



# Senkadagala Finance PLC

**Interim Financial Statement for the nine months ended  
31<sup>st</sup> December 2011**



**Fitch Rating Lanka Limited:  
BBB+(lka)**

## *Income Statement*

*For the three months ended 31st December*

	<b>2011</b>	<b>2010</b>
	<b>Rs</b>	<b>Rs</b>
<b>Income</b>	<b><u>540,902,098</u></b>	<b><u>422,572,068</u></b>
Interest income	482,609,486	371,029,874
Interest expense	(205,357,240)	(165,428,277)
Net interest income	<u>277,252,246</u>	<u>205,601,597</u>
Other operating income	58,292,612	51,542,194
<b>Net income from operations</b>	<b><u>335,544,858</u></b>	<b><u>257,143,792</u></b>
<b>Operating expenses</b>		
Personnel cost	(41,547,908)	(32,911,405)
Depreciation of property, plant and equipment	(23,510,595)	(18,391,117)
Amortization of intangible assets	(1,716,318)	(1,716,318)
Directors' emoluments	(3,965,625)	(1,092,250)
Other operating expenses	(86,021,364)	(84,522,554)
	<u>(156,761,810)</u>	<u>(138,633,644)</u>
<b>Operating profit before taxation and possible loan losses</b>	<b>178,783,048</b>	<b>118,510,148</b>
Loan losses and provisions	(247,635)	1,548,134
<b>Operating profit before VAT on Financial Services and Income tax</b>	<b><u>178,535,413</u></b>	<b><u>120,058,282</u></b>
Value Added Tax on Financial Services	(14,608,200)	(21,592,637)
<b>Profit before Income tax</b>	<b><u>163,927,213</u></b>	<b><u>98,465,645</u></b>
Income tax expense	(18,089,842)	(27,791,248)
<b>Profit for the period</b>	<b><u>145,837,371</u></b>	<b><u>70,674,397</u></b>
Earnings per share	2.73	1.32

*Figures in brackets indicate deductions.*

*The above figures are provisional and subject to audit.*

## *Income Statement*

*For the nine months ended 31st December*

	<b>2011</b>	<b>2010</b>
	<b>Rs</b>	<b>Rs</b>
<b>Income</b>	<b><u>1,494,341,859</u></b>	<b><u>1,230,189,990</u></b>
Interest income	1,320,340,561	1,111,125,355
Interest expense	<u>(561,400,893)</u>	<u>(515,504,440)</u>
Net interest income	758,939,668	595,620,915
Other operating income	<u>174,001,298</u>	<u>119,064,635</u>
<b>Net income from operations</b>	<b><u>932,940,966</u></b>	<b><u>714,685,551</u></b>
<b>Operating expenses</b>		
Personnel cost	(116,599,200)	(100,329,034)
Depreciation of property, plant and equipment	(65,324,366)	(54,966,185)
Amortization of intangible assets	(5,148,953)	(5,141,435)
Directors' emoluments	(11,953,750)	(2,809,250)
Other operating expenses	<u>(212,192,041)</u>	<u>(208,659,490)</u>
	<u>(411,218,310)</u>	<u>(371,905,394)</u>
<b>Operating profit before taxation and possible loan losses</b>	<b>521,722,656</b>	<b>342,780,157</b>
Loan losses and provisions	<u>(10,983,025)</u>	<u>(10,734,605)</u>
<b>Operating profit before VAT on Financial Services and Income tax</b>	<b>510,739,631</b>	<b>332,045,552</b>
Value Added Tax on Financial Services	<u>(45,108,099)</u>	<u>(63,035,943)</u>
<b>Profit before Income tax</b>	<b>465,631,532</b>	<b>269,009,609</b>
Income tax expense	<u>(81,688,116)</u>	<u>(98,702,753)</u>
<b>Profit for the period</b>	<b><u>383,943,416</u></b>	<b><u>170,306,856</u></b>
Earnings per share	7.19	3.19
Dividend per share	0.91	0.46

*Figures in brackets indicate deductions.*

*The above figures are provisional and subject to audit.*

## *Balance Sheet*

<i>As at</i>	<b>31.12.2011</b>	<b>31.03.2011</b>	<b>31.12.2010</b>
	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>
		<i>Restated</i>	<i>Restated</i>
<b>Assets</b>			
Cash and short term funds	973,764,357	419,137,459	230,677,334
Government of Sri Lanka Treasury bills	277,209,572	198,509,828	175,061,347
Fixed deposits	-	-	150,591,781
Dealing securities	49,710,208	48,344,770	17,694,467
Investment securities	14,165,755	14,165,755	14,165,755
Loans and advances	7,788,438,552	5,401,847,202	4,868,391,933
Trade and other receivables	380,931,565	323,843,954	325,540,223
Advances and receivables	54,503,166	48,662,155	64,568,908
Deferred expenses	19,119,043	4,133,281	4,869,979
Property, plant and equipment	489,556,424	396,504,943	354,249,957
Intangible assets	28,314,677	33,463,630	35,179,948
<b>Total assets</b>	<b>10,075,713,320</b>	<b>6,888,612,978</b>	<b>6,240,991,632</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposits from customers	2,556,575,278	2,392,741,865	2,284,042,156
Bank overdraft	34,016,439	28,982,674	16,164,626
Securitized loans	3,821,441,178	1,414,764,929	1,122,557,842
Accrued expenses	96,863,425	124,724,575	98,437,290
Accounts payable	22,804,958	21,422,509	17,498,946
Trade payables	276,858,765	247,722,022	167,353,824
Current tax liabilities	69,821,009	80,733,542	99,860,035
Rentals received in advance	51,837,172	37,325,772	38,486,779
Retirement benefit obligation	25,608,861	22,564,095	20,587,653
Debentures	1,610,000,000	1,330,000,000	1,270,000,000
Deferred taxation	90,436,610	103,559,908	67,810,324
	<b>8,656,263,695</b>	<b>5,804,541,892</b>	<b>5,202,799,476</b>
<b>Shareholders' Funds</b>			
Stated capital (53,368,000 fully paid ordinary shares issued)	533,680,000	533,680,000	533,680,000
Statutory reserve fund	100,036,033	100,036,033	86,536,033
General reserve	462,810,392	462,810,392	317,810,392
Investment fund reserve account	76,072,562	16,751,605	-
Retained profit	246,850,638	(29,206,944)	100,165,731
	<b>1,419,449,625</b>	<b>1,084,071,086</b>	<b>1,038,192,156</b>
<b>Total liabilities and shareholders' funds</b>	<b>10,075,713,320</b>	<b>6,888,612,978</b>	<b>6,240,991,632</b>
Net assets per share	26.60	20.31	19.45

*The above figures are provisional and subject to audit.*

I certify that the financial statements of the Company have been prepared in compliance with the requirements of the Companies Act, No. 7 of 2007.

Sgn  
T K Aturupana  
*Assistant General Manager - Accounts*

The board of directors is responsible for the preparation and presentation of these financial statements.  
Approved and signed for and on behalf of the board

Sgn  
C. L. de Alwis  
*Chairman*

Sgn  
L Balasuriya  
*Managing Director*

*Colombo, Sri Lanka*  
*Thursday, 5th January 2012*

## *Statement of Cash Flow*

<i>For the nine months ended 31st December</i>	<b>2011</b>	<b>2010</b>
	<b>Rs</b>	<b>Rs</b>
<b>Cash flow from operating activities</b>		
Interest and commission receipts	1,320,340,561	1,111,125,355
Interest payments	(561,400,893)	(515,504,440)
Bad debts recovered	30,397,268	26,119,233
Other operating income	110,597,430	76,520,318
Operating expenditure	(101,242,010)	(102,713,276)
Cash payments to employees and suppliers	(276,823,412)	(273,319,837)
<b><i>Operating profit before changes in operating assets and liabilities (Note A)</i></b>	<b>521,868,944</b>	<b>322,227,353</b>
<b>(Increase) / Decrease in operating assets</b>		
Investments in Government securities	(78,699,744)	(11,869,194)
Funds advanced to customers	(2,383,454,398)	(472,592,411)
Advances and receivables	(5,841,011)	(13,007,884)
Deferred expenses	(33,599,891)	-
Trade and other receivables	(57,087,609)	(20,068,230)
	<b>(2,558,682,653)</b>	<b>(517,537,719)</b>
<b>Increase / (Decrease) in operating liabilities</b>		
Deposits from customers	163,833,413	189,564,497
Gratuity paid	(248,750)	(337,500)
Rentals received in advance	14,511,400	17,786,980
Other liabilities	2,162,454	59,560,983
	<b>180,258,517</b>	<b>266,574,960</b>
<b>Net cash generated from operating activities before income tax</b>	<b>(1,856,555,192)</b>	<b>71,264,594</b>
Taxes paid	(105,723,946)	(33,569,820)
<b><i>Net cash generated from operating activities</i></b>	<b>(1,962,279,138)</b>	<b>37,694,774</b>
<b>Cash flow from investing activities</b>		
Dividend receipts	1,322,107	806,574
Purchase of dealing securities	(1,365,438)	-
Purchase of property, plant and equipment	(172,609,354)	(40,245,941)
Purchase of intangible assets	-	(763,481)
Proceeds from sale of property, plant and equipment	45,918,000	29,747,996
<b><i>Net cash used in investing activities</i></b>	<b>(126,734,685)</b>	<b>(10,454,852)</b>
<b>Cash flow from financing activities</b>		
Securitised loans obtained	3,244,600,000	510,910,000
Unlisted debentures issued	439,000,000	180,000,000
Repayment of securitised loans	(837,923,751)	(816,733,758)
Redemption of unlisted debenture	(159,000,000)	-
Dividends paid	(48,069,293)	(24,298,762)
<b><i>Net cash used in financing activities</i></b>	<b>2,638,606,956</b>	<b>(300,714,301)</b>

***Statement of Cash Flow (contd.)***

<b><i>For the nine months ended 31st December</i></b>	<b>2011</b>	<b>2010</b>
	<b>Rs</b>	<b>Rs</b>
Net Increase/ (Decrease) in cash and cash equivalents	549,593,133	(273,474,378)
Cash and cash equivalents at the beginning of the period	390,154,785	487,987,086
Cash and cash equivalents at the end of the period	<b>939,747,918</b>	<b>214,512,708</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and short term funds	973,764,357	230,677,334
Bank overdraft	(34,016,439)	(16,164,626)
	<b>939,747,918</b>	<b>214,512,708</b>
<b>(Note A)</b>		
<b>Reconciliation of operating profit</b>		
Profit before income tax	465,631,532	269,009,608
Dividends	(1,322,107)	(806,574)
Specific provision for bad debts	2,605,026	19,413,593
Loans written-off	2,000,872	-
Reversal of specific provision on repossessed stocks	(7,742,850)	(15,694,495)
Depreciation	70,473,319	60,107,620
Provision for retiring gratuity	3,293,516	3,293,516
Profit on disposal of motor vehicles	(31,684,493)	(15,618,510)
Amortization of structural fees	18,614,129	2,522,595
<b><i>Cash flows from operating activities before changes in operating assets</i></b>	<b>521,868,944</b>	<b>322,227,353</b>

*Figures in brackets indicate deductions.*

*The above figures are provisional and subject to audit*

## Statement of Changes in Equity

For the nine months ended 31st December 2011

	Stated capital	Statutory reserve fund	General reserve	Investment fund reserve account	Retained profit	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Balance as at 1st April 2010 restated	213,472,000	86,536,033	638,018,392	-	(45,591,844)	892,434,580
Profit for the period	-	-	-	-	170,306,856	170,306,856
Issue of bonus shares	320,208,000	-	(320,208,000)	-	-	-
Dividend paid	-	-	-	-	(24,549,280)	(24,549,280)
Balance as at 31st December 2010	<u>533,680,000</u>	<u>86,536,033</u>	<u>317,810,392</u>	<u>-</u>	<u>100,165,732</u>	<u>1,038,192,156</u>
Balance as at 1st April 2010 (As reported)	533,680,000	100,036,033	462,810,392	16,751,605	1,763,850	1,115,041,880
Prior year adjustment (Note A)	-	-	-	-	(30,970,791)	(30,970,791)
Balance as at 1st April 2011	533,680,000	100,036,033	462,810,392	16,751,605	(29,206,941)	1,084,071,089
Profit for the period	-	-	-	-	383,943,416	383,943,416
Transfers to reserves	-	-	-	59,320,957	(59,320,957)	-
Dividend paid	-	-	-	-	(48,564,880)	(48,564,880)
Balance as at 31st December 2011	<u>533,680,000</u>	<u>100,036,033</u>	<u>462,810,392</u>	<u>76,072,562</u>	<u>246,850,638</u>	<u>1,419,449,625</u>

### Note A

The under provision of deferred tax liability amounting to Rs.30,970,793 relating to the year ended 31st March, 2011, arising out of the erroneous application of timing differences for motor cars, has been adjusted retrospectively in accordance with Sri Lanka Accounting Standards 10 - Accounting Policies, Changes in Accounting Estimates and Errors (Revised 2005).

*Figures in brackets indicate deductions*

*The above figures are provisional and subject to audit*



## Segment Information

For the nine months ended 31st December 2011

	Leasing		Hire Purchases		Other Advances		Investments / Property		Insurance		Unallocated		Total	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>Revenue</b>														
Interest	372,924,376	165,146,790	760,910,496	749,989,619	26,065,769	33,769,636	45,954,188	51,645,370	-	-	-	-	1,205,854,829	1,000,551,415
Commissions	-	-	-	-	-	-	-	-	51,357,167	41,097,922	-	-	51,357,167	41,097,922
Rent	-	-	-	-	-	-	1,440,000	1,440,000	-	-	-	-	1,440,000	1,440,000
Dividends	-	-	-	-	-	-	1,322,107	806,574	-	-	-	-	1,322,107	806,574
Other income	-	-	-	-	-	-	32,760,080	15,618,510	-	-	201,607,676	170,675,569	234,367,756	186,294,079
Total revenue	<u>372,924,376</u>	<u>165,146,790</u>	<u>760,910,496</u>	<u>749,989,619</u>	<u>26,065,769</u>	<u>33,769,636</u>	<u>81,476,375</u>	<u>69,510,454</u>	<u>51,357,167</u>	<u>41,097,922</u>	<u>201,607,676</u>	<u>170,675,569</u>	<u>1,494,341,859</u>	<u>1,230,189,991</u>
Profit before tax													465,631,532	269,009,609
Taxation													(81,688,116)	(98,702,753)
Profit after tax													<u>383,943,416</u>	<u>170,306,856</u>
Segment Assets	<u>3,511,253,146</u>	<u>1,463,352,985</u>	<u>4,148,565,610</u>	<u>3,780,333,950</u>	<u>128,619,796</u>	<u>158,160,267</u>	<u>1,841,558,995</u>	<u>1,112,639,537</u>	-	-	<u>445,715,772</u>	<u>374,126,238</u>	<u>10,075,713,320</u>	<u>6,888,612,978</u>
Segment Liabilities	<u>2,237,121,263</u>	<u>806,162,522</u>	<u>4,564,595,826</u>	<u>3,661,067,362</u>	<u>156,364,909</u>	<u>164,846,165</u>	<u>488,765,398</u>	<u>339,314,636</u>	-	-	<u>1,209,416,299</u>	<u>833,151,207</u>	<u>8,656,263,695</u>	<u>5,804,541,892</u>

### *Performance indicators*

<i>As at 31st December</i>	<b>2011</b>	<b>2010</b>	<b>MINIMUM STATUTORY REQUIREMENT</b>
<b>Capital Adequacy</b>			
Core Capital (Tier 1) Rs. mn.	1,419.45	1,038.19	
Total Capital Base (Tier 2) Rs. mn.	1,419.45	1,038.19	
Core Capital Ratio.	16.0%	18.3%	5%
Total Capital Ratio.	16.0%	18.3%	10%
Capital Funds to Total Deposit Ratio	56.7%	45.5%	10%
<b>Asset Quality</b>			
Total Advances Rs. mn.	8,153.89	5,143.10	
Gross Non-Performing Advances Rs. Mn.	124.44	172.35	
Net Non-Performing Advances Rs. Mn.	39.29	121.83	
Gross Non-Performing Advances Ratio	1.53%	3.35%	
Net Non-Performing Advances Ratio	0.48%	2.37%	
<b>Profitability</b>			
Net Interest Margin	14.7%	16.2%	
Return on Average Assets	6.0%	3.7%	
Return on Equity	40.9%	23.5%	
<b>Liquidity</b>			
Total Liquid Assets Rs. Mn.	1,250.97	556.33	
Liquid Assets Ratio	52.15%	25.25%	10%
Government Securities Rs. Mn.	209.54	175.06	
Government Securities to Average Deposits Ratio	8.56%	8.00%	7.5%
<b>Debt</b>			
Debt-to-Equity Ratio	3.78 : 1	2.30 : 1	
Interest Cover	1.91	1.64	

*The above figures are provisional and subject to audit.*

## Notes to the Financial Statements

- 1 The interim financial statements of the Company have been prepared on the basis of the same accounting policies and methods of computation applied in the year ended 31st March 2011 and are in accordance with Sri Lanka Accounting Standards. The interim financial statements are prepared in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.
- 2 There were no material changes in the composition of assets, liabilities, contingent liabilities and the use of funds raised through debentures during the quarter.
- 3 All known expenses have been provided for in these financial statements.
- 4 The Company paid the recommended Rs 0.38 per share for the year ended 31st March 2011. The total dividend payment amounted to Rs. 20,279,840/- on 30th September 2011. Further the Company paid Rs. 0.53 per share for the first quarter ended 30th June 2011 amounting to Rs. 28,285,040/- on 16th December 2011.

### 5 *Debenture Information*

- 5.1 During this period, the Company raised Rs. 180 million by an issue of privately placed 5-year unsecured redeemable debentures. The Company redeemed unlisted debentures to the value Rs. 100 million and reinvested Rs. 59 million from the matured debentures during the period under review. Further the Company raised Rs. 200 million by an issue of rated unlisted 3-year unsecured redeemable debentures during the period. The funds raised were mainly utilised for working capital requirements of the company.

### 6 *Share information*

- 6.1 Directors' shareholdings (including the CEO's shareholding)

The number of shares held by the board of directors is as follows

	As at 31.12.2011
1. Dr. A. Balasuriya	3,065,832
2. Mr. R. Balasuriya	3,065,832
3. Mr. M. Balasuriya	3,065,832
4. Dr. (Mrs.) G. Madan Mohan	3,065,832
5. Mrs. L. Fernando	2,570,002
6. Mr. L. Balasuriya & Ms. A. S. Balasuriya	1,532,916
7. Mr. L. Balasuriya & Mr. S. K. Balasuriya	1,532,916
8. Mr. L. Balasuriya - The Trustee of the Capitalization Issue	4
9. Mr. S. K. Wickremesinghe	Nil
10. Mr. W. A. T. Fernando	Nil

- 6.2 Stated Capital

Stated capital is represented by the number of shares in issue as set out below:

As at	31.12.2011	31.03.2011	31.12.2010
Ordinary shares	53,368,000	53,368,000	53,368,000

## Notes to the Financial Statements

6.3 The 20 largest shareholders of the company as at 31st December 2011 are as follows:

Shareholder	Number of Shares	%
1. E. W. Balasuriya & Co. (Pvt) Limited	30,088,050	56.38
2. Hallsville Trading Group Inc.	4,080,000	7.65
3. Dr. (Mrs.) G. Madan Mohan	3,065,832	5.74
4. Dr. A. Balasuriya	3,065,832	5.74
5. Mr. R. Balasuriya	3,065,832	5.74
6. Mr. M. Balasuriya	3,065,832	5.74
7. Mrs. L. Fernando	2,570,002	4.82
8. Mr. L. Balasuriya & Ms. A. S. Balasuriya	1,532,916	2.87
9. Mr. L. Balasuriya & Mr. K. S. Balasuriya	1,532,916	2.87
10. Mr. D. K. C. R. Fernando	495,830	0.93
11. Mrs. S. Thaha	389,000	0.73
12. Mrs. C. Fernando	155,600	0.29
13. Estate of the late Mr. D. G. K. Hewamallika	155,600	0.29
14. Mr. E. W. Balasuriya	41,660	0.08
15. Mr. M. M. Ariyaratne	22,400	0.04
16. Mr. P. P. K. Ikiriwatte	12,502	0.02
17. Mr. J. K. Jayatileke	12,492	0.02
18. Ms. R. Dullewe	6,100	0.01
19. Mr. C. Y. Ching	4,800	0.01
20. Ms. S. I. A. Ching	4,800	0.01
	<b>53,367,996</b>	<b>100</b>

6.4 The percentage of shares held by the public on 31st December 2011 was 10.08% (2010 - 0%).

6.5 Information on Ratios, Market Prices and Credit Rating.

	31.12.2011	31.10.2010
Dividend per Share (Rs.)	0.91	0.46
Net Assets per Share (Rs.)	26.60	19.45
Market Prices		
- Highest price	Not traded	-
- Lowest price	Not traded	-
- Last traded price	Not traded	-

The company has been affirmed a long - term rating of BBB+ (lka) with a stable outlook by Fitch Ratings Lanka Limited.

7 There have been no other events subsequent to the Balance Sheet date, which require disclosure in the Interim Financial Statement.