



# Senkadagala Finance PLC

**Interim Financial Statement for the period ended  
31<sup>st</sup> March 2013**



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

## *Income Statement*

<i>For the three month period ended 31st March</i>	Company		Group	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Interest income	801,549,881	553,170,167	801,549,881	553,170,167
Interest expense	(432,445,182)	(262,778,607)	(432,422,260)	(262,778,607)
<b>Net interest income</b>	<b>369,104,699</b>	<b>290,391,560</b>	<b>369,127,621</b>	<b>290,391,560</b>
Fee and commission income	10,018,476	18,261,100	15,669,400	18,261,100
Fee and commission expense	(7,345,849)	(1,423,212)	(7,345,849)	(1,423,212)
<b>Net fee and commission income</b>	<b>2,672,627</b>	<b>16,837,888</b>	<b>8,323,551</b>	<b>16,837,888</b>
Net gain/(loss) from trading	12,702	(183,444)	12,702	(183,444)
Net gain/(loss) from financial instruments designated at fair value through profit or loss	(39,007)	(3,407,511)	(39,007)	(3,407,511)
Other operating income	4,123,350	29,636,619	4,104,621	29,636,619
Impairment expenses for loans and advances and other losses	10,059,662	76,379,156	10,059,662	76,379,156
	<u>14,156,706</u>	<u>102,424,820</u>	<u>14,137,977</u>	<u>102,424,820</u>
<b>Net operating income</b>	<b>385,934,033</b>	<b>409,654,268</b>	<b>391,589,149</b>	<b>409,654,268</b>
Personnel expenses	(60,465,788)	(57,674,296)	(63,053,122)	(57,674,296)
Depreciation of property plant and equipment	(30,519,417)	(24,900,862)	(31,192,240)	(24,900,862)
Amortisation of intangible assets	(2,342,280)	(1,916,549)	(2,342,280)	(1,916,549)
Other operating expenses	(72,286,128)	(76,671,485)	(73,350,828)	(76,671,485)
<b>Operating profit before VAT on Financial Services and Income tax</b>	<b>220,320,418</b>	<b>248,491,076</b>	<b>221,650,679</b>	<b>248,491,076</b>
Value Added Tax on Financial Services	(10,907,603)	(12,980,075)	(10,907,603)	(12,980,075)
<b>Profit before Income tax</b>	<b>209,412,815</b>	<b>235,511,001</b>	<b>210,743,076</b>	<b>235,511,001</b>
Income tax expense	(26,185,641)	(55,142,105)	(26,325,824)	(55,142,105)
<b>Profit for the period</b>	<b>183,227,174</b>	<b>180,368,896</b>	<b>184,417,251</b>	<b>180,368,896</b>
Earnings per share	3.43	3.38	3.46	3.38

*Figures in brackets indicate deductions.  
The above figures are provisional and subject to audit.*

## Statement of Comprehensive Income

<i>For the three month period ended 31st March</i>	Company		Group	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Profit for the year	183,227,174	180,368,896	184,417,251	180,368,896
<b>Other comprehensive income</b>				
Gain/(loss) arising during the year for available for sale financial assets	-	-	-	-
Actuarial Gains/(Losses) on Defined Benefit Plans	2,366,081	(2,498,527)	2,366,081	(2,498,527)
Reclassification adjustment for gain/(loss) included in the income statement	-	-	-	-
<b>Total other comprehensive income</b>	<b>2,366,081</b>	<b>(2,498,527)</b>	<b>2,366,081</b>	<b>(2,498,527)</b>
Income tax (charge)/credit related to other comprehensive income	-	-	-	-
Other comprehensive income for the year net of tax	<b>2,366,081</b>	<b>(2,498,527)</b>	<b>2,366,081</b>	<b>(2,498,527)</b>
<b>Total comprehensive income for the year net of tax</b>	<b>185,593,255</b>	<b>177,870,369</b>	<b>186,783,332</b>	<b>177,870,369</b>

*Figures in brackets indicate deductions.  
The above figures are provisional and subject to audit.*

## *Income Statement*

<i>For the year ended 31st March</i>	<b>Company</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>
Interest income	2,861,922,956	1,884,501,510	2,861,922,956	1,884,501,510
Interest expense	(1,524,287,968)	(841,034,415)	(1,524,265,046)	(841,034,415)
<b>Net interest income</b>	<b>1,337,634,988</b>	<b>1,043,467,096</b>	<b>1,337,657,909</b>	<b>1,043,467,096</b>
Fee and commission income	77,003,905	76,240,680	82,654,829	76,240,680
Fee and commission expense	(18,487,782)	(13,318,783)	(18,487,782)	(13,318,783)
<b>Net fee and commission income</b>	<b>58,516,123</b>	<b>62,921,897</b>	<b>64,167,048</b>	<b>62,921,897</b>
Net gain/(loss) from trading	(539,848)	892,143	(539,848)	892,143
Net gain/(loss) from financial instruments designated at fair value through profit or loss	6,523,786	(13,630,045)	6,523,786	(13,630,045)
Other operating income	30,689,870	68,019,780	30,671,141	68,019,780
Impairment expenses for loans and advances and other losses	(11,011,950)	46,560,668	(11,011,950)	46,560,668
	<u>25,661,859</u>	<u>101,842,546</u>	<u>25,643,129</u>	<u>101,842,546</u>
<b>Net operating income</b>	<b>1,421,812,970</b>	<b>1,208,231,538</b>	<b>1,427,468,086</b>	<b>1,208,231,538</b>
Personnel expenses	(232,456,543)	(186,227,246)	(235,043,877)	(186,227,246)
Depreciation of property plant and equipment	(113,122,274)	(90,225,228)	(113,795,097)	(90,225,228)
Amortisation of intangible assets	(9,046,369)	(7,065,502)	(9,046,369)	(7,065,502)
Other operating expenses	(330,728,933)	(231,753,740)	(331,793,633)	(231,753,740)
<b>Operating profit before VAT on Financial Services and Income tax</b>	<b>736,458,850</b>	<b>692,959,822</b>	<b>737,789,110</b>	<b>692,959,822</b>
Value Added Tax on Financial Services	(55,063,608)	(58,088,174)	(55,063,608)	(58,088,174)
<b>Profit before Income tax</b>	<b>681,395,242</b>	<b>634,871,648</b>	<b>682,725,502</b>	<b>634,871,648</b>
Income tax expense	(104,742,567)	(158,421,177)	(105,303,299)	(158,421,177)
<b>Profit for the period</b>	<b>576,652,675</b>	<b>476,450,471</b>	<b>577,422,204</b>	<b>476,450,471</b>
Earnings per share	10.81	8.93	10.82	8.93
Dividend per share	3.24	2.38	3.24	2.38

*Figures in brackets indicate deductions.*

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

***Statement of Comprehensive Income***

<i>For the year ended 31st March</i>	Company		Group	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Profit for the year	576,652,675	476,450,471	577,422,204	476,450,471
<b>Other comprehensive income</b>				
Gain/(loss) arising during the year for available for sale financial assets	-	-	-	-
Actuarial Gains/(Losses) on Defined Benefit Plans	2,366,081	(2,498,527)	2,366,081	(2,498,527)
Reclassification adjustment for gain/(loss) included in the income statement	-	-	-	-
<b>Total other comprehensive income</b>	<b>2,366,081</b>	<b>(2,498,527)</b>	<b>2,366,081</b>	<b>(2,498,527)</b>
Income tax (charge)/credit related to other comprehensive income	-	-	-	-
Other comprehensive income for the year net of tax	<b>2,366,081</b>	<b>(2,498,527)</b>	<b>2,366,081</b>	<b>(2,498,527)</b>
<b>Total comprehensive income for the year net of tax</b>	<b>579,018,756</b>	<b>473,951,944</b>	<b>579,788,285</b>	<b>473,951,944</b>

*Figures in brackets indicate deductions.  
The above figures are provisional and subject to audit.*

## Statement of Financial Position

As at 31st March	Company			Group		
	2013 Rs	2012 Rs	April 1, 2011 Rs	2013 Rs	2012 Rs	April 1, 2011 Rs
<b>Assets</b>						
Cash and cash equivalents	333,440,164	233,762,126	343,998,317	340,643,331	233,762,126	343,998,317
Deposit with licensed commercial banks	1,061,779,016	637,118,275	-	1,061,779,016	637,118,275	-
Repurchase agreements	75,762,008	102,801,138	75,139,142	75,762,008	102,801,138	75,139,142
Financial assets held at fair value through profit and loss	67,627,657	60,121,243	60,317,248	67,627,657	60,121,243	60,317,248
Loans and advances	11,560,849,536	8,968,565,722	5,398,167,662	11,560,849,536	8,968,565,722	5,398,167,662
Financial assets available for sale	1,419,713	1,177,861	5,809,125	1,419,713	1,177,861	5,809,125
Financial assets held to maturity	389,855,926	304,111,412	198,509,828	389,855,926	304,111,412	198,509,828
Investments in subsidiaries	20,000,000	-	-	-	-	-
Investment property	79,934,047	80,237,085	80,540,123	79,934,047	80,237,085	80,540,123
Property plant and equipments	509,374,423	432,609,378	315,964,821	513,622,095	432,609,378	315,964,821
Intangible assets	40,514,509	44,911,478	33,463,630	40,514,509	44,911,478	33,463,630
Other assets	120,938,668	152,085,921	107,544,211	120,938,668	152,085,921	107,544,211
<b>Total assets</b>	<b>14,261,495,666</b>	<b>11,017,501,638</b>	<b>6,619,454,106</b>	<b>14,252,946,505</b>	<b>11,017,501,638</b>	<b>6,619,454,106</b>
<b>Liabilities</b>						
Deposits from customers	3,412,464,090	2,732,030,627	2,386,821,122	3,402,441,169	2,732,030,627	2,386,821,122
Borrowings	6,136,152,265	4,805,838,402	1,528,532,033	6,136,152,265	4,805,838,402	1,528,532,033
Debentures	2,618,281,392	1,771,752,949	1,425,524,139	2,618,281,392	1,771,752,949	1,425,524,139
Current tax liabilities	21,989,475	43,050,195	104,338,027	22,548,767	43,050,195	104,338,027
Other liabilities	266,456,863	328,729,591	314,777,466	266,600,363	328,729,591	314,777,466
Employee benefits	34,222,639	30,608,056	22,564,095	34,222,639	30,608,056	22,564,095
Deferred tax liability	199,092,927	178,788,239	103,559,908	199,094,367	178,788,239	103,559,908
<b>Total liabilities</b>	<b>12,688,659,651</b>	<b>9,890,798,059</b>	<b>5,886,116,791</b>	<b>12,679,340,961</b>	<b>9,890,798,059</b>	<b>5,886,116,791</b>
<b>Equity</b>						
Stated capital	533,680,000	533,680,000	533,680,000	533,680,000	533,680,000	533,680,000
Statutory reserve fund	165,036,033	130,036,033	100,036,033	165,036,033	130,036,033	100,036,033
Investment fund reserve account	154,759,694	97,059,153	16,751,605	154,759,694	97,059,153	16,751,605
Retained earnings	719,360,289	365,928,394	82,869,677	720,129,817	365,928,394	82,869,677
<b>Total equity</b>	<b>1,572,836,016</b>	<b>1,126,703,580</b>	<b>733,337,315</b>	<b>1,573,605,544</b>	<b>1,126,703,580</b>	<b>733,337,315</b>
<b>Total liabilities and equity</b>	<b>14,261,495,666</b>	<b>11,017,501,638</b>	<b>6,619,454,106</b>	<b>14,252,946,505</b>	<b>11,017,501,638</b>	<b>6,619,454,106</b>
Net assets per share	29.47	21.11	13.74	29.49	21.11	13.74

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007 and Finance Business Act No. 42 of 2011.

Sgd  
S.D. Bandaranayake  
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  
Chief Executive Officer/Managing Director

Colombo, Sri Lanka  
Friday, May 10, 2013

## Statement of Changes in Equity

For the year ended 31st March 2013

	Stated capital Rs	Statutory reserve fund Rs	Investment fund reserve account Rs	Retained profit Rs	Total Rs
<b>Company</b>					
Balance as at 1st April 2011 (Reported)	533,680,000	100,036,033	16,751,605	433,603,449	1,084,071,087
Prior year adjustment (Note A)	-	-	-	(350,733,772)	(350,733,772)
Balance as at 1st April 2011 (Restated)	533,680,000	100,036,033	16,751,605	82,869,677	733,337,315
Total comprehensive income	-	-	-	473,951,944	473,951,944
Transfers to reserves	-	30,000,000	80,307,548	(110,307,548)	-
Dividends paid	-	-	-	(80,585,680)	(80,585,680)
Balance As at 31st March 2012	533,680,000	130,036,033	97,059,153	365,928,394	1,126,703,580
Balance as at 1st April 2012	533,680,000	130,036,033	97,059,153	365,928,394	1,126,703,580
Total comprehensive income	-	-	-	579,018,756	579,018,756
Transfers to reserves	-	35,000,000	57,700,541	(92,700,541)	-
Dividends paid	-	-	-	(132,886,320)	(132,886,320)
Balance As at 31st March 2013	533,680,000	165,036,033	154,759,694	719,360,289	1,572,836,016
<b>Group</b>					
Balance as at 1st April 2011 (Reported)	533,680,000	100,036,033	16,751,605	433,603,449	1,084,071,087
Prior year adjustment (Note A)	-	-	-	(350,733,772)	(350,733,772)
Balance as at 1st April 2011 (Restated)	533,680,000	100,036,033	16,751,605	82,869,677	733,337,315
Total comprehensive income	-	-	-	473,951,944	473,951,944
Transfers to reserves	-	30,000,000	80,307,548	(110,307,548)	-
Dividends paid	-	-	-	(80,585,680)	(80,585,680)
Balance As at 31st March 2012	533,680,000	130,036,033	97,059,153	365,928,394	1,126,703,580
Balance as at 1st April 2012	533,680,000	130,036,033	97,059,153	365,928,394	1,126,703,580
Total comprehensive income	-	-	-	579,788,285	579,788,285
Transfers to reserves	-	35,000,000	57,700,541	(92,700,541)	-
Dividends paid	-	-	-	(132,886,320)	(132,886,320)
Balance As at 31st March 2013	533,680,000	165,036,033	154,759,694	720,129,817	1,573,605,544

### Note A

The company adopted Sri Lanka Accounting Standards comprising of LKAS and SLFRS effective from April 1, 2012. Prior year adjustments were made to account for the changes in accounting policies when converging into the new Accounting Standards

Details of prior year adjustment are as follows,

Adjustment for gain in market value of assets categorised as FVPL	17,573,402
Adjustment for interest accrued on effective interest rate for Fixed Deposits	5,920,743
Adjustment for interest accrued on effective interest rate for Borrowings	(116,922,256)
Adjustment for interest accrued on effective interest rate for Unlisted debentures	(11,704,623)
Reversal of interest recognised on Sum of Digit method for the previous years	(115,375,584)
Adjustment for impairment based on net flow method for the previous period	(116,267,900)
Accounting on equity method for associate company	(13,957,555)
	<u>(350,733,772)</u>

Figures in brackets indicate deductions

The above figures are provisional and subject to audit



## Statement of Cash Flow

<i>For the year ended 31st March</i>	Company		Group	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
<b>Cash flow from operating activities</b>				
Interest and commission receipts	2,938,926,861	1,960,742,190	2,944,577,785	1,960,742,190
Interest payments	(1,476,169,896)	(806,807,308)	(1,476,146,974)	(806,807,308)
Recoveries of bad debts	46,302,181	40,284,566	46,302,181	40,284,566
Other operating income	9,258,098	33,020,210	9,258,098	33,020,210
Operating expenditure	(415,388,113)	(320,171,366)	(416,452,811)	(320,171,366)
Cash payments to employees	(225,159,692)	(180,374,212)	(227,747,026)	(180,374,212)
<b>Operating profit before changes in operating assets and liabilities (Note A)</b>	<b>877,769,439</b>	<b>726,694,080</b>	<b>879,791,252</b>	<b>726,694,080</b>
<b>(Increase) / decrease in operating assets and liabilities</b>				
Net funds advanced to customers	(2,638,490,156)	(3,547,111,289)	(2,638,490,156)	(3,547,111,289)
Deposits from customers	680,433,464	345,209,505	670,410,542	345,209,505
Deposits with Licensed Commercial Banks	(424,660,741)	(637,118,275)	(424,660,741)	(637,118,275)
Investments in government and other securities	(58,705,384)	(133,263,580)	(58,705,384)	(133,263,580)
Gratuity Paid	(1,316,187)	(307,600)	(1,316,187)	(307,600)
Trade and other receivables	31,147,253	(44,541,710)	31,147,253	(44,541,710)
Other liabilities	(131,905,420)	11,620,128	(131,761,922)	11,620,128
	(2,543,497,172)	(4,005,512,821)	(2,553,376,595)	(4,005,512,821)
<b>Net cash inflow/(outflow) from operating activities before taxation</b>	<b>(1,665,727,733)</b>	<b>(3,278,818,741)</b>	<b>(1,673,585,343)</b>	<b>(3,278,818,741)</b>
Taxes paid	(105,498,599)	(144,480,679)	(105,498,599)	(144,480,679)
<b>Net cash generated from operating activities</b>	<b>(1,771,226,332)</b>	<b>(3,423,299,420)</b>	<b>(1,779,083,942)</b>	<b>(3,423,299,420)</b>
<b>Cash flow from investing activities</b>				
Investments in subsidiary companies	(20,000,000)	-	-	-
Net investment in trading securities	(1,535,178)	(12,541,897)	(1,535,178)	(12,541,897)
Purchase of financial assets available for sale	(241,852)	4,631,264	(241,852)	4,631,264
Dividend receipts on investments	1,994,173	1,429,616	1,994,173	1,429,616
Purchase of property, plant and equipment	(209,231,469)	(224,753,044)	(214,080,793)	(224,753,044)
Purchase of intangible assets	(4,649,400)	(18,513,350)	(4,649,400)	(18,513,350)
Proceeds from sale of property, plant and equipment	39,097,489	51,756,250	39,007,589	51,756,250
<b>Net cash used in investing activities</b>	<b>(194,566,236)</b>	<b>(197,991,161)</b>	<b>(179,505,460)</b>	<b>(197,991,161)</b>
<b>Cash flow from financing activities</b>				
Loans obtained	3,703,345,153	4,568,600,000	3,703,345,153	4,568,600,000
Repayment of loans	(2,421,149,362)	(1,325,520,739)	(2,421,149,362)	(1,325,520,739)
Debentures issued	1,263,528,442	565,228,810	1,263,528,442	565,228,810
Redemption of debenture	(417,000,000)	(219,000,000)	(417,000,000)	(219,000,000)
Dividends paid	(131,665,862)	(79,842,542)	(131,665,862)	(79,842,542)
<b>Net cash used in financing activities</b>	<b>1,997,058,371</b>	<b>3,509,465,530</b>	<b>1,997,058,371</b>	<b>3,509,465,530</b>

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

<i>For the year ended 31st March</i>	<b>Company</b>		<b>Group</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>
Net Increase/ (Decrease) in cash and cash equivalents	31,265,802	(111,825,050)	38,468,969	(111,825,050)
Cash and cash equivalents at the beginning of the year	203,190,593	315,015,643	203,190,593	315,015,643
Cash and cash equivalents at the end of the period	<b>234,456,395</b>	<b>203,190,593</b>	<b>241,659,562</b>	<b>203,190,593</b>
<b>Reconciliation of cash and cash equivalents</b>				
Cash and short term funds	333,440,164	233,762,126	340,643,331	233,762,126
Bank overdraft	(98,983,769)	(30,571,533)	(98,983,769)	(30,571,533)
	<b>234,456,395</b>	<b>203,190,593</b>	<b>241,659,562</b>	<b>203,190,593</b>
<b>(Note A)</b>				
<b>Reconciliation of operating profit</b>				
Profit before income tax	681,395,242	634,871,648	682,725,502	634,871,648
Depreciation	122,168,643	97,290,730	122,841,466	97,290,730
Dividend receipts on investments	(1,994,173)	(1,429,616)	(1,994,173)	(1,429,616)
Profit on disposal of motor vehicles	(19,450,301)	(33,569,954)	(19,431,572)	(33,569,954)
Provision for defined benefit plan	7,296,851	5,853,034	7,296,851	5,853,034
Impairment of financial assets	43,052,808	(26,420,485)	43,052,808	(26,420,485)
Loans written off	3,153,534	3,133,714	3,153,534	3,133,714
Gain/(loss) on mark to market valuation of shares	(6,523,786)	13,630,045	(6,523,786)	13,630,045
Capital gain/(loss) on sale of shares	552,549	(892,143)	552,549	(892,143)
Accrued interest on borrowings	31,532,787	29,103,163	31,532,787	29,103,163
Amortization of structural fees	16,585,285	5,123,944	16,585,285	5,123,944
<b>Cash flows from operating activities before changes in operating assets</b>	<b>877,769,439</b>	<b>726,694,080</b>	<b>879,791,252</b>	<b>726,694,080</b>

*Figures in brackets indicate deductions.*

*The above figures are provisional and subject to audit*

**Segment Information**

For the year ended 31st March

	Leases		Hire Purchases		Pawning advances		Other Advances		Investments / Property		Insurance		Unallocated		Total	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
<b>Revenue</b>																
Interest	1,159,613,171	560,684,609	1,227,157,296	1,024,212,901	6,458,683	-	62,620,366	61,715,757	136,479,026	72,166,357	-	-	-	-	2,592,328,542	1,718,779,623
Trading	-	-	-	-	-	-	-	-	5,971,236	(12,737,903)	-	-	12,702	-	5,983,938	(12,737,903)
Commissions	-	-	-	-	-	-	-	-	-	-	56,555,093	44,817,947	-	-	56,555,093	44,817,947
Rent	-	-	-	-	-	-	-	-	1,714,286	1,714,286	-	-	-	-	1,714,286	1,714,286
Dividends	-	-	-	-	-	-	-	-	1,994,173	1,429,616	-	-	-	-	1,994,173	1,429,616
Other income	-	-	-	-	-	-	-	-	19,450,301	33,569,954	-	-	365,215,205	282,107,832	384,665,506	315,677,786
Total revenue	<u>1,159,613,171</u>	<u>560,684,609</u>	<u>1,227,157,296</u>	<u>1,024,212,901</u>	<u>6,458,683</u>	<u>-</u>	<u>62,620,366</u>	<u>61,715,757</u>	<u>165,609,022</u>	<u>96,142,311</u>	<u>56,555,093</u>	<u>44,817,947</u>	<u>365,227,907</u>	<u>282,107,832</u>	<u>3,043,241,538</u>	<u>2,069,681,357</u>
Profit before tax															682,725,502	634,871,648
Taxation															(105,303,299)	(158,421,177)
Profit after tax															<u>577,422,204</u>	<u>476,450,471</u>
Segment Assets	<u>5,707,068,374</u>	<u>4,349,702,727</u>	<u>5,446,674,892</u>	<u>4,410,021,516</u>	<u>70,548,966</u>	<u>1,366,000</u>	<u>336,557,303</u>	<u>207,475,478</u>	<u>2,226,267,299</u>	<u>1,663,087,869</u>	<u>11,450,839</u>	<u>-</u>	<u>454,378,832</u>	<u>385,848,048</u>	<u>14,252,946,505</u>	<u>11,017,501,638</u>
Segment Liabilities	<u>4,922,617,225</u>	<u>2,738,761,646</u>	<u>5,209,345,489</u>	<u>5,002,946,334</u>	<u>27,417,441</u>	<u>-</u>	<u>265,826,658</u>	<u>301,461,365</u>	<u>703,018,770</u>	<u>469,623,864</u>	<u>704,232</u>	<u>-</u>	<u>1,550,411,146</u>	<u>1,378,004,849</u>	<u>12,679,340,961</u>	<u>9,890,798,059</u>
<b>Information on Cash flows</b>																
Operating activities	(363,988,781)	(1,133,919,898)	(220,777,728)	(695,040,317)	(14,041,920)	(558,203)	(58,906,240)	(48,461,842)	(992,096,869)	(1,376,106,559)	74,637,901	70,212,627	(203,910,304)	(239,425,228)	(1,779,083,942)	(3,423,299,419)
Investing activities	-	-	-	-	-	-	-	-	217,143	(6,481,017)	-	-	39,007,589	51,756,250	39,224,732	45,275,233
Capital expenditure	(85,709,589)	(96,041,420)	(81,798,962)	(97,373,258)	(1,059,515)	(30,161)	(5,054,467)	(4,581,058)	(33,434,409)	(36,720,974)	(4,849,324)	-	(6,823,928)	(8,519,523)	(218,730,193)	(243,266,394)
Financing activities	-	-	-	-	-	-	-	-	-	-	-	-	1,997,058,371	3,509,465,530	1,997,058,371	3,509,465,530
Net cash flow	<u>(449,698,370)</u>	<u>(1,229,961,317)</u>	<u>(302,576,689)</u>	<u>(792,413,575)</u>	<u>(15,101,435)</u>	<u>(588,364)</u>	<u>(63,960,707)</u>	<u>(53,042,900)</u>	<u>(1,025,314,134)</u>	<u>(1,419,308,549)</u>	<u>69,788,577</u>	<u>70,212,627</u>	<u>1,825,331,728</u>	<u>3,313,277,028</u>	<u>38,468,969</u>	<u>(111,825,050)</u>
Depreciation and amortisation	(57,884,488)	(45,098,243)	(55,243,422)	(45,723,636)	(715,550)	(14,163)	(3,413,565)	(2,151,131)	(303,038)	(303,038)	(672,823)	-	(4,608,581)	(4,000,519)	(122,841,466)	(97,290,730)

## *Performance indicators*

<i>As at 31st March</i>	<b>2013</b>	<b>2012</b>	<b>MINIMUM STATUTORY REQUIREMENT</b>
<b>Capital Adequacy</b>			
Core capital (Tier 1) Rs. mn.	1,418.08	1,029.64	
Total capital base (Tier 2) Rs. mn.	1,418.08	1,029.64	
Core capital ratio	13.2%	11.0%	5%
Total capital ratio	13.2%	11.0%	10%
Capital funds to Total deposits ratio	41.6%	37.7%	10%
<b>Asset Quality (As per Central Bank of Sri Lanka regulations)</b>			
Total advances Rs. mn.	11,677.67	9,297.85	
Gross non-performing advances Rs. Mn.	125.22	107.45	
Net non-performing advances Rs. Mn.	103.18	47.17	
Gross non-performing advances ratio	1.07%	1.16%	
Net non-performing advances ratio	0.88%	0.51%	
<b>Profitability</b>			
Net interest margin	11.3%	12.8%	
Return on average assets	5.4%	7.2%	
Return on equity	50.5%	68.3%	
<b>Liquidity</b>			
Total liquid assets Rs. Mn.	1,860.84	1,277.79	
Liquid assets ratio	57.11%	48.58%	10%
Government securities Rs. Mn.	389.86	198.51	
Government securities to average deposits ratio	16.29%	9.04%	7.5%
<b>Debt</b>			
Debt-to-Equity ratio	5.57 : 1	5.84 : 1	
Interest cover	1.45	1.75	

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

## Notes to the Financial Statements (contd.)

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### 1 General

#### 1.1 Application of Sri Lanka Accounting standards (LKAS / SLFRS)

The interim financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS). The interim financial statements are prepared in compliance with Sri Lanka Accounting Standard (LKAS) 34 - Interim Financial Reporting.

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which has 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 previous Company process on interim financial statement was 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 was shown.

For all periods up to and including the year ended March 31, 2012 the company prepared its financial statements in accordance with SLAS effective up to March 31, 2012

The financial statements for the period ended March 31, 2013 are the first financial statements prepared and presented in accordance with Sri Lanka Accounting standards (LKAS/SLFRS) immediately effective from January 01, 2012.

A brief explanation of how the transition to LKAS/SLFRSs and impact to Total Comprehensive Income & Equity are given below.

#### 1.2 Disclosure requirements

The company will publish its Annual Report for the year ended March 31, 2013 including all the disclosure requirements under LKAS / SLFRS, which will be the first Annual Financial Statements after the issue of the new accounting standards. Interim financial statements will disclose the required information as per LKAS 34.

#### 1.3 Significant changes in accounting policies

The significant accounting policies with those of the Financial Statements presented for the year ended March 31, 2012 are as follows

##### *i Presentation of Financial Statements (LKAS 1)*

The company has selected to present comprehensive income in two separate statements, Statement of Income and a Statement of Comprehensive Income.

##### *ii Financial Instruments - Presentation, Recognition, Measurement and disclosure (LKAS 32, 39 and SLFRS 7)*

The above standards require an entity to recognized the financial assets and liabilities and apply the measurement presentation and disclosure requirements set out by the standards.

The classification of Financial assets are as follows,

<b>Financial Asset</b>	<b>Category</b>
Repo & Repurchased Agreements	Financial Assets Held to Maturity
Investment in Government Securities	Financial Assets Held to Maturity
Dealing Securities	Financial Assets held at fair value through profit and loss
Investment Securities	Financial Assets available for sale
Net Investment in Lease	Loans & Receivables
Net investment in Hire purchase	Loans & Receivables
Commercial Loans	Loans & Receivables
Other Loan and Advances	Loans & Receivables

#### 1.4 Comparative information

Comparative information has been restated in line with the changes to the new Sri Lanka Accounting Standards (LKAS / SLFRS) which are effective from 1st January 2012.

*Notes to the Financial Statements (contd.)*

1 General (contd.)

1.5 Reconciliation

- a Reconciliation of Total Comprehensive income in accordance with Sri Lanka Accounting Standards effective from 1st January 2012 and Sri Lanka Accounting Standards effective prior to 1st January 2012.

Description	For the year ended March 31, 2012	
	Company (Rs.)	Group (Rs.)
Profit after tax published in accordance with the accounting standards effective immediately prior to January 01, 2012	506,284,451	506,284,451
Impact arising due to the changing process of income recognition from sum of the digit to Actuarial	(11,435,586)	(11,435,586)
Deferred Tax Adjustment on Lease receivable.	(28,787,941)	(28,787,941)
Reversal on adjustment made to Dealing securities	6,000,141	6,000,141
Profit after tax (amended) in accordance with the accounting standards effective immediate prior to January 01,2012.	472,061,065	472,061,065
<b>Effect of adoption of LKAS / SLFRS</b>		
Impairment	15,415,740	15,415,740
Effect on fair value changes in dealing securities	(13,630,045)	(13,630,045)
Provision for interest on securitisation loan (EIR)	(29,103,162)	(29,103,162)
Provision for interest on FD (EIR)	(1,521,734)	(1,521,734)
Reversal of Unlisted debenture interests	258,096	258,096
Adjustments for Structural Fee (Amortised cost )	32,970,511	32,970,511
Net Profit Reported in the Income Statement	476,450,471	476,450,471
Defined benefit plan actuarial gains/(losses)	(2,498,527)	(2,498,527)
Total Comprehensive income in compliance with accounting standards effective from January 1, 2012.	473,951,944	473,951,944

- b Reconciliation of Total equity in accordance with Sri Lanka Accounting Standards effective from January 1, 2012 and Sri Lanka Accounting Standards effective prior to January 1, 2012.

Description	For the year ended March 31, 2013	
	Company (Rs.)	Group (Rs.)
Total Equity in accordance with the accounting standards effective immediately prior to January 1, 2012	1,509,769,858	1,509,769,858
Adjustment due to Restatements	(13,957,555)	(13,957,555)
Adjustment for gain in market value of assets categorised as FVPL	17,573,402	17,573,402
Adjustment for interest accrued on effective interest rate for Fixed Deposits	5,920,743	5,920,743
Adjustment for interest accrued on effective interest rate for Borrowings	(116,922,256)	(116,922,256)
Provision for the interest on unlisted debentures	(11,704,623)	(11,704,623)
Reversal of interest recognised on Sum of digit method for the previous years	(115,375,584)	(115,375,584)
Adjustment for impairment based on net flow method for the previous period	(116,267,900)	(116,267,900)
Other Effect of adoption of LKAS / SLFRS to current profit	(32,332,506)	(32,332,506)
Total Equity in accordance with the accounting standards effective from January 1, 2012	1,126,703,580	1,126,703,580

## 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 was recommended and paid during the period. The total dividend payment amounted to Rs.29,052,867.80 on 24th August 2012.

Further, the dividend payment related to the year 2012 /2013 is as follows,

Dividend payment	Amount (Rs.)	Paid Date
1st interim dividend paid Rs.0.45 per share	24,015,600	14.11.2012
2nd interim dividend paid Rs. 0.79 per share	42,160,720	14.02.2012
3rd interim dividend paid Rs. 0.80 per share	42,694,400	19.04.2013

### 5 Debenture Information

- 5.1 During the nine month period ended the details of debenture movements are as follows,

Type of Debenture	New Issues Rs.	Reinvested Rs.	Redemptions Rs.
Unlisted privately placed 5 year Unsecured Redeemable Debentures	240 million	241 million	241 million
Unlisted privately placed 2 year Secured Redeemable Debentures	735 million	-	-
Rated unlisted Redeemable Debentures	-	-	66 million
Guaranteed Redeemable Debentures	-	-	110 million

### 6 Share information

- 6.1 Directors' shareholdings

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

	As at 31.03.2013
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. C. L. de Alwis	Nil
8. Mr. W. A. T. Fernando	Nil
9. Dr. P. Ramanujam	Nil
10. Mr. S. S. Kulatunga	Nil

- 6.2 Stated Capital

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

As at	31.03.2013	31.03.2012
Ordinary shares	53,368,000	53,368,000

**Notes to the Financial Statements (contd.)**

6.3 The 20 largest shareholders of the company as at 31st March 2013 were:

Shareholder	Number of Shares	%
1. E. W. Balasuriya & Co. (Pvt) Limited	29,994,150	56.20
2. Hallsville Trading Group Inc.	4,180,000	7.83
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. S. K. 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. Mr. C. Y. Ching	4,800	0.01
19. Ms. S. I. A. Ching	4,800	0.01
20. Mr. L. Balasuriya - The Trustee of the Capitalisation Issue	4	0.00
	<b>53,368,000</b>	<b>100</b>

6.4 The percentage of shares held by the public on 31st March 2013 was 21.75% (2012 - 21.57%)

6.5 Information on Ratios, Market Prices and Credit Rating.

	31-Mar-2013	31-Mar-2012
Dividend per share (Rs.)	3.24	2.38
Net Assets per share (Rs.)	29.49	21.11
Market Prices		
- Highest price	50.00	40.00
- Lowest price	50.00	40.00
- Last traded price	50.00	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.