



Senkadagala Finance PLC

**Interim Financial Statement for the six months ended
30th September 2011**



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

Income Statement

For the three months ended 30th September

	2011	2010
	Rs	Rs
Income	<u>502,848,289</u>	<u>410,198,006</u>
Interest income	439,786,269	371,600,582
Interest expense	(187,537,448)	(174,760,110)
Net interest income	<u>252,248,821</u>	<u>196,840,472</u>
Other operating income	63,062,020	38,597,424
Net income from operations	<u>315,310,841</u>	<u>235,437,896</u>
Operating expenses		
Personnel cost	(40,036,990)	(35,937,873)
Depreciation of property, plant and equipment	(21,535,067)	(18,380,997)
Amortization of intangible assets	(1,716,318)	(1,716,347)
Directors' emoluments	(3,988,375)	(832,250)
Other operating expenses	(66,625,244)	(64,540,225)
	<u>(133,901,994)</u>	<u>(121,407,692)</u>
Operating profit before taxation and possible loan losses	181,408,848	114,030,204
Loan losses and provisions	(3,380,996)	(11,496,003)
Operating profit before VAT on Financial Services and Income tax	<u>178,027,852</u>	<u>102,534,201</u>
Value Added Tax on Financial Services	(15,910,574)	(19,730,990)
Profit before Income tax	<u>162,117,278</u>	<u>82,803,211</u>
Income tax expense	(33,473,681)	(30,586,231)
Profit for the period	<u>128,643,597</u>	<u>52,216,980</u>
Earnings per share	2.41	0.98

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit.

Income Statement

For the six months ended 30th September

	2011	2010
	Rs	Rs
Income	953,439,761	807,617,922
Interest income	837,731,075	740,095,481
Interest expense	(356,043,653)	(350,076,163)
Net interest income	481,687,422	390,019,318
Other operating income	115,708,686	67,522,441
Net income from operations	597,396,108	457,541,759
Operating expenses		
Personnel cost	(75,051,293)	(67,417,629)
Depreciation of property, plant and equipment	(41,813,773)	(36,575,068)
Amortization of intangible assets	(3,432,635)	(3,425,117)
Directors' emoluments	(7,988,125)	(1,717,000)
Other operating expenses	(126,170,674)	(124,136,936)
	(254,456,500)	(233,271,750)
Operating profit before taxation and possible loan losses	342,939,608	224,270,009
Loan losses and provisions	(8,459,307)	(12,282,739)
Operating profit before VAT on Financial Services and Income tax	334,480,301	211,987,270
Value Added Tax on Financial Services	(30,499,899)	(41,443,306)
Profit before Income tax	303,980,402	170,543,964
Income tax expense	(63,598,274)	(70,911,505)
Profit for the period	240,382,128	99,632,459
Earnings per share	4.50	1.87
Dividend per share	0.38	-

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit.

Balance Sheet

<i>As at</i>	30.09.2011	31.03.2011	30.09.2010
	Rs	Rs	Rs
		<i>Restated</i>	<i>Restated</i>
Assets			
Cash and short term funds	1,020,337,065	419,137,459	594,215,931
Government of Sri Lanka Treasury bills	252,966,109	198,509,828	171,463,268
Dealing securities	52,363,091	48,344,770	17,694,467
Investment securities	14,165,755	14,165,755	14,165,755
Loans and advances	6,807,586,736	5,401,847,202	4,709,728,601
Trade and other receivables	311,013,773	323,843,954	305,472,924
Advances and receivables	61,043,257	48,662,155	59,553,320
Deferred expenses	8,988,613	4,133,281	5,606,677
Property, plant and equipment	470,707,400	396,504,943	362,425,514
Intangible assets	30,030,995	33,463,630	36,896,265
Total assets	<u>9,029,202,794</u>	<u>6,888,612,978</u>	<u>6,277,222,723</u>
Liabilities and equity			
Liabilities			
Deposits from customers	2,502,821,761	2,392,741,865	2,362,544,476
Bank overdraft	55,733,267	28,982,674	18,137,442
Securitized loans	3,267,355,077	1,414,764,929	1,218,027,047
Accrued expenses	86,251,714	124,724,575	80,090,691
Accounts payable	19,805,311	21,422,509	19,271,668
Trade payables	200,891,046	247,722,022	179,339,620
Current tax liabilities	82,707,920	80,733,542	68,558,197
Rentals received in advance	43,688,409	37,325,772	33,115,106
Retirement benefit obligation	24,511,023	22,564,095	19,489,815
Debentures	1,350,000,000	1,330,000,000	1,210,000,000
Deferred taxation	91,263,889	103,559,908	76,581,622
	<u>7,725,029,417</u>	<u>5,804,541,892</u>	<u>5,285,155,684</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	55,493,817	16,751,605	-
Retained profit	152,153,135	(29,206,944)	54,040,614
	<u>1,304,173,377</u>	<u>1,084,071,086</u>	<u>992,067,039</u>
Total liabilities and shareholders' funds	<u>9,029,202,794</u>	<u>6,888,612,978</u>	<u>6,277,222,723</u>
Net assets per share	24.44	20.31	18.59

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
Friday, 7th October 2011

Statement of Cash Flow

<i>For the six months ended 30th September</i>	2011	2010
	Rs	Rs
Cash flow from operating activities		
Interest and commission receipts	837,731,075	740,095,481
Interest payments	(356,043,653)	(350,076,163)
Bad debts recovered	21,262,498	9,713,726
Other operating income	73,132,828	47,048,563
Operating expenditure	(65,772,366)	(64,307,977)
Cash payments to employees and suppliers	(176,125,714)	(169,670,772)
<i>Operating profit before changes in operating assets and liabilities (Note A)</i>	334,184,668	212,802,858
(Increase) / Decrease in operating assets		
Investments in Government securities	(54,456,281)	(8,271,115)
Funds advanced to customers	(1,403,979,781)	(319,247,267)
Advances and receivables	(12,381,102)	(7,992,296)
Deferred expenses	(10,690,621)	-
Trade and other receivables	12,830,181	(931)
	<u>(1,468,677,604)</u>	<u>(335,511,609)</u>
Increase / (Decrease) in operating liabilities		
Deposits from customers	110,079,896	268,066,817
Gratuity paid	(248,750)	(337,500)
Rentals received in advance	6,362,637	12,415,307
Other liabilities	(87,127,984)	55,223,419
	<u>29,065,799</u>	<u>335,368,043</u>
Net cash generated from operating activities before income tax	(1,105,427,137)	212,659,292
Taxes paid	(73,919,915)	(28,309,112)
<i>Net cash generated from operating activities</i>	<u>(1,179,347,052)</u>	<u>184,350,180</u>
Cash flow from investing activities		
Dividend receipts	1,072,991	545,524
Purchase of dealing securities	(4,018,321)	-
Purchase of property, plant and equipment	(124,467,111)	(22,036,268)
Purchase of intangible assets	-	(763,481)
Proceeds from sale of property, plant and equipment	28,691,250	16,350,000
<i>Net cash used in investing activities</i>	<u>(98,721,191)</u>	<u>(5,904,225)</u>
Cash flow from financing activities		
Securitised loans obtained	2,361,100,000	376,500,000
Unlisted debentures issued	120,000,000	120,000,000
Repayment of securitised loans	(508,509,852)	(586,854,553)
Redemption of unlisted debenture	(100,000,000)	-
Dividends paid	(20,072,892)	-
<i>Net cash used in financing activities</i>	<u>1,852,517,256</u>	<u>(90,354,553)</u>

Statement of Cash Flow (contd.)

<i>For the six months ended 30th September</i>	2011	2010
	Rs	Rs
Net Increase/ (Decrease) in cash and cash equivalents	574,449,013	88,091,403
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	964,603,798	576,078,489
Reconciliation of cash and cash equivalents		
Cash and short term funds	1,020,337,065	594,215,931
Bank overdraft	(55,733,267)	(18,137,442)
	964,603,798	576,078,489
(Note A)		
Reconciliation of operating profit		
Profit before income tax	303,980,402	170,543,964
Dividends	(1,072,991)	(545,524)
Specific provision for bad debts	1,417,755	15,375,739
Loans written-off	2,000,872	-
Reversal of specific provision on repossessed stocks	(5,178,376)	(6,338,451)
Depreciation	45,246,409	40,000,185
Provision for retiring gratuity	2,195,677	2,195,677
Profit on disposal of motor vehicles	(20,240,369)	(10,214,628)
Amortization of structural fees	5,835,289	1,785,896
<i>Cash flows from operating activities before changes in operating assets</i>	334,184,668	212,802,858

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit

Statement of Changes in Equity

For the six months ended 30th September 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	-	-	-	-	99,632,459	99,632,459
Transfer to reserve	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Balance as at 30th September 2010	<u>213,472,000</u>	<u>86,536,033</u>	<u>638,018,392</u>	<u>-</u>	<u>54,040,615</u>	<u>992,067,039</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	-	-	-	-	240,382,128	240,382,128
Transfers to reserves	-	-	-	38,742,212	(38,742,212)	-
Dividend paid	-	-	-	-	(20,279,840)	(20,279,840)
Balance as at 30th September 2011	<u>533,680,000</u>	<u>100,036,033</u>	<u>462,810,392</u>	<u>55,493,817</u>	<u>152,153,135</u>	<u>1,304,173,377</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 six months ended 30th September 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.
Revenue														
Interest	213,999,679	113,631,538	510,050,917	487,774,129	17,066,161	23,873,822	21,509,443	39,023,588	-	-	-	-	762,626,200	664,303,077
Commissions	-	-	-	-	-	-	-	-	34,659,320	25,355,406	-	-	34,659,320	25,355,406
Rent	-	-	-	-	-	-	960,000	1,120,000	-	-	-	-	960,000	1,120,000
Dividends	-	-	-	-	-	-	1,072,991	545,524	-	-	-	-	1,072,991	545,524
Other income	-	-	-	-	-	-	20,665,019	10,214,628	-	-	133,456,231	106,079,287	154,121,250	116,293,915
Total revenue	<u>213,999,679</u>	<u>113,631,538</u>	<u>510,050,917</u>	<u>487,774,129</u>	<u>17,066,161</u>	<u>23,873,822</u>	<u>44,207,453</u>	<u>50,903,740</u>	<u>34,659,320</u>	<u>25,355,406</u>	<u>133,456,231</u>	<u>106,079,287</u>	<u>953,439,761</u>	<u>807,617,922</u>
Profit before tax													303,980,402	170,543,964
Taxation													(63,598,274)	(70,911,505)
Profit after tax													<u>240,382,128</u>	<u>99,632,459</u>
Segment Assets	<u>2,722,705,626</u>	<u>1,463,352,985</u>	<u>3,944,836,329</u>	<u>3,780,333,950</u>	<u>140,044,781</u>	<u>158,160,267</u>	<u>1,848,337,711</u>	<u>1,112,639,537</u>	-	-	<u>373,278,347</u>	<u>374,126,238</u>	<u>9,029,202,794</u>	<u>6,888,612,978</u>
Segment Liabilities	<u>1,799,291,476</u>	<u>843,168,385</u>	<u>4,288,465,625</u>	<u>3,619,380,077</u>	<u>143,490,860</u>	<u>177,148,460</u>	<u>371,692,583</u>	<u>377,715,773</u>	-	-	<u>1,122,088,874</u>	<u>787,129,196</u>	<u>7,725,029,418</u>	<u>5,804,541,892</u>

Performance indicators

<i>As at 30th September</i>	2011	2010	MINIMUM STATUTORY REQUIREMENT
Capital Adequacy			
Core Capital (Tier 1) Rs. mn.	1,248.68	992.07	
Total Capital Base (Tier 2) Rs. mn.	1,248.68	992.07	
Core Capital Ratio.	15.9%	17.9%	5%
Total Capital Ratio.	15.9%	17.9%	10%
Capital Funds to Total Deposit Ratio	49.9%	42.0%	10%
Asset Quality			
Total Advances Rs. mn.	7,064.43	4,997.46	
Gross Non-Performing Advances Rs. Mn.	129.56	177.61	
Net Non-Performing Advances Rs. Mn.	44.42	131.13	
Gross Non-Performing Advances Ratio	1.83%	3.55%	
Net Non-Performing Advances Ratio	0.63%	2.62%	
Profitability			
Net Interest Margin	15.1%	16.4%	
Return on Average Assets	6.0%	3.3%	
Return on Equity	40.3%	21.1%	
Liquidity			
Total Liquid Assets Rs. Mn.	1,273.30	765.68	
Liquid Assets Ratio	53.08%	33.49%	10%
Government Securities Rs. Mn.	205.85	171.46	
Government Securities to Average Deposits Ratio	8.41%	7.69%	7.5%
Debt			
Debt-to-Equity Ratio	3.54 : 1	2.45 : 1	
Interest Cover	1.94	1.61	

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 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.

5 Share information

5.1 Directors' shareholdings (including the CEO's shareholding)

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

	As at 30.09.2011
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

5.2 Stated Capital

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

As at	30.09.2011	31.03.2011	30.09.2010
Ordinary shares	53,368,000	53,368,000	21,347,200

Notes to the Financial Statements

5.3 The 20 largest shareholders of the company as at 30th September 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. 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. 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

5.4 The percentage of shares held by the public on 30th September 2011 was 10.08% (2010 - 0%).

5.5 Information on Ratios, Market Prices and Credit Rating.

	30.09.2011	30.09.2010
Dividend per Share (Rs.)	0.38	-
Net Assets per Share (Rs.)	24.44	18.59
Market Prices		
- Highest price	40.00	-
- Lowest price	40.00	-
- Last traded price	40.00	-

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

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