follows.

- (a) 50% of all advances in arrears for a period of 6 to 12 months and,  
(b) 100% of all advances in arrears for 12 months or more

Increase in Non-performing loans is mainly due to the change in the basis from full provisioning in the prior periods to partial 50% basis with effect from 01st April 2007 in the 6 to 12 months advances category. [(a) above]

## Statement of Changes in Equity

For the six months ended 30th September 2007

	Share capital Rs.	Statutory reserve Rs.	General reserve Rs.	Retained profit Rs.	Total Rs.
Balance as at 01st April 2006	213,472,000	43,593,997	275,696,300	3,867,121	536,629,418
Profit after tax for the period	-	-	-	176,756,261	176,756,261
Effect due to provision for Deferred Tax	-	-	-	(67,903,575)	(67,903,575)
Interim dividend paid	-	-	-	(32,661,216)	(32,661,216)
Balance as at 30th September 2006	<u>213,472,000</u>	<u>43,593,997</u>	<u>275,696,300</u>	<u>80,058,591</u>	<u>612,820,888</u>
Balance as at 1st April 2007	213,472,000	61,025,575	405,696,300	4,306,496	684,500,371
Profit after tax for the period	-	-	-	104,008,228	104,008,228
Interim dividend paid	-	-	-	(31,273,648)	(31,273,648)
Balance as at 30th September 2007	<u>213,472,000</u>	<u>61,025,575</u>	<u>405,696,300</u>	<u>77,041,076</u>	<u>757,234,951</u>

The above figures are provisional and subject to audit.

Figures in brackets indicates deductions.

## Balance Sheet

As at 30th September

	2007 Rs.	2006 Rs.	As at 31.03.2007 Rs.
<b>Assets</b>			
Cash and short term funds	349,890,607	489,054,250	307,212,787
Government of Sri Lanka Treasury bills	86,623,084	75,499,346	80,027,386
Advances and receivables	111,018,389	63,118,430	87,637,614
Dealing securities	14,232,202	4,153,181	12,292,577
Stock out on hire	3,937,539,997	3,494,179,264	3,654,387,369
Trade & other receivables	296,933,099	203,271,964	206,966,755
Seized stock	166,556,357	202,353,762	206,184,541
Investment securities	14,165,755	14,165,755	14,165,755
Deferred expenses	22,548,352	20,578,542	18,268,018
Property, plant and equipment	245,338,427	180,320,529	206,852,625
<b>Total assets</b>	<u>5,244,846,268</u>	<u>4,746,695,023</u>	<u>4,793,995,425</u>
<b>Liabilities</b>			
Accrued expenses	64,807,040	43,793,108	60,558,934
Accounts payables	7,619,867	3,616,447	7,242,235
Trade payables	86,950,545	64,192,396	76,441,608
Commissioner General of Inland Revenue	20,576,771	3,390,497	7,875,358
Rentals received in advance	48,071,252	94,579,453	68,669,963
Deposits	787,890,185	707,077,144	739,661,986
Certificate of deposits	6,219,863	28,098,236	24,687,152
Savings deposits	341,801	-	-
Retirement Benefit Obligation	15,975,969	9,517,209	13,780,292
Deferred taxation	56,365,931	51,488,384	35,100,695
Assets Securitization Funds	2,763,792,094	2,719,121,261	2,566,476,831
Debentures	629,000,000	409,000,000	509,000,000
	<u>4,487,611,318</u>	<u>4,133,874,135</u>	<u>4,109,495,055</u>
<b>Shareholders' Funds</b>			
Share capital	213,472,000	213,472,000	213,472,000
Statutory reserve fund	61,025,575	43,593,997	61,025,575
General reserve	405,696,300	275,696,300	405,696,300
Retained profit	77,041,076	80,058,591	4,306,496
	<u>757,234,951</u>	<u>612,820,888</u>	<u>684,500,371</u>
Total liabilities & shareholders' funds	<u>5,244,846,268</u>	<u>4,746,695,023</u>	<u>4,793,995,425</u>
Net assets per share	35.47	28.71	32.07

Note : Figures in brackets indicates deductions.

The above figures are provisional and subject to audit.

The Board of Directors are responsible for the preparation and presentation of these financial statement.

### Certification

We, the undersigned, being the Directors of the Senkadagala Finance Company Limited, certify jointly the above Financial Statement.

(Sgd) Dr. A. Balasuriya  
Director

Monday, 15th October, 2007  
Kandy

(Sgd) Mrs. L. Fernando  
Director

**Cash Flow Statement**

For the six months ended 30th September

	2007 Rs.	2006 Rs.
<b>Cash flow from operating activities</b>		
Interest and commission receipts	503,510,907	441,435,934
Interest payments	(294,802,902)	(209,386,863)
Recoveries of bad debts	4,799,737	7,563,763
Other income	98,057,445	85,442,672
Operating expenditure	(13,585,956)	(89,821,064)
Cash payments to employees and suppliers	(97,480,279)	(31,239,545)
Operating profit before changes in operating assets	200,498,952	203,994,897
<b>(Increase) / Decrease in operating assets</b>		
Short term funds	(6,595,698)	(3,716,112)
Funds advanced to customers	(321,363,815)	(367,000,941)
Other receivables	(23,380,775)	17,682,200
Deferred expenses	(6,467,400)	(340,974)
Trade debtors	(89,966,344)	18,352,611
Other assets	39,628,184	(105,295,561)
	(408,145,848)	(440,318,777)
<b>Increase / (Decrease) in operating liabilities</b>		
Deposits from customers	30,102,710	48,434,782
Gratuity paid	(1,822,500)	-
Advances received	(20,598,710)	18,504,914
Other liabilities	3,441,834	(19,976,017)
	11,123,334	46,963,679
Net cash from operating activities	(196,523,562)	(189,360,201)
Taxes paid (Value Added Tax)	(3,375,393)	(2,921,460)
	-	-
<b>Net Cash Inflow / (Outflow) from operating activities</b>	(199,898,955)	(192,281,661)
<b>Cash flow from investing activities</b>		
Dividends received	194,849	24,608
Interest received from Treasury Activities	21,127,177	13,607,721
Investment securities acquired during the year	(1,939,625)	(2,000,604)
Purchase of property, plant & equipment	(69,192,240)	(61,718,159)
Proceeds from sale of property, plant & equipment	6,345,000	2,300,000
<b>Net Cash Outflow from investing activities</b>	(43,464,839)	(47,786,434)
<b>Cash flow from financing activities</b>		
Securitization loans obtained	858,033,730	708,542,000
Debentures	120,000,000	60,000,000
Repayment of securitization loans	(660,718,467)	(388,014,760)
Dividends paid	(31,273,648)	(32,661,216)
<b>Net cash flow from financing activities</b>	286,041,615	347,866,024

**Cash Flow Statement (contd.)**

For the six months ended 30th September

	2007 Rs.	2006 Rs.
Net Increase/ (Decrease) in cash & cash equivalents	42,677,820	107,797,929
Cash & cash equivalents at the beginning of the period	307,212,787	381,256,321
Cash & cash equivalents at the end of the period	349,890,607	489,054,250
<b>Reconciliation of cash &amp; cash equivalents</b>		
Cash & short term funds	349,890,607	489,054,250
	349,890,607	489,054,250
<b>Reconciliation of operating profit</b>		
Profit before taxation	151,414,904	151,142,903
Dividends	(194,849)	(24,608)
Loan losses and provisions	38,211,187	41,205,204
Value Added Tax on financial services	1,628,205	2,921,460
Depreciation	27,034,205	19,516,128
Provision for gratuity	4,018,178	1,363,815
Investment income	(21,127,177)	(13,607,721)
Profit on disposal of motor vehicles	(2,672,767)	(655,869)
Amortization of structural fees	2,187,065	2,133,585
Cash flows from operating activities before changes in operating assets	200,498,952	203,994,897

The above figures are provisional and subject to audit.

Figures in brackets indicates deductions.



**Financial Institution Ratings :**

Long-term: A<sub>3</sub> (Assigned)  
Short-term: L2 (Assigned)



**Fitch Ratings Lanka :**  
BBB+(lka)

## Corporate Information

### Name of Company

Senkadagala Finance Company Limited

### Legal Status

\* Unquoted Public Limited Liability Company  
incorporated on 29th December 1968

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

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

\* Approved Credit Agency under the Mortgage Act  
No. 6 of 1949 and the Trust Receipt Ordinance No.  
12 of 1947

### Date of Incorporation

29th December 1968

### Board of Directors

Mr. Edmund Wijenayake Balasuriya  
Dr. Asoka Balasuriya - B.Sc.(Lond.), Ph.D.(Lond.)  
Mr. Lakshman Balasuriya - B.Sc.(Lond.),  
M.Sc. (Lancaster)  
Mr. Rohan Balasuriya - B.Sc. (E.Ang.), M.Sc.(E.Ang.)  
Dr. Mahendra Balasuriya - B.V. Sc.  
Mrs. Lakshmi Fernando - B.Sc. (Hons.)  
Dr. Gayatri Madan Mohan - M.B.B.S.

### Company Registration Number

PVS 2834

### Registered Office

No. 12, Kotugodella Veediya, Kandy  
Tel: 081-2201201

### Web Site

www.senfin.com

### Branches

#### Anuradhapura

No. 561, 30, Priman Mawatha, Anuradhapura  
Tel: 025-2237969

#### Colombo

No. 267, Galle Road, Colombo 3  
Tel: 011-2301301

#### Galle

No. 70A 1/1, Colombo Road, Kaluwella, Galle  
Tel: 091-2248111

#### Gampaha

No. 560 A, Brandiyamulla, Colombo Road, Gampaha  
Tel: 033-2233555

#### Katugastota

No. 437/B, 1st & 2nd Floors, Katugastota Road, Kandy  
Tel: 081-2213860

#### Kegalle

No. 263, Colombo Road, Kegalle  
Tel: 035-2221277

#### Kelaniya

No. 457, Kandy Road, Dalugama, Kelaniya  
Tel: 011-2914714

#### Kurunegala

No. 34, Kandy Road, Kurunegala  
Tel: 037-2220402

#### Matara

No. 306, New Tangalle Road, Matara  
Tel: 041-2233891

#### Matale

No. 97, 97A, Kings Street, Matale  
Tel: 066-2222954

#### Mount Lavinia

No. 246 1/1, Galle Road, Ratmalana South, Mt. Lavinia  
Tel: 011-2715001

#### Negombo

No. 149, Rajapaksha Broadway, Negombo  
Tel: 031-2223456

#### Nugegoda

No. 86, Nawala Road, Nugegoda  
Tel: 011-2856600

#### Nuwara Eliya

No. 26, Upper Lake Road, Nuwara Eliya  
Tel: 052-2224123

#### Panadura

No. 229 1/1, Galle Road, Panadura  
Tel: 038-2243990

#### Puttalam

Nos. 1, 2, 3, 4 (Upstair), Kurunegala Road, Puttalam  
Tel: 032-2266783

#### Ratnapura

No. 19, Kudugalawatte, Ratnapura  
Tel: 045-2226890

#### Wattala

No. 158, Negombo Road, Wattala  
Tel: 011-2949611

#### Wennappuwa

No. 272, Chilaw Road, Wennappuwa  
Tel: 031-2245266

### Secretaries

Secretaries and Registrars Limited  
No. 35, Silverdale Building,  
Yatinuwara Veediya, Kandy

### Auditors

KPMG Ford, Rhodes, Thornton & Co.  
*Chartered Accountants*  
No. 35, Silverdale Building,  
Yatinuwara Veediya, Kandy

### Legal Consultants

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

### Internal Auditors

MSL Management Audit Services (Pvt) Ltd.  
No. 25, Peradeniya Road, Kandy

### Bankers

Commercial Bank Limited  
Hatton National Bank Limited  
Sampath Bank Limited