



SFC

Senkadagala Finance Company PLC



**Interim Financial Statement for the three months ended
30th June 2011**



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

Income Statement

For the three months ended 30th June

	2011	2010
	Rs	Rs
Income	450,839,567	399,862,557
Interest income	398,192,903	368,494,899
Interest expense	(168,506,206)	(175,316,053)
Net interest income	229,686,697	193,178,846
Other operating income	52,646,664	31,367,658
Net income from operations	282,333,361	224,546,504
Operating expenses		
Personnel cost	(35,014,303)	(31,479,756)
Depreciation of property, plant and equipment	(20,278,706)	(18,194,071)
Amortization of intangible assets	(1,716,318)	(1,708,770)
Directors' emoluments	(3,999,750)	(884,750)
Other operating expenses	(59,420,428)	(59,596,711)
	(120,429,504)	(111,864,058)
Operating profit before taxation and possible losses	161,903,857	112,682,446
Loan losses and provisions	(4,749,389)	(786,736)
Operating profit before VAT on Financial Services and income tax	157,154,468	111,895,710
Value Added Tax on Financial Services	(14,589,325)	(26,301,409)
Profit before income tax	142,565,143	85,594,301
Income tax expense	(37,807,191)	(40,325,274)
Profit for the period	104,757,952	45,269,027
Earnings per share	1.96	0.85

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit.

Balance Sheet

<i>As at</i>	30.06.2011	31.03.2011	<i>Restated</i> 30.06.2010
	Rs	Rs	Rs
Assets			
Cash and short term funds	471,799,940	419,137,459	612,228,626
Government of Sri Lanka Treasury bills	202,160,369	198,509,828	167,652,917
Fixed deposits	-	-	200,542,466
Dealing securities	48,829,358	48,344,770	26,055,836
Investment securities	14,165,755	14,165,755	14,165,755
Loans and advances	6,087,748,784	5,401,847,202	4,438,760,677
Trade and other receivables	357,240,852	323,843,954	336,990,676
Advances and receivables	66,731,300	48,662,155	56,100,261
Deferred expenses	6,454,755	4,133,281	6,468,375
Property, plant and equipment	440,467,372	396,504,943	379,664,172
Intangible assets	31,747,312	33,463,630	38,612,612
Total assets	<u>7,727,345,798</u>	<u>6,888,612,978</u>	<u>6,277,242,374</u>
Liabilities and equity			
Liabilities			
Deposits from customers	2,421,434,402	2,392,741,865	2,217,073,878
Bank overdraft	15,618,681	28,982,674	34,563,159
Securitized loans	2,053,759,794	1,414,764,929	1,523,214,578
Accrued expenses	93,706,899	124,724,575	78,657,249
Accounts payable	22,658,042	21,422,509	13,703,983
Trade payables	271,784,167	247,722,022	118,948,480
Current tax liabilities	99,994,918	80,733,542	59,900,734
Rental received in advance	42,087,238	37,325,772	34,482,614
Retirement benefit obligation	23,573,184	22,564,095	18,391,976
Debentures	1,390,000,000	1,330,000,000	1,150,000,000
Deferred taxation	72,928,642	72,589,114	78,137,099
	<u>6,507,545,966</u>	<u>5,773,571,098</u>	<u>5,327,073,750</u>
Shareholders' Funds			
Stated capital (53,368,000 fully paid ordinary shares issued)	533,680,000	533,680,000	213,472,000
Statutory reserve fund	100,036,033	100,036,033	86,536,033
General reserve	462,810,392	462,810,392	638,018,392
Investment fund reserve account	31,493,464	16,751,605	-
Retained profit	91,779,943	1,763,850	12,142,199
	<u>1,219,799,832</u>	<u>1,115,041,880</u>	<u>950,168,624</u>
Total liabilities and shareholders' funds	<u>7,727,345,798</u>	<u>6,888,612,978</u>	<u>6,277,242,374</u>
Net assets per share	22.86	20.89	17.80

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.

Lalith J de Alwis
Deputy Chief Executive Officer

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

S K Wickremesinghe
Chairman

Dr. A Balasuriya
Director

Colombo, Sri Lanka
Wendsday, 27th July 2011

Statement of Cash Flow

<i>For the three months ended 30th June</i>	2011	2010
	Rs	Rs
Cash flow from operating activities		
Interest and commission receipts	398,192,903	368,494,899
Interest payments	(168,506,206)	(175,316,053)
Bad debts recovered	10,287,915	4,970,786
Other operating income	35,364,318	21,271,970
Operating expenditure	(27,197,574)	(37,513,330)
Cash payments to employees and suppliers	(84,468,822)	(81,964,675)
<i>Operating profit before changes in operating assets and liabilities (Note A)</i>	163,672,534	99,943,597
(Increase) / Decrease in operating assets		
Investments in Government securities	(3,650,541)	(4,460,764)
Funds advanced to customers	(689,062,647)	(36,791,377)
Advances and receivables	(18,069,145)	(2,545,128)
Deferred expenses	(4,169,369)	-
Trade and other receivables	(33,396,898)	(31,518,683)
	<u>(748,348,600)</u>	<u>(75,315,952)</u>
Increase / (Decrease) in operating liabilities		
Deposits from customers	28,692,537	122,596,219
Gratuity paid	(88,750)	(337,500)
Rental received in advance	4,761,466	13,782,815
Other liabilities	(5,719,998)	(7,579,755)
	<u>27,645,255</u>	<u>128,461,779</u>
Net cash generated from operating activities before income tax	(557,030,811)	153,089,424
Taxes paid	(18,206,289)	(4,824,867)
<i>Net cash generated from operating activities</i>	<u>(575,237,100)</u>	<u>148,264,558</u>
Cash flow from investing activities		
Dividend receipts	825,284	286,228
Purchase of dealing securities	(484,588)	(2,479,554)
Purchase of property, plant and equipment	(66,909,220)	(19,184,882)
Purchase of intangible assets	-	(763,481)
Proceeds from sale of property, plant and equipment	8,837,232	9,265,000
<i>Net cash used in investing activities</i>	<u>(57,731,292)</u>	<u>(12,876,688)</u>
Cash flow from financing activities		
Securitised loans obtained	839,900,000	376,500,000
Unlisted debentures issued	60,000,000	60,000,000
Repayment of securitised loans	(200,905,135)	(281,667,022)
Investment in fixed deposits	-	(200,542,466)
<i>Net cash used in financing activities</i>	<u>698,994,865</u>	<u>(45,709,488)</u>

Statement of Cash Flow (contd.)

<i>For the three months ended 30th June</i>	2011	2010
	Rs	Rs
Net Increase/ (Decrease) in cash and cash equivalents	66,026,474	89,678,381
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	<u>456,181,259</u>	<u>577,665,467</u>
Reconciliation of cash and cash equivalents		
Cash and short term funds	471,799,940	612,228,626
Bank overdraft	(15,618,681)	(34,563,159)
	<u>456,181,259</u>	<u>577,665,467</u>
(Note A)		
Reconciliation of operating profit		
Profit before income tax	142,565,143	85,594,301
Dividends	(825,284)	(286,228)
Specific provision for bad debts	2,577,273	3,887,771
General provision for bad debts	-	-
Loans written-off	2,147,812	-
Reversal of specific provision for repossessed stock	(1,564,020)	(6,338,451)
Depreciation	21,995,023	19,902,841
Provision for retiring gratuity	1,097,839	1,097,839
Profit on disposal of motor vehicles	(6,169,147)	(4,838,674)
Amortization of structural fees	1,847,895	924,198
<i>Cash flows from operating activities before changes in operating assets</i>	<u>163,672,534</u>	<u>99,943,597</u>

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit

Statement of Changes in Equity

For the three months ended 30th June 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	-	(33,126,827)	904,899,598
Profit for the period	-	-	-	-	45,269,027	45,269,027
Transfer to reserve	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Balance as at 30th June 2010	<u>213,472,000</u>	<u>86,536,033</u>	<u>638,018,392</u>	<u>-</u>	<u>12,142,199</u>	<u>950,168,624</u>
Balance as at 1st April 2011	533,680,000	100,036,033	462,810,392	16,751,605	1,763,850	1,115,041,880
Profit for the period	-	-	-	-	104,757,952	104,757,952
Transfers to reserves	-	-	-	14,741,859	(14,741,859)	-
Dividend paid	-	-	-	-	-	-
Balance as at 30th June 2011	<u>533,680,000</u>	<u>100,036,033</u>	<u>462,810,392</u>	<u>31,493,464</u>	<u>91,779,943</u>	<u>1,219,799,832</u>

Figures in brackets indicate deductions

The above figures are provisional and subject to audit

Performance indicators

<i>As at 30th June</i>	2011	2010	MINIMUM STATUTORY REQUIREMENT
Capital Adequacy			
Core Capital (Tier 1) Rs. mn.	1,188.31	950.17	
Total Capital Base (Tier 2) Rs. mn.	1,188.31	950.17	
Core Capital Ratio.	16.9%	18.1%	5%
Total Capital Ratio.	16.9%	18.1%	10%
Capital Funds to Total Deposit Ratio	49.1%	42.9%	10%
Asset Quality			
Total Advances Rs. mn.	6,444.99	4,775.75	
Gross Non-Performing Advances Rs. Mn.	59.59	43.81	
Net Non-Performing Advances Rs. Mn.	4.84	8.81	
Gross Non-Performing Advances Ratio	0.92%	0.92%	
Net Non-Performing Advances Ratio	0.08%	0.18%	
Profitability			
Net Interest Margin	15.3%	16.4%	
Return on Average Assets	5.7%	3.0%	
Return on Equity	35.9%	19.5%	
Liquidity			
Total Liquid Assets (not under lien) Rs. Mn.	673.96	980.42	
Liquid Asset Ratio	28.93%	45.69%	10%
Government Securities Rs. Mn.	202.16	167.65	
Government Securities to Average Deposits Ratio	8.40%	7.78%	7.5%
Debt			
Debt-to-Equity Ratio	2.82 : 1	2.81 : 1	
Interest Cover	1.93	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 During this period, the Company raised Rs. 60 million by an issue of privately placed 5-year unsecured redeemable debentures. The funds raised were mainly utilised for working capital requirements of the Company.

5 Share information

5.1 Directors' share holdings

The number of shares held by the Board of directors are as follows

	As at 30.06.2011
1. Mr. L. Balasuriya	3,065,832
2. Dr. A. Balasuriya	3,065,832
3. Mr. R. Balasuriya	3,065,832
4. Mr. M. Balasuriya	3,065,832
5. Dr. (Mrs.) G. Madan Mohan	3,065,832
6. Mrs. L. Fernando	2,570,002
7. Mr. S. K. Wickremesinghe	Nil
8. Mr. L. G. D. C. L. S. Herath	Nil
9. Mr. W. A. T. Fernando	Nil

5.2 Stated Capital

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

As at	30.06.2011	31.03.2011	30.06.2010
Ordinary shares	53,368,000	53,368,000	21,347,200

Notes to the Financial Statements

5.3 Net assets per share

Net assets per share has been calculated, for all periods, based on the number of shares in issue as at 30th June 2011

5.4 Ten largest shareholders of the company as at 30th June 2011 are as follows:

Shareholder	Number of Shares	%
1 . E.W. Balasuriya & Co. (Pvt) Limited	30,088,050	56.38
2 . Mr. L. Balasuriya	3,065,832	5.74
3 . Dr. A. Balasuriya	3,065,832	5.74
4 . Mr. R. Balasuriya	3,065,832	5.74
5 . Mr. M. Balasuriya	3,065,832	5.74
6 . Dr. (Mrs.) G. Madan Mohan	3,065,832	5.74
7 . Mrs. L. Fernando	2,570,002	4.82
8 . Hallsville Trading Group Inc.	2,000,000	3.75
9 . Mr. P. P. K. Ikiriwatte	1,052,502	1.97
10. Mr. J. K. Jayatileke	1,052,492	1.97

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