



# Senkadagala Finance PLC

**Interim Financial Statement for the period ended  
30<sup>th</sup> June 2012**



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

## *Income Statement*

*For the three month period ended 30th June*

	<b>2012</b>	<b>2011</b>
	<b>Rs</b>	<b>Rs</b>
<b>Income</b>	<b>677,852,965</b>	<b>450,591,471</b>
Interest income	639,765,899	397,944,805
Interest expense	(308,334,470)	(168,506,206)
Net interest income	331,431,429	229,438,599
Other operating income	38,087,066	52,646,666
<b>Net income from operations</b>	<b>369,518,495</b>	<b>282,085,265</b>
<b>Operating expenses</b>		
Personnel cost	(48,055,188)	(39,014,053)
Depreciation of property, plant and equipment	(25,499,085)	(20,278,705)
Amortisation of intangible assets	(2,274,568)	(1,716,318)
Other operating expenses	(88,231,854)	(61,133,753)
	(164,060,695)	(122,142,829)
<b>Operating profit before taxation and possible loan losses</b>	<b>205,457,800</b>	<b>159,942,436</b>
Loan losses and provisions	2,354,471	(3,489,987)
<b>Operating profit before VAT on Financial Services and Income tax</b>	<b>207,812,271</b>	<b>156,452,449</b>
Value Added Tax on Financial Services	(14,955,104)	(14,589,325)
<b>Profit before Income tax</b>	<b>192,857,167</b>	<b>141,863,124</b>
Income tax expense	(56,566,320)	(30,124,593)
<b>Profit for the period</b>	<b>136,290,847</b>	<b>111,738,531</b>
Earnings per share	2.55	2.09
Dividend per share	0.70	-

*Figures in brackets indicate deductions.*

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

## Balance Sheet

<i>As at</i>	<b>30.06.2012</b>	<b>31.03.2012</b>	<b>30.06.2011</b>
	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>
<b>Assets</b>			
Cash and cash equivalents	720,639,406	336,563,265	77,003,963
Deposits with Licensed Commercial Banks	148,138,172	637,118,275	394,795,977
Investment in government securities	331,507,216	304,111,412	202,160,369
Dealing securities	46,990,480	51,147,407	48,829,358
Investment securities	20,388,326	14,165,755	14,165,755
Net investment in leases	4,822,916,900	4,339,581,639	1,998,639,404
Net investment in hire purchases	4,699,260,102	4,399,674,002	3,866,695,745
Commercial loans	24,559,336	26,593,015	41,852,501
Other loans and advances	173,790,887	135,663,383	137,222,567
Other receivables	470,740,589	400,841,647	357,240,854
Advances and receivables	44,706,386	45,961,286	66,731,300
Deferred assets	9,623,886	1,994,914	6,454,755
Property, plant and equipment	535,972,629	512,846,463	440,467,372
Intangible assets	42,636,910	44,911,478	31,747,312
<b>Total assets</b>	<b>12,091,871,224</b>	<b>11,251,173,941</b>	<b>7,684,007,232</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposits from customers	2,940,491,389	2,736,429,636	2,421,434,402
Borrowing	5,235,917,818	4,691,062,659	2,053,759,794
Current tax liabilities	1,201,893	14,945,227	99,320,608
Employee benefits	28,609,793	28,109,529	23,573,184
Debentures	1,730,000,000	1,670,000,000	1,390,000,000
Other liabilities	363,225,533	450,856,734	403,892,789
Deferred tax liability	183,721,693	150,000,298	96,216,837
<b>Total liabilities</b>	<b>10,483,168,119</b>	<b>9,741,404,083</b>	<b>6,488,197,614</b>
<b>Equity</b>			
Stated capital	533,680,000	533,680,000	533,680,000
Statutory reserve fund	130,036,033	130,036,033	100,036,033
General reserve	682,810,392	682,810,392	462,810,392
Investment fund reserve account	117,004,098	97,059,153	34,989,803
Retained earnings	145,172,582	66,184,280	64,293,390
<b>Total equity</b>	<b>1,608,703,105</b>	<b>1,509,769,858</b>	<b>1,195,809,618</b>
<b>Total liabilities and equity</b>	<b>12,091,871,224</b>	<b>11,251,173,941</b>	<b>7,684,007,232</b>
Net assets per share	30.14	28.29	22.41

*Figures in brackets indicate deductions.*

*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.

Sgd  
Lalith J.de Alwis  
*Additional 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

Sgd  
C. L. de Alwis  
*Chairman*

Sgd  
L Balasuriya  
*Managing Director*

*Colombo, Sri Lanka*  
*Thursday, July 19 2012*

## *Statement of Cash Flow*

<i>For the three month period ended 30th June</i>	<b>2012</b>	<b>2011</b>
	<b>Rs</b>	<b>Rs</b>
<b>Cash flow from operating activities</b>		
Interest and commission receipts	639,765,899	397,944,805
Interest payments	(308,334,470)	(168,506,206)
Bad debts recovered	5,428,402	10,287,915
Other operating income	29,739,932	35,364,320
Operating expenditure	(19,126,790)	(25,609,250)
Cash payments to employees and suppliers	(124,323,015)	(86,182,147)
<b><i>Operating profit before changes in operating assets and liabilities (Note A)</i></b>	<b>223,149,958</b>	<b>163,299,437</b>
<b>(Increase) / Decrease in operating assets</b>		
Investments in Government securities	(27,395,804)	(3,650,541)
Deposits with Licensed Commercial Banks	488,980,103	-
Net funds advanced to customers	(816,660,715)	(683,378,774)
Advances and receivables	1,254,900	(18,069,145)
Deferred expenses	(10,988,127)	(4,169,369)
Trade and other receivables	(69,898,942)	(33,396,899)
	<b>(434,708,585)</b>	<b>(742,664,728)</b>
<b>Increase / (Decrease) in operating liabilities</b>		
Deposits from customers	204,061,753	28,692,537
Gratuity paid	(685,513)	(88,750)
Other liabilities	(82,089,395)	(5,595,000)
	<b>121,286,846</b>	<b>23,008,788</b>
<b>Net cash generated from operating activities before income tax</b>	<b>(90,271,781)</b>	<b>(556,356,503)</b>
Taxes paid	(36,588,258)	(18,880,598)
<b><i>Net cash generated from operating activities</i></b>	<b>(126,860,039)</b>	<b>(575,237,101)</b>
<b>Cash flow from investing activities</b>		
Dividend receipts	702,836	825,284
Net Investment in dealing securities	909,518	(484,588)
Purchase of investment securities	(6,222,571)	-
Purchase of property, plant and equipment	(50,590,690)	(66,909,220)
Proceeds from sale of property, plant and equipment	4,181,334	8,837,233
<b><i>Net cash used in investing activities</i></b>	<b>(51,019,573)</b>	<b>(57,731,290)</b>
<b>Cash flow from financing activities</b>		
Securitised loans obtained	1,150,000,000	839,900,000
Debentures issued	120,000,000	60,000,000
Repayment of securitised loans	(605,144,841)	(200,905,135)
Redemption of unlisted debentures	(60,000,000)	-
Dividends paid	(37,014,499)	-
<b><i>Net cash used in financing activities</i></b>	<b>567,840,660</b>	<b>698,994,865</b>

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

<b><i>For the three month period ended 30th June</i></b>	<b>2012</b>	<b>2011</b>
	<b>Rs</b>	<b>Rs</b>
Net Increase/ (Decrease) in cash and cash equivalents	389,961,048	66,026,474
Cash and cash equivalents at the beginning of the year	<u>305,991,731</u>	<u>390,154,785</u>
Cash and cash equivalents at the end of the period	<u><b>695,952,779</b></u>	<u><b>456,181,259</b></u>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and short term funds	720,639,406	471,799,940
Bank overdraft	<u>(24,686,627)</u>	<u>(15,618,681)</u>
	<u><b>695,952,779</b></u>	<u><b>456,181,259</b></u>
<b>(Note A)</b>		
<b>Reconciliation of operating profit</b>		
Profit before income tax	192,857,167	141,863,124
Dividends	(702,836)	(825,284)
Specific provision for bad debts	(1,348,163)	2,906,195
General provision for bad debts	-	(1,564,020)
Provision for impairment	-	2,147,812
Depreciation	(1,006,308)	-
Provision for retiring gratuity	27,773,653	21,995,023
Impairment of investment in shares	1,185,777	1,097,839
Profit on disposal of motor vehicles	3,247,409	-
Amortisation of structural fees	(2,215,896)	(6,169,147)
<b><i>Cash flows from operating activities before changes in operating assets</i></b>	<u><b>3,359,155</b></u>	<u><b>1,847,895</b></u>
	<u><u>223,149,958</u></u>	<u><u>163,299,437</u></u>

*Figures in brackets indicate deductions.*

*The above figures are provisional and subject to audit*

## Statement of Changes in Equity

For the three month period ended 30th June 2012

	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 2011 previously 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)	-	-	-	-	(30,970,793)	(30,970,793)
Balance as at 1st April 2011 restated	533,680,000	100,036,033	462,810,392	16,751,605	(29,206,943)	1,084,071,087
Profit for the period	-	-	-	-	111,738,532	111,738,532
Transfer to reserve	-	-	-	18,238,198	(18,238,198)	-
Balance as at 30th June 2011	<u>533,680,000</u>	<u>100,036,033</u>	<u>462,810,392</u>	<u>34,989,803</u>	<u>64,293,391</u>	<u>1,195,809,619</u>
Balance as at 1st April 2012	533,680,000	130,036,033	682,810,392	97,059,153	66,184,280	1,509,769,858
Profit for the period	-	-	-	-	136,290,847	136,290,847
Transfers to reserves	-	-	-	19,944,945	(19,944,945)	-
Dividends	-	-	-	-	(37,357,600)	(37,357,600)
Balance as at 30th June 2012	<u>533,680,000</u>	<u>130,036,033</u>	<u>682,810,392</u>	<u>117,004,098</u>	<u>145,172,582</u>	<u>1,608,703,105</u>

### Note A

The Company made a prior year adjustment in order to rectify the under provision of deferred taxation, during the year ended 31st March 2011, in accordance with Sri Lanka Accounting Standards 10- Accounting Policies, Changes in Accounting Estimates and Errors.

The Company has charged Rs. 30,970,793 as deferred tax liability for the year ended 31st March 2011. The Company had erroneously considered motor cars in computing deferred taxation. This error has now been corrected and the profit for the said year has been re-stated as follows.

Profit for the year ended 31st March 2011 as previously stated	253,370,362
Deferred tax underprovided	(30,970,793)
Profit for the year ended 31st March 2011 as re-stated	<u>222,399,569</u>

Figures in brackets indicate deductions

The above figures are provisional and subject to audit

## Segment Information

For the three month period ended 30th June

	Leases		Hire Purchases		Other Advances		Investments / Property		Insurance		Unallocated		Total	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
<b>Revenue</b>														
Interest	253,930,430	91,347,456	277,976,465	253,437,115	9,730,055	8,307,390	42,825,167	8,816,304	-	-	-	-	584,462,117	361,908,265
Commissions	-	-	-	-	-	-	-	-	19,292,555	17,579,078	-	-	19,292,555	17,579,078
Rent	-	-	-	-	-	-	480,000	480,000	-	-	-	-	480,000	480,000
Dividends	-	-	-	-	-	-	702,836	825,284	-	-	-	-	702,836	825,284
Other income	-	-	-	-	-	-	1,438,836	6,207,817	-	-	71,476,621	63,591,027	72,915,457	69,798,844
<b>Total revenue</b>	<b>253,930,430</b>	<b>91,347,456</b>	<b>277,976,465</b>	<b>253,437,115</b>	<b>9,730,055</b>	<b>8,307,390</b>	<b>45,446,839</b>	<b>16,329,405</b>	<b>19,292,555</b>	<b>17,579,078</b>	<b>71,476,621</b>	<b>63,591,027</b>	<b>677,852,965</b>	<b>450,591,471</b>
Profit before tax													192,857,167	141,863,124
Taxation													(56,566,320)	(30,124,593)
Profit after tax													136,290,847	111,738,531
<b>Segment Assets</b>	<b>4,868,111,183</b>	<b>4,377,205,503</b>	<b>4,744,033,339</b>	<b>4,442,345,435</b>	<b>163,802,046</b>	<b>128,756,860</b>	<b>1,516,957,942</b>	<b>1,909,291,517</b>	<b>-</b>	<b>-</b>	<b>798,966,715</b>	<b>393,574,626</b>	<b>12,091,871,224</b>	<b>11,251,173,941</b>
<b>Segment Liabilities</b>	<b>4,057,838,313</b>	<b>2,055,027,743</b>	<b>4,442,096,797</b>	<b>5,701,530,457</b>	<b>155,487,430</b>	<b>186,889,900</b>	<b>726,245,864</b>	<b>367,359,769</b>	<b>-</b>	<b>-</b>	<b>1,101,499,715</b>	<b>1,430,596,214</b>	<b>10,483,168,119</b>	<b>9,741,404,083</b>



### *Performance indicators*

<i>As at 30th June</i>	<b>2012</b>	<b>2011</b>	<b>MINIMUM STATUTORY REQUIREMENT</b>
<b>Capital Adequacy</b>			
Core capital (Tier 1) Rs. mn.	1,509.77	1,084.07	
Total capital base (Tier 2) Rs. mn.	1,509.77	1,084.07	
Core capital ratio	13.9%	15.3%	5%
Total capital ratio	13.9%	15.3%	10%
Capital funds to Total deposits ratio	51.3%	44.8%	10%
<b>Asset Quality</b>			
Total advances Rs. mn.	10,191.75	6,369.20	
Gross non-performing advances Rs. Mn.	108.50	135.21	
Net non-performing advances Rs. Mn.	38.16	42.00	
Gross non-performing advances ratio	1.06%	2.12%	
Net non-performing advances ratio	0.37%	0.66%	
<b>Profitability</b>			
Net interest margin	12.7%	14.1%	
Return on average assets	7.1%	6.1%	
Return on equity	59.3%	39.2%	
<b>Liquidity</b>			
Total liquid assets Rs. Mn.	1,200.28	673.96	
Liquid assets ratio	42.13%	28.93%	10%
Government securities Rs. Mn.	331.51	202.16	
Government securities to average deposits ratio	11.68%	8.40%	7.5%
<b>Debt</b>			
Debt-to-Equity ratio	4.43 : 1	2.88 : 1	
Interest cover	1.67	1.93	

*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 2012 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.

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which have become applicable for periods beginning on or after January 1, 2012. These Sri Lanka Accounting Standards comprise of Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS).

The company is required to prepare interim financial statements in accordance with LKAS 34 - Interim Financial Reporting. However, the Institute of Chartered Accountants of Sri Lanka has decided to allow companies to prepare interim financial statements during the first financial year commencing on or after January 1, 2012 in accordance with Sri Lanka Accounting Standards that existed immediately prior to that date (SLASs) with disclosures on the impact to the Statement of Comprehensive Income for the period and to net assets based on SLFRS/LKAS. If determination of that impact is impractical, the companies are required to disclose the fact.

The Company has quantified the impact to the Statement of Comprehensive Income for the period (before taxes) and to net assets based on the new Sri Lanka Accounting Standards and the impact is shown below.

**Impact (before taxes) of application of Sri Lanka Financial Reporting Standards (SLFRS/LKAS)**

Area Of impact	Description	Profit for the period as per the Statement three months ended June 30,2012 (Rs Mn)	Statement of Other Comprehensive Income for three months ended June 30,2012 (Rs)	Net assets as at June 30, 2012 (Rs Mn)	Net assets as at March 31, 2012 (Rs Mn)
<b>(1) Impairment of financial assets</b>					
(1.1) Loans and advances	Time-based CBSL provision is replaced with collective and specific impairment. All individually significant loans and advances are individually tested with objective evidence while other loans and advances are tested collectively for impairment. For the purpose of SLFRS Reporting, suspension of interest is no longer applicable and the interest is continued to be recognised on impaired loan balances based on the Effective Interest Rate method (EIR method)		System development for the computation of impairment is in progress		
(1.2) Other financial assets	Other financial assets are tested for impairment with objective evidence and impairment loss, if any, is recognised in profit or loss.	No significant impact	No impact	No significant impact	No impact
(1.3) Measurement of staff loans at fair value	All staff loans are recognised initially at fair value. Subsequent interest recognition is based on the EIR method. No relevant computation has arisen during the period since the maturity periods of all staff loans are less than 10 months.	No significant impact	No impact	No significant impact	No impact
<b>(2) Measurement of investments</b>					
(2.1) Available-for-sale financial assets	Subsequent measurement of investments classified as available-for-sale (AFS) is at a fair value and the corresponding changes in fair value are recognised in equity through the Statement of Other Comprehensive Income.	No impact	No significant impact	No impact	No significant impact
(2.2) Loans and receivables	Subsequent measurement of investments classified as loans and receivables (L&R) are at amortised cost based on the EIR method.	No significant impact	No impact	No significant impact	No impact
(2.3) Financial assets at Fair Value through Profit or Loss	Subsequent measurement of investments classified as fair value through profit or loss (FVTPL) is at fair value and the corresponding changes in fair value are recognised in profit or loss.	No significant impact	No impact	No significant impact	No impact
<b>(3) Measurement of deposits at Effective Interest Rate</b>	Interest expense is recognised based on the EIR method and not based on the straight line method as was done under previously applicable SLASs.	No significant impact	No impact	Increase by Rs. 5 mn.	Increase by Rs. 5 mn.
<b>(4) Other liabilities</b>					
(4.1) Securitised loans	Initial measurement is at fair value and subsequently at amortised cost by using the EIR method. The transaction cost is amortised over the period.	Decrease by Rs. 5 mn.	No impact	Decrease by Rs. 156 mn.	Decrease by Rs. 151 mn.
(4.2) Debentures	Initial measurement is at fair value and subsequently at amortised cost by using the EIR method. Capitalised transaction cost is amortised over the period.	No significant impact	No impact	No significant impact	No impact

## Notes to the Financial Statements (contd.)

- 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 board of directors has declared an interim dividend of Rs. 0.70 per share for the 9 month period ended December 31, 2011. The total dividend payment amounted to Rs. 37,357,600 on 6th June, 2012. A final dividend of Rs. 0.55 per share for the year ended March 31, 2012, is recommended by the board of directors subject to the approval of shareholders at the Annual General Meeting for the financial year 2011/12.

### 5 *Debenture Information*

- 5.1 During this period, the Company raised Rs. 60 million by an issue of privately placed 5-year unsecured redeemable debentures. Further, the Company redeemed and re-invested unlisted debentures to the value Rs. 60 million during the period under review. The funds raised were mainly utilised for working capital requirements of the company.

### 6 *Share information*

#### 6.1 Directors' shareholdings

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

	As at 30.06.2012
1. Dr. A. Balasuriya	3,065,832
2. Dr. M. Balasuriya	3,065,832
3. Mrs. L. Fernando	2,570,002
4. Mr. L. Balasuriya & Ms. A. S. Balasuriya	1,532,916
5. Mr. L. Balasuriya & Mr. S. K. Balasuriya	1,532,916
6. Mr. L. Balasuriya - The Trustee of the Capitalisation Issue	4
7. Mr. W. A. T. Fernando	Nil
8. Mr. C. L. de Alwis	Nil

#### 6.2 Stated Capital

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

As at	30.06.2012	31.03.2012	30.06.2011
Ordinary shares	53,368,000	53,368,000	53,368,000

## Notes to the Financial Statements (contd.)

6.3 The 20 largest shareholders of the company as at 30th June 2012 were:

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. Dr. 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 30th June 2012 was 21.57% (2011 - 10.08%)

6.5 Information on Ratios, Market Prices and Credit Rating.

	30-Jun-2012	31-Mar-2012
Dividend per share (Rs.)	0.70	2.38
Net Assets per share (Rs.)	30.14	28.29
Market Prices		
- Highest price	Not traded	40.00
- Lowest price	Not traded	40.00
- Last traded price	Not traded	40.00

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.