



Senkadagala Finance PLC

**Interim Financial Statement for the period ended
31st March 2012**



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

Income Statement

For the three months ended 31st March

	2012	2011
	Rs	Rs
Income	<u>628,810,142</u>	<u>472,805,210</u>
Interest income	550,284,909	381,962,846
Interest expense	(244,102,776)	(163,853,758)
Net interest income	<u>306,182,133</u>	<u>218,109,088</u>
Other operating income	78,525,233	90,842,364
Net income from operations	<u>384,707,366</u>	<u>308,951,452</u>
Operating expenses		
Personnel cost	(45,819,297)	(34,907,677)
Depreciation of property, plant and equipment	(24,900,861)	(18,828,786)
Amortization of intangible assets	(1,916,549)	(1,716,318)
Directors' emoluments	(3,566,250)	(4,012,250)
Other operating expenses	(119,979,212)	(91,865,470)
	<u>(196,182,168)</u>	<u>(151,330,501)</u>
Operating profit before taxation and possible loan losses	188,525,198	157,620,951
Loan losses and provisions	5,140,273	(54,082,301)
Operating profit before VAT on Financial Services and Income tax	<u>193,665,471</u>	<u>103,538,650</u>
Value Added Tax on Financial Services	(12,980,075)	(22,922,727)
Profit before Income tax	<u>180,685,396</u>	<u>80,615,923</u>
Income tax expense	(26,949,936)	(28,523,211)
Profit for the period	<u>153,735,460</u>	<u>52,092,713</u>
Earnings per share	2.88	0.98

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit.

Income Statement

For the year ended 31st March

	2012 Rs	2011 Rs
Income	2,123,153,858	1,702,995,200
Interest income	1,870,625,470	1,493,088,201
Interest expense	(805,543,670)	(679,358,198)
Net interest income	1,065,081,800	813,730,003
Other operating income	252,528,388	209,906,999
Net income from operations	1,317,610,188	1,023,637,002
Operating expenses		
Personnel cost	(162,418,497)	(135,236,711)
Depreciation of property, plant and equipment	(90,225,229)	(73,794,971)
Amortization of intangible assets	(7,065,502)	(6,857,753)
Directors' emoluments	(15,520,000)	(6,821,500)
Other operating expenses	(332,171,253)	(300,524,960)
	(607,400,480)	(523,235,895)
Operating profit before taxation and possible loan losses	710,209,708	500,401,107
Loan losses and provisions	(5,842,751)	(64,816,906)
Operating profit before VAT on Financial Services and Income tax	704,366,957	435,584,201
Value Added Tax on Financial Services	(58,088,174)	(85,958,670)
Profit before Income tax	646,278,783	349,625,531
Income tax expense	(108,638,052)	(127,225,964)
Profit for the period	537,640,731	222,399,568
Earnings per share	10.07	4.17
Dividend per share	1.51	0.81

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit.

Balance Sheet

<i>As at 31st March</i>	2012	2011
	Rs	Rs
		<i>Restated</i>
Assets		
Cash and short term funds	893,835,133	419,137,459
Government of Sri Lanka Treasury bills	304,111,412	198,509,828
Fixed deposits	80,846,407	-
Dealing securities	51,147,405	48,344,770
Investment securities	14,165,755	14,165,755
Loans and advances	8,948,307,798	5,401,847,202
Trade and other receivables	397,305,425	323,843,954
Advances and receivables	45,961,286	42,536,537
Deferred expenses	1,994,914	4,133,281
Property, plant and equipment	512,846,462	396,504,943
Intangible assets	44,911,478	33,463,630
Total assets	11,295,433,476	6,882,487,360
Liabilities and equity		
Liabilities		
Deposits from customers	2,736,429,636	2,392,741,865
Bank overdraft	22,445,141	28,982,674
Securitized loans	4,691,062,659	1,414,764,929
Accrued expenses	110,001,408	124,724,575
Accounts payable	20,485,194	21,422,509
Trade payables	284,826,401	247,722,022
Current tax liabilities	15,291,473	67,266,592
Rentals received in advance	46,795,759	37,325,772
Retirement benefit obligation	28,020,779	22,564,095
Debentures	1,670,000,000	1,330,000,000
Deferred taxation	121,607,557	103,559,908
	9,746,966,007	5,791,074,942
Shareholders' Funds		
Stated capital (53,368,000 fully paid ordinary shares issued)	533,680,000	533,680,000
Statutory reserve fund	100,036,033	100,036,033
General reserve	462,810,392	462,810,392
Investment fund reserve account	97,059,153	16,751,605
Retained profit	354,881,891	(21,865,612)
	1,548,467,469	1,091,412,418
Total liabilities and shareholders' funds	11,295,433,476	6,882,487,360
Net assets per share	29.01	20.45

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

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

Sgn

C. L. de Alwis

Chairman

Sgn

L Balasuriya

Managing Director

Colombo, Sri Lanka

Tuesday, 17th April 2012

Statement of Cash Flow

<i>For the year ended 31st March</i>	2012	2011
	Rs	Rs
Cash flow from operating activities		
Interest and commission receipts	1,870,625,470	1,493,088,201
Interest payments	(805,543,670)	(679,358,198)
Bad debts recovered	40,336,024	47,424,009
Other operating income	177,192,794	142,568,570
Operating expenditure	(130,115,324)	(160,923,224)
Cash payments to employees and suppliers	(405,234,386)	(383,921,072)
<i>Operating profit before changes in operating assets and liabilities (Note A)</i>	747,260,908	458,878,286
(Increase) / Decrease in operating assets		
Investment in Government securities	(105,601,584)	(35,317,675)
Funds advanced to customers	(3,535,292,677)	(1,040,162,702)
Advances and receivables	(3,424,750)	11,018,597
Deferred expenses	(35,956,092)	-
Trade and other receivables	(73,461,471)	(18,371,962)
	(3,753,736,574)	(1,082,833,742)
Increase / (Decrease) in operating liabilities		
Deposits from customers	343,687,771	298,264,206
Gratuity paid	(307,600)	(337,500)
Rentals received in advance	9,469,987	16,625,973
Other liabilities	20,618,188	174,538,513
	373,468,346	489,091,192
Net cash generated from operating activities before income tax	(2,633,007,321)	(134,864,264)
Taxes paid	(142,565,522)	(53,746,639)
<i>Net cash generated from operating activities</i>	(2,775,572,842)	(188,610,903)
Cash flow from investing activities		
Dividend receipts	1,429,616	821,418
Purchase of dealing securities	(8,802,776)	(24,768,488)
Purchase of property, plant and equipment	(224,753,043)	(102,302,021)
Purchase of intangible assets	(18,513,350)	(763,481)
Proceeds from sale of property, plant and equipment	51,756,250	34,194,796
<i>Net cash used in investing activities</i>	(198,883,303)	(92,817,776)
Cash flow from financing activities		
Securitised loans obtained	4,568,600,000	1,020,910,000
Unlisted debentures issued	440,000,000	240,000,000
Repayment of securitised loans	(1,292,302,270)	(1,034,526,671)
Redemption of unlisted debentures	(100,000,000)	-
Investment in fixed deposits	(80,846,407)	-
Dividends paid	(79,759,971)	(42,786,951)
<i>Net cash used in financing activities</i>	3,455,691,352	183,596,378

Statement of Cash Flow (contd.)

<i>For the year ended 31st March</i>	2012	2011
	Rs	Rs
Net Increase/ (Decrease) in cash and cash equivalents	481,235,207	(97,832,301)
Cash and cash equivalents at the beginning of the year	390,154,785	487,987,086
Cash and cash equivalents at the end of the year	871,389,992	390,154,785
Reconciliation of cash and cash equivalents		
Cash and short term funds	893,835,133	419,137,459
Bank overdraft	(22,445,141)	(28,982,674)
	871,389,992	390,154,785
(Note A)		
Reconciliation of operating profit		
Profit before income tax	646,278,783	349,625,532
Dividends	(1,429,616)	(821,418)
Specific provision for bad debts	817,946	52,593,249
General provision for bad debts	-	1,056,287
Loans written-off	2,000,872	-
Write-off of receivables on insurance premium and search fees	-	2,151,080
Provision for impairment	6,593,067	5,595,276
Reversal of general provision on repossessed stocks	(11,923,517)	(21,410,692)
Reversal of additional provision on repossessed stocks	(8,656,287)	-
Depreciation	97,290,730	80,652,724
Provision for retiring gratuity	5,764,284	5,269,958
Impairment of investment in shares	6,000,141	-
Profit on disposal of motor vehicles	(33,569,954)	(19,093,002)
Amortization of structural fees	38,094,459	3,259,293
Cash flows from operating activities before changes in operating assets	747,260,908	458,878,287

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit

Statement of Changes in Equity

For the year ended 31st March 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 2010 previously reported	213,472,000	86,536,033	638,018,392	-	(33,126,827)	904,899,597
Prior year adjustment (Note A)	-	-	-	-	7,341,332	7,341,332
Balance as at 1st April 2010 (As restated)	213,472,000	86,536,033	638,018,392	-	(25,785,495)	912,240,929
Profit for the year restated (Note B)	-	-	-	-	222,399,568	222,399,568
Issue of bonus shares	320,208,000	-	(320,208,000)	-	-	-
Transfer to reserve	-	13,500,000	145,000,000	16,751,605	(175,251,605)	-
Dividend paid	-	-	-	-	(43,228,080)	(43,228,080)
Balance as at 31st March 2011	<u>533,680,000</u>	<u>100,036,033</u>	<u>462,810,392</u>	<u>16,751,605</u>	<u>(21,865,611)</u>	<u>1,091,412,418</u>
Balance as at 1st April 2011	533,680,000	100,036,033	462,810,392	16,751,605	(21,865,612)	1,091,412,418
Profit for the period	-	-	-	-	537,640,731	537,640,731
Transfers to reserves	-	-	-	80,307,548	(80,307,548)	-
Dividend paid	-	-	-	-	(80,585,680)	(80,585,680)
Balance as at 31st March 2012	<u>533,680,000</u>	<u>100,036,033</u>	<u>462,810,392</u>	<u>97,059,153</u>	<u>354,881,891</u>	<u>1,548,467,469</u>

Note A

A prior period adjustment was made during the year of Rs. 7,341,331 to the provision for income tax liability for prior periods and the rectification of non-adjusted claimed amounts in our books of account for ACT, WHT and under-provided NBT which was subsequently assessed and paid for amounting to Rs 988,348.

Note B

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 year ended 31st March 2012

	Leasing		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.
Revenue														
Interest	581,410,746	228,853,969	1,016,248,780	1,008,660,032	34,994,647	43,704,000	72,249,410	61,315,926	-	-	-	-	1,704,903,583	1,342,533,927
Commissions	-	-	-	-	-	-	-	-	75,590,915	55,413,267	-	-	75,590,915	55,413,267
Rent	-	-	-	-	-	-	1,920,000	2,080,000	-	-	-	-	1,920,000	2,080,000
Dividends	-	-	-	-	-	-	1,429,616	821,418	-	-	-	-	1,429,616	821,418
Other income	-	-	-	-	-	-	34,462,097	55,779,839	-	-	304,847,647	246,366,749	339,309,744	302,146,588
Total revenue	581,410,746	228,853,969	1,016,248,780	1,008,660,032	34,994,647	43,704,000	110,061,123	119,997,183	75,590,915	55,413,267	304,847,647	246,366,749	2,123,153,858	1,702,995,200
Profit before tax													646,278,783	349,625,531
Taxation													(108,638,052)	(127,225,964)
Profit after tax													537,640,731	222,399,568
Segment Assets	4,377,205,503	1,463,352,985	4,442,345,435	3,780,333,950	127,390,860	158,160,267	1,910,291,515	1,112,639,538	-	-	438,200,163	368,000,619	11,295,433,476	6,882,487,359
Segment Liabilities	2,767,675,981	804,397,316	4,837,625,308	3,545,332,538	166,584,200	153,614,903	523,921,391	421,777,312	-	-	1,451,159,127	865,952,872	9,746,966,007	5,791,074,942

Performance indicators

<i>As at 31st March</i>	2012	2011	MINIMUM STATUTORY REQUIREMENT
Capital Adequacy			
Core Capital (Tier 1) Rs. mn.	1,548.47	1,091.41	
Total Capital Base (Tier 2) Rs. mn.	1,548.47	1,091.41	
Core Capital Ratio.	15.5%	17.6%	5%
Total Capital Ratio.	15.5%	17.6%	10%
Capital Funds to Total Deposit Ratio	56.6%	45.6%	10%
Asset Quality			
Total Advances Rs. mn.	9,199.67	5,678.92	
Gross Non-Performing Advances Rs. Mn.	106.21	129.20	
Net Non-Performing Advances Rs. Mn.	42.25	45.49	
Gross Non-Performing Advances Ratio	1.15%	2.28%	
Net Non-Performing Advances Ratio	0.46%	0.80%	
Profitability			
Net Interest Margin	14.1%	15.9%	
Return on Average Assets	5.9%	3.5%	
Return on Equity	40.7%	22.4%	
Liquidity			
Total Liquid Assets Rs. Mn.	1,278.79	617.65	
Liquid Assets Ratio	48.54%	26.75%	10%
Government Securities Rs. Mn.	304.11	198.51	
Government Securities to Average Deposits Ratio	11.86%	8.85%	7.5%
Debt			
Debt-to-Equity Ratio	4.11 : 1	2.51 : 1	
Interest Cover	1.87	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 final dividend of 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 amounting to Rs. 28,285,040 on 16th December 2011. A dividend of Rs. 0.60 per share amounting to Rs. 32,020,800 was paid on 15th March 2012

5 *Debenture Information*

- 5.1 During this period, the Company raised Rs. 240 million by an issue of privately placed 5-year unsecured redeemable debentures. The Company redeemed unlisted debentures to the value Rs. 100 million 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

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

	As at 31.03.2012
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 Capitalization 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	31.03.2012	31.03.2011
Ordinary shares	53,368,000	53,368,000

Notes to the Financial Statements

6.3 The 20 largest shareholders of the company as at 31st March 2012 were 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. 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
	53,367,996	100

6.4 The percentage of shares held by the public on 31st March 2012 was 21.57% (2010 - 0%)

6.5 Information on Ratios, Market Prices and Credit Rating.

	31.03.2012	31.03.2011
Dividend per Share (Rs.)	1.51	0.81
Net Assets per Share (Rs.)	29.01	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.