



# Senkadagala Finance PLC

**Interim Financial Statements for the period ended  
30th June 2020**



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

**Senkadagala Finance PLC**

## ***Managing Director/ CEO's Review***

Dear Shareholder,

The COVID-19 outbreak continues to disrupt business and economic activities creating widespread uncertainty in both the local and global economy. Prolonged business closure due to the lockdown imposed to curtail the outbreak, coupled with the impact of the concessions granted to borrowers, made the quarter ended 30th June 2020 extremely challenging for the Financial Services Sector.

New business volumes drastically fell due to the lockdown, leading to a moderation in the loans and receivables portfolio. The concessions and moratoriums mandated by the Central Bank of Sri Lanka including deferment of payments, restructuring of loans, concessionary interest rates and waiving-off of certain fees, further affected loan collections.

These developments had a significant impact on our performance during the quarter under review. The Company reported a post-tax loss of Rs. 548.3 million for the period, and a loss of Rs. 514.9 million was recorded at the Group level, with a slight improvement due to the positive contribution from the insurance and the asset management subsidiaries.

The factor that most affected our financial results during the quarter was the recognition of the Day 1 loss on loans and receivables due to granting of moratoriums to COVID-19 affected customers. Such concessions were considered as a non-substantial modification to the individual debt instrument. Accordingly, Rs. 616 million, the difference between the gross carrying amount of the loans and receivables and the present value of the modified cash flow discounted at original effective interest rate (EIR), has been recognised as a Day 1 loss in the Income Statement.

This was the more prudent and conservative option as opposed to recognising the impact of the concessions granted as a substantial modification where it would result in derecognition of the original financial instrument and consequent recognition of a new financial instrument. The new financial instrument should be discounted using a restated EIR based on the total of the pre modification carrying value and the revised cash flows over the modified term of the financial instrument, resulting in a lower loss for the period under review and recognising the impact of the concessions over several financial periods.

Accordingly, the Company recorded a 56.2% drop in interest income for the quarter ended June 2020, when compared against the same period of the previous year resulting in a significant drop in pre and post-tax profits for the period under review.

The management is of the view that the strong core capital and total capital levels maintained at 14.78% and 20.73% respectively and above average liquidity positions maintained throughout, will enable the Company to withstand the economic turbulence caused by the effects of the pandemic while safeguarding the interests of all stakeholders.

While the financial result for the period under review is uncharacteristic of our previous performance, we wish to inform all our stakeholders that we have taken the necessary measures to continuously monitor and assess the impact of COVID-19 on the Company and to maintain the strength and stability that has always been associated with Senkadagala Finance PLC.



L Balasuriya  
Managing Director/ CEO

September 14, 2020

## Income statement

| For the period ended 30th June  | Company              |                     |                | Group                |                     |                 |
|---|----------------------|---------------------|----------------|----------------------|---------------------|-----------------|
|   | 2020<br>Rs.          | 2019<br>Rs.         | Change<br>%    | 2020<br>Rs.          | 2019<br>Rs.         | Change<br>%     |
| Interest income   | 760,049,108          | 1,735,883,014       | (56)           | 760,551,410          | 1,736,039,588       | (56)            |
| Interest expense  | (813,612,220)        | (979,967,009)       | (17)           | (812,596,779)        | (979,161,905)       | (17)            |
| <b>Net interest income</b>  | <b>(53,563,112)</b>  | <b>755,916,005</b>  | <b>(107)</b>   | <b>(52,045,369)</b>  | <b>756,877,683</b>  | <b>(107)</b>    |
| Fee and commission income   | 7,854,267            | 21,172,238          | (63)           | 53,980,555           | 57,405,023          | (6)             |
| Fee and commission expense  | (805,934)            | (9,148,256)         | 91             | (805,934)            | (9,148,256)         | 91              |
| <b>Net fee and commission income</b>  | <b>7,048,333</b>     | <b>12,023,982</b>   | <b>(41)</b>    | <b>53,174,621</b>    | <b>48,256,767</b>   | <b>(10)</b>     |
| Net loss from financial instruments designated at fair value through profit or loss | (2,474,076)          | (3,081,114)         | 20             | (2,169,801)          | (3,081,114)         | 30              |
| Other operating income  | 5,846,350            | 16,213,852          | (64)           | 5,771,350            | 16,138,852          | (64)            |
| <b>Net other operating income</b>   | <b>3,372,274</b>     | <b>13,132,738</b>   | <b>(74)</b>    | <b>3,601,549</b>     | <b>13,057,738</b>   | <b>(72)</b>     |
| <b>Total operating income</b>   | <b>(43,142,505)</b>  | <b>781,072,725</b>  | <b>(106)</b>   | <b>4,730,801</b>     | <b>818,192,188</b>  | <b>(99)</b>     |
| Impairment charges and other credit losses  | (142,719,185)        | (303,694,637)       | 53             | (142,719,185)        | (303,694,637)       | 53              |
| <b>Net operating income</b>   | <b>(185,861,690)</b> | <b>477,378,088</b>  | <b>(139)</b>   | <b>(137,988,384)</b> | <b>514,497,551</b>  | <b>(127)</b>    |
| Personnel expenses  | (152,304,042)        | (169,847,519)       | 10             | (155,622,089)        | (170,986,453)       | 9               |
| Depreciation expense  | (101,350,779)        | (85,238,132)        | (19)           | (101,681,459)        | (85,537,941)        | (19)            |
| Amortisation expense  | (3,603,357)          | (3,195,743)         | (13)           | (3,603,357)          | (3,195,743)         | (13)            |
| Other operating expenses  | (125,832,962)        | (197,240,095)       | 36             | (128,173,060)        | (198,603,092)       | 35              |
| <b>Operating loss before taxes on financial services</b>                            | <b>(568,952,830)</b> | <b>21,856,599</b>   | <b>(2,703)</b> | <b>(527,068,349)</b> | <b>56,174,322</b>   | <b>(1,038)</b>  |
| Taxes on financial services   | -                    | (60,776,527)        | 100            | -                    | (60,776,527)        | 100             |
| <b>Loss before income tax</b>   | <b>(568,952,830)</b> | <b>(38,919,928)</b> | <b>(1,362)</b> | <b>(527,068,349)</b> | <b>(4,602,205)</b>  | <b>(11,353)</b> |
| Income tax reversal / (expense)   | 20,674,143           | (24,987,205)        | 183            | 12,090,044           | (34,691,582)        | 135             |
| <b>Loss for the period</b>  | <b>(548,278,687)</b> | <b>(63,907,133)</b> | <b>(758)</b>   | <b>(514,978,305)</b> | <b>(39,293,787)</b> | <b>(1,211)</b>  |
| Earnings per share  | (7.57)               | (0.88)              | (758)          | (7.11)               | (0.54)              | (1,211)         |

Figures in brackets in 2020, 2019 columns indicate deductions.  
The above figures are provisional and subject to audit.

### Statement of other comprehensive income

| <i>For the period ended 30th June</i>   | Company       |              |             | Group         |              |             |
|---|---------------|--------------|-------------|---------------|--------------|-------------|
|   | 2020<br>Rs.   | 2019<br>Rs.  | Change<br>% | 2020<br>Rs.   | 2019<br>Rs.  | Change<br>% |
| Loss for the period   | (548,278,687) | (63,907,133) | (758)       | (514,978,305) | (39,293,787) | (1,211)     |
| <b>Other comprehensive income</b>   |               |              |             |               |              |             |
| <b>Items that will not be reclassified to profit or loss</b>                                    |               |              |             |               |              |             |
| Changes in fair value on investments in equity at fair value through other comprehensive income | -             | -            | -           | -             | -            | -           |
| Total other comprehensive income  | -             | -            | -           | -             | -            | -           |
| <b>Total comprehensive income for the period net of tax</b>                                     | (548,278,687) | (63,907,133) | (758)       | (514,978,305) | (39,293,787) | (1,211)     |

*Figures in brackets in 2020, 2019 columns indicate deductions.  
The above figures are provisional and subject to audit.*

## Statement of financial position

| As at  | Company               |                       |                       | Group                 |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 30.06.2020            | 31.03.2020            | 30.06.2019            | 30.06.2020            | 31.03.2020            | 30.06.2019            |
|  | Rs.                   | (Audited)<br>Rs.      | Rs.                   | Rs.                   | (Audited)<br>Rs.      | Rs.                   |
| <b>Assets</b>  |                       |                       |                       |                       |                       |                       |
| Cash and cash equivalents  | 268,295,123           | 718,612,914           | 639,182,535           | 332,768,874           | 760,978,541           | 665,026,040           |
| Deposits with licensed commercial banks                                    | 216,266,996           | 884,788,297           | -                     | 216,266,996           | 884,788,297           | -                     |
| Repurchase agreements  | 956,770,030           | 1,001,277,322         | 2,451,164,516         | 956,770,030           | 1,001,277,322         | 2,451,164,516         |
| Financial assets held at fair value through profit or loss                 | 376,343,290           | 378,817,366           | 166,980,975           | 389,185,251           | 391,355,052           | 166,980,975           |
| Financial assets at amortised cost - Finance leases and hire purchases     | 24,535,035,316        | 24,366,846,750        | 25,497,445,018        | 24,535,035,316        | 24,366,846,750        | 25,497,445,018        |
| Financial assets at amortised cost - Other loans and receivables           | 3,362,360,313         | 2,866,163,263         | 2,989,356,805         | 3,362,521,313         | 2,866,393,263         | 2,989,356,805         |
| Financial assets measured at fair value through other comprehensive income | 14,803,522            | 14,803,522            | 14,597,603            | 14,803,522            | 14,803,522            | 14,597,603            |
| Financial assets at amortised cost - Other financial instruments           | 1,156,244,592         | 1,131,895,795         | 1,061,124,108         | 1,156,244,592         | 1,131,895,795         | 1,061,124,108         |
| Investments in subsidiaries  | 328,301,663           | 328,301,663           | 320,000,000           | -                     | -                     | -                     |
| Investment property  | 364,353,182           | 365,410,369           | 375,030,895           | 268,691,670           | 269,748,857           | 277,410,383           |
| Property, plant and equipment  | 1,666,267,762         | 1,744,830,446         | 1,891,110,695         | 1,669,650,044         | 1,747,957,408         | 1,894,832,940         |
| Intangible assets  | 42,634,270            | 46,237,627            | 42,792,718            | 42,634,270            | 46,237,627            | 42,792,718            |
| Current tax receivable   | 57,896,980            | 6,429,659             | -                     | 55,636,252            | 9,487,493             | -                     |
| Right-of-use assets  | 411,315,786           | 388,931,384           | -                     | 411,315,786           | 388,931,384           | -                     |
| Other assets   | 173,965,737           | 151,179,996           | 313,355,765           | 137,895,625           | 114,731,215           | 314,105,460           |
| <b>Total assets</b>  | <b>33,930,854,562</b> | <b>34,394,526,373</b> | <b>35,762,141,633</b> | <b>33,549,419,541</b> | <b>33,995,432,526</b> | <b>35,374,836,566</b> |
| <b>Liabilities</b>   |                       |                       |                       |                       |                       |                       |
| Due to banks   | 5,892,962,505         | 5,257,315,384         | 7,072,085,687         | 5,892,962,505         | 5,257,315,384         | 7,086,067,821         |
| Financial liabilities at amortised cost - due to depositors                | 10,726,751,182        | 11,222,611,480        | 10,607,275,774        | 10,678,034,816        | 11,174,910,555        | 10,566,689,589        |
| Financial liabilities at amortised cost - other borrowings                 | 6,051,756,127         | 6,432,119,305         | 9,033,991,695         | 6,051,756,127         | 6,432,119,305         | 9,033,991,695         |
| Debt securities issued   | 2,571,346,083         | 2,539,828,926         | 2,646,038,093         | 2,571,346,083         | 2,539,828,926         | 2,646,038,093         |
| Subordinated debentures  | 1,794,958,218         | 1,779,700,505         | -                     | 1,794,958,218         | 1,779,700,505         | -                     |
| Lease liabilities  | 362,543,636           | 344,723,626           | -                     | 362,543,636           | 344,723,626           | -                     |
| Deferred tax liabilities   | 381,696,896           | 402,371,039           | 376,690,250           | 381,470,040           | 402,137,961           | 376,530,995           |
| Current tax payable  | -                     | -                     | 112,028,933           | -                     | -                     | 117,473,504           |
| Amounts due to related companies   | 282,247,412           | 282,247,412           | 282,310,989           | -                     | -                     | -                     |
| Employee retirement benefits   | 131,848,166           | 123,291,686           | 95,987,688            | 134,121,675           | 125,625,819           | 96,891,918            |
| Other liabilities  | 872,716,452           | 600,010,438           | 346,083,992           | 875,590,885           | 617,456,584           | 349,191,517           |
| <b>Total liabilities</b>   | <b>29,068,826,677</b> | <b>28,984,219,801</b> | <b>30,572,493,101</b> | <b>28,742,783,985</b> | <b>28,673,818,665</b> | <b>30,272,875,132</b> |
| <b>Equity</b>  |                       |                       |                       |                       |                       |                       |
| Stated capital   | 1,587,862,680         | 1,587,862,680         | 1,587,862,680         | 1,587,862,680         | 1,587,862,680         | 1,587,862,680         |
| Statutory reserve fund   | 430,036,033           | 430,036,033           | 415,036,033           | 434,997,079           | 434,997,079           | 419,997,079           |
| Fair value reserve   | 4,099,516             | 4,099,516             | 3,893,597             | 4,099,516             | 4,099,516             | 3,893,597             |
| Retained earnings  | 2,840,029,656         | 3,388,308,343         | 3,182,856,222         | 2,779,676,281         | 3,294,654,586         | 3,090,208,078         |
| <b>Total equity</b>  | <b>4,862,027,885</b>  | <b>5,410,306,572</b>  | <b>5,189,648,532</b>  | <b>4,806,635,556</b>  | <b>5,321,613,861</b>  | <b>5,101,961,434</b>  |
| <b>Total liabilities and equity</b>  | <b>33,930,854,562</b> | <b>34,394,526,373</b> | <b>35,762,141,633</b> | <b>33,549,419,541</b> | <b>33,995,432,526</b> | <b>35,374,836,566</b> |
| <b>Net assets per share</b>  | <b>67.09</b>          | <b>74.65</b>          | <b>71.61</b>          | <b>66.32</b>          | <b>73.43</b>          | <b>70.40</b>          |

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit, unless stated otherwise.

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

L Balasuriya  
Chief Executive Officer/Managing Director

Sgd.

Ms. L Fernando  
Director

Colombo, Sri Lanka  
14th September 2020

## Statement of changes in equity

|   | Stated capital       | Statutory reserve fund | Fair value reserve | Retained earnings    | Total                |
|---|----------------------|------------------------|--------------------|----------------------|----------------------|
|   | Rs.                  | Rs.                    | Rs.                | Rs.                  | Rs.                  |
| <b>Company</b>  |                      |                        |                    |                      |                      |
| <b>Balance as at 1st April 2019</b>                                   | 1,587,862,680        | 415,036,033            | 3,893,597          | 3,290,248,392        | 5,297,040,702        |
| Total comprehensive income for the period                             |                      |                        |                    |                      |                      |
| Loss for the period   | -                    | -                      | -                  | (63,907,133)         | (63,907,133)         |
| Other comprehensive income, net of tax                                | -                    | -                      | -                  | -                    | -                    |
| Total comprehensive income for the period                             | -                    | -                      | -                  | (63,907,133)         | (63,907,133)         |
| <i>Transactions with equity holders recognised directly in equity</i> |                      |                        |                    |                      |                      |
| Dividends paid  | -                    | -                      | -                  | (43,485,037)         | (43,485,037)         |
| Total contributions from and distribution to equity holders           | -                    | -                      | -                  | (43,485,037)         | (43,485,037)         |
| <b>Balance as at 30th June 2019</b>                                   | <u>1,587,862,680</u> | <u>415,036,033</u>     | <u>3,893,597</u>   | <u>3,182,856,222</u> | <u>5,189,648,532</u> |
| <b>Balance as at 1st April 2020</b>                                   | 1,587,862,680        | 430,036,033            | 4,099,516          | 3,388,308,343        | 5,410,306,572        |
| Total comprehensive income for the period                             |                      |                        |                    |                      |                      |
| Loss for the period   | -                    | -                      | -                  | (548,278,687)        | (548,278,687)        |
| Other comprehensive income, net of tax                                | -                    | -                      | -                  | -                    | -                    |
| Total comprehensive income for the period                             | -                    | -                      | -                  | (548,278,687)        | (548,278,687)        |
| <i>Transactions with equity holders recognised directly in equity</i> |                      |                        |                    |                      |                      |
| Dividends paid  | -                    | -                      | -                  | -                    | -                    |
| Total contributions from and distribution to equity holders           | -                    | -                      | -                  | -                    | -                    |
| <b>Balance as at 30th June 2020</b>                                   | <u>1,587,862,680</u> | <u>430,036,033</u>     | <u>4,099,516</u>   | <u>2,840,029,656</u> | <u>4,862,027,885</u> |
| <b>Group</b>  |                      |                        |                    |                      |                      |
| <b>Balance as at 1st April 2019</b>                                   | 1,587,862,680        | 419,997,079            | 3,893,597          | 3,172,986,902        | 5,184,740,258        |
| Total comprehensive income for the period                             |                      |                        |                    |                      |                      |
| Loss for the period   | -                    | -                      | -                  | (39,293,787)         | (39,293,787)         |
| Other comprehensive income, net of tax                                | -                    | -                      | -                  | -                    | -                    |
| Total comprehensive income for the period                             | -                    | -                      | -                  | (39,293,787)         | (39,293,787)         |
| <i>Transactions with equity holders recognised directly in equity</i> |                      |                        |                    |                      |                      |
| Dividends paid  | -                    | -                      | -                  | (43,485,037)         | (43,485,037)         |
| Total contributions from and distribution to equity holders           | -                    | -                      | -                  | (43,485,037)         | (43,485,037)         |
| <b>Balance as at 30th June 2019</b>                                   | <u>1,587,862,680</u> | <u>419,997,079</u>     | <u>3,893,597</u>   | <u>3,090,208,078</u> | <u>5,101,961,434</u> |
| <b>Balance as at 1st April 2020</b>                                   | 1,587,862,680        | 434,997,079            | 4,099,516          | 3,294,654,586        | 5,321,613,861        |
| Total comprehensive income for the period                             |                      |                        |                    |                      |                      |
| Loss for the period   | -                    | -                      | -                  | (514,978,305)        | (514,978,305)        |
| Other comprehensive income, net of tax                                | -                    | -                      | -                  | -                    | -                    |
| Total comprehensive income for the period                             | -                    | -                      | -                  | (514,978,305)        | (514,978,305)        |
| <i>Transactions with equity holders recognised directly in equity</i> |                      |                        |                    |                      |                      |
| Dividends paid  | -                    | -                      | -                  | -                    | -                    |
| Total contributions from and distribution to equity holders           | -                    | -                      | -                  | -                    | -                    |
| <b>Balance as at 30th June 2020</b>                                   | <u>1,587,862,680</u> | <u>434,997,079</u>     | <u>4,099,516</u>   | <u>2,779,676,281</u> | <u>4,806,635,556</u> |

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit, unless stated otherwise.

## Statement of cash flows

| For the period ended 30th June   | Company              |                        | Group                |                        |
|--|----------------------|------------------------|----------------------|------------------------|
|  | 2020<br>Rs.          | 2019<br>Rs.            | 2020<br>Rs.          | 2019<br>Rs.            |
| <b>Cash flows from operating activities</b>  |                      |                        |                      |                        |
| Interest and commission receipts   | 279,222,152          | 1,521,355,076          | 325,850,742          | 1,557,744,435          |
| Interest payments  | (732,837,579)        | (1,084,219,751)        | (731,822,138)        | (1,083,414,647)        |
| Recoveries of bad debts  | 4,889,393            | 11,175,575             | 4,889,393            | 11,175,575             |
| Other operating income   | 4,944,667            | 7,053,515              | 4,869,667            | 6,978,515              |
| Operating expenditure  | (155,288,290)        | (289,617,250)          | (157,628,388)        | (290,980,247)          |
| Cash payments to employees   | (142,837,137)        | (160,380,614)          | (146,215,808)        | (161,461,666)          |
| <b>Operating cash flow before changes in operating assets and liabilities (Note A)</b> | <b>(741,906,794)</b> | <b>5,366,551</b>       | <b>(700,056,532)</b> | <b>40,041,965</b>      |
| <b>Changes in operating assets and liabilities</b>                                     |                      |                        |                      |                        |
| Net funds (advanced to) / received from customers                                      | (294,720,192)        | 526,146,350            | (294,651,189)        | 526,146,350            |
| Deposits from customers  | (495,860,298)        | 598,299,728            | (496,875,742)        | 609,128,110            |
| Deposits with licensed commercial banks  | 668,521,301          | 1,351,023,248          | 668,521,301          | 1,351,023,248          |
| Government and other securities  | 20,158,495           | (952,340,514)          | 20,158,495           | (952,340,514)          |
| Other assets   | (22,328,034)         | (67,119,637)           | (22,706,703)         | (88,383,698)           |
| Other liabilities  | 263,359,712          | (215,997,686)          | 248,787,999          | (221,910,588)          |
|  | 139,130,984          | 1,240,011,489          | 123,234,161          | 1,223,662,908          |
| <b>Net cash flow from operating activities before taxation</b>                         | <b>(602,775,810)</b> | <b>1,245,378,040</b>   | <b>(576,822,371)</b> | <b>1,263,704,873</b>   |
| Taxes paid   | (42,578,726)         | (85,521,910)           | (45,838,041)         | (95,909,084)           |
| Gratuity paid  | (910,425)            | (2,052,117)            | (910,425)            | (2,052,117)            |
| <b>Net cash (used in) / generated from operating activities</b>                        | <b>(646,264,961)</b> | <b>1,157,804,013</b>   | <b>(623,570,837)</b> | <b>1,165,743,672</b>   |
| <b>Cash flows from investing activities</b>  |                      |                        |                      |                        |
| Net investment in trading securities   | -                    | (2,161,782)            | -                    | (2,161,782)            |
| Dividends received on investments  | 717,850              | 1,630,405              | 717,850              | 1,630,405              |
| Purchase of property, plant and equipment  | (1,430,585)          | (70,491,549)           | (2,016,585)          | (70,491,549)           |
| Purchase of intangible assets  | -                    | (856,788)              | -                    | (856,788)              |
| Proceeds from sale of property, plant and equipment                                    | 1,358,000            | 14,341,400             | 1,358,000            | 14,341,400             |
| Addition of right-of-use assets  | (12,442,800)         | -                      | (12,442,800)         | -                      |
| <b>Net cash used in investing activities</b>   | <b>(11,797,535)</b>  | <b>(57,538,314)</b>    | <b>(12,383,535)</b>  | <b>(57,538,314)</b>    |
| <b>Cash flows from financing activities</b>  |                      |                        |                      |                        |
| Securitized loans obtained   | 1,000,000,000        | -                      | 1,000,000,000        | -                      |
| Repayment of loans   | (806,927,246)        | (1,147,877,409)        | (806,927,246)        | (1,147,877,409)        |
| Repayment of lease liability   | (29,156,592)         | -                      | (29,156,592)         | -                      |
| Dividends paid   | -                    | (43,286,205)           | -                    | (43,286,205)           |
| <b>Net cash generated from / (used in) financing activities</b>                        | <b>163,916,162</b>   | <b>(1,191,163,614)</b> | <b>163,916,162</b>   | <b>(1,191,163,614)</b> |

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit, unless stated otherwise.



## Statement of cash flows (Continued)

| For the period ended 30th June                           | Company       |               | Group         |               |
|--|---------------|---------------|---------------|---------------|
|  | 2020          | 2019          | 2020          | 2019          |
|  | Rs.           | Rs.           | Rs.           | Rs.           |
| Net decrease in cash and cash equivalents                | (494,146,334) | (90,897,915)  | (472,038,210) | (82,958,256)  |
| Cash and cash equivalents at the beginning of the period | 521,600,576   | 668,923,873   | 563,966,203   | 672,845,585   |
| Cash and cash equivalents at the end of the period       | 27,454,242    | 578,025,958   | 91,927,993    | 589,887,329   |
| <b>Reconciliation of cash and cash equivalents</b>       |               |               |               |               |
| Cash and cash equivalents                                | 268,295,123   | 639,182,535   | 332,768,874   | 665,026,040   |
| Bank overdrafts  | (240,840,881) | (61,156,577)  | (240,840,881) | (75,138,711)  |
|  | 27,454,242    | 578,025,958   | 91,927,993    | 589,887,329   |
| <b>Note A</b>  |               |               |               |               |
| <b>Reconciliation of operating profit</b>                |               |               |               |               |
| Loss before income tax                                   | (568,952,830) | (38,919,928)  | (527,068,349) | (4,602,205)   |
| Depreciation and amortisation                            | 104,954,136   | 88,433,875    | 105,284,816   | 88,733,684    |
| Dividend receipts on investments                         | (717,850)     | (1,630,405)   | (717,850)     | (1,630,405)   |
| Profit on disposal of fixed assets                       | (183,833)     | (7,529,932)   | (183,833)     | (7,529,932)   |
| Provision for defined benefit plan                       | 9,466,905     | 9,466,905     | 9,406,281     | 9,524,787     |
| Impairment charge on financial assets                    | 119,455,767   | 292,735,267   | 119,455,767   | 292,735,267   |
| Gain from auction of pawned articles                     | (496,583)     | (317,427)     | (496,583)     | (317,427)     |
| Net loss from financial instruments designated at FVTPL  | 2,474,076     | 3,081,114     | 2,169,801     | 3,081,114     |
| Interest expense on lease liability                      | 15,560,509    | -             | 15,560,509    | -             |
| Interest accrued on loans and advances                   | (488,681,224) | (235,700,176) | (488,681,224) | (235,700,176) |
| Accrued interest on borrowings                           | 18,439,263    | (18,242,940)  | 18,439,263    | (18,242,940)  |
| Accrued interest on debentures                           | 46,774,870    | (86,009,802)  | 46,774,870    | (86,009,802)  |
|  | (741,906,794) | 5,366,551     | (700,056,532) | 40,041,965    |

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit, unless stated otherwise.

| <b>Segment report</b>                |                                    |                       |                         |                      |                       |                      |                      |                      |                            |                   |                              |             |                    |                        |                       |                       |             |               |              |
|--------------------------------------|------------------------------------|-----------------------|-------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------------|-------------------|------------------------------|-------------|--------------------|------------------------|-----------------------|-----------------------|-------------|---------------|--------------|
| <b>As at 30th June</b>               | <b>Leasing &amp; Hire purchase</b> |                       | <b>Pawning advances</b> |                      | <b>Other Advances</b> |                      | <b>Investments</b>   |                      | <b>Insurance Brokering</b> |                   | <b>Unit trust management</b> |             | <b>Unallocated</b> |                        | <b>Total</b>          |                       |             |               |              |
|                                      | <b>2020</b>                        | <b>2019</b>           | <b>2020</b>             | <b>2019</b>          | <b>2020</b>           | <b>2019</b>          | <b>2020</b>          | <b>2019</b>          | <b>2020</b>                | <b>2019</b>       | <b>2020</b>                  | <b>2019</b> | <b>2020</b>        | <b>2019</b>            | <b>2020</b>           | <b>2019</b>           |             |               |              |
|                                      | <b>Rs.</b>                         | <b>Rs.</b>            | <b>Rs.</b>              | <b>Rs.</b>           | <b>Rs.</b>            | <b>Rs.</b>           | <b>Rs.</b>           | <b>Rs.</b>           | <b>Rs.</b>                 | <b>Rs.</b>        | <b>Rs.</b>                   | <b>Rs.</b>  | <b>Rs.</b>         | <b>Rs.</b>             | <b>Rs.</b>            | <b>Rs.</b>            |             |               |              |
| <b>Revenue</b>                       |                                    |                       |                         |                      |                       |                      |                      |                      |                            |                   |                              |             |                    |                        |                       |                       |             |               |              |
| <i>External customers</i>            |                                    |                       |                         |                      |                       |                      |                      |                      |                            |                   |                              |             |                    |                        |                       |                       |             |               |              |
| Interest                             | 634,343,606                        | 1,457,714,769         | 39,605,464              | 67,839,661           | 33,050,176            | 108,035,821          | 53,427,478           | 102,449,337          | -                          | -                 | 124,686                      | -           | -                  | -                      | 760,551,410           | 1,736,039,588         |             |               |              |
| Trading                              | -                                  | -                     | -                       | -                    | -                     | -                    | (2,474,076)          | (3,081,114)          | -                          | -                 | 304,275                      | -           | 2,189              | 10,026                 | (2,167,612)           | (3,071,088)           |             |               |              |
| Commissions                          | -                                  | -                     | -                       | -                    | -                     | -                    | -                    | -                    | 36,062,104                 | 36,232,785        | 10,064,184                   | -           | 69,160             | 14,569                 | 46,195,448            | 36,247,354            |             |               |              |
| Rent                                 | -                                  | -                     | -                       | -                    | -                     | -                    | 1,425,000            | 4,214,892            | -                          | -                 | -                            | -           | -                  | -                      | 1,425,000             | 4,214,892             |             |               |              |
| Dividends                            | -                                  | -                     | -                       | -                    | -                     | -                    | 717,850              | 1,630,405            | -                          | -                 | -                            | -           | -                  | -                      | 717,850               | 1,630,405             |             |               |              |
| Other income                         | -                                  | -                     | -                       | -                    | -                     | -                    | 183,833              | 7,529,932            | -                          | -                 | -                            | -           | 11,227,585         | 23,911,266             | 11,411,418            | 31,441,198            |             |               |              |
| <b>Total revenue</b>                 | <b>634,343,606</b>                 | <b>1,457,714,769</b>  | <b>39,605,464</b>       | <b>67,839,661</b>    | <b>33,050,176</b>     | <b>108,035,821</b>   | <b>53,280,085</b>    | <b>112,743,452</b>   | <b>36,062,104</b>          | <b>36,232,785</b> | <b>10,493,145</b>            | <b>-</b>    | <b>11,298,934</b>  | <b>23,935,861</b>      | <b>818,133,514</b>    | <b>1,806,502,349</b>  |             |               |              |
| <b>Profit before tax</b>             |                                    |                       |                         |                      |                       |                      |                      |                      |                            |                   |                              |             |                    |                        |                       | (527,068,349)         | (4,602,205) |               |              |
| <b>Taxation</b>                      |                                    |                       |                         |                      |                       |                      |                      |                      |                            |                   |                              |             |                    |                        |                       |                       | 12,090,044  | (34,691,582)  |              |
| <b>Profit after tax</b>              |                                    |                       |                         |                      |                       |                      |                      |                      |                            |                   |                              |             |                    |                        |                       |                       |             | (514,978,305) | (39,293,787) |
| <b>Segment Assets</b>                | <b>24,535,035,316</b>              | <b>25,497,445,018</b> | <b>1,055,432,379</b>    | <b>1,173,809,647</b> | <b>2,306,927,934</b>  | <b>1,815,547,158</b> | <b>4,698,022,132</b> | <b>5,905,180,998</b> | <b>47,027,100</b>          | <b>30,315,448</b> | <b>35,761,784</b>            | <b>-</b>    | <b>871,212,896</b> | <b>952,538,297</b>     | <b>33,549,419,541</b> | <b>35,374,836,566</b> |             |               |              |
| <b>Segment Liabilities</b>           | <b>23,626,481,470</b>              | <b>25,093,260,390</b> | <b>1,475,127,600</b>    | <b>1,159,224,145</b> | <b>1,230,972,242</b>  | <b>1,846,084,287</b> | <b>1,984,446,488</b> | <b>1,926,526,899</b> | <b>2,078,398</b>           | <b>22,476,511</b> | <b>2,785,187</b>             | <b>-</b>    | <b>420,892,600</b> | <b>225,302,900</b>     | <b>28,742,783,985</b> | <b>30,272,875,132</b> |             |               |              |
| <b>Information on Cash flows</b>     |                                    |                       |                         |                      |                       |                      |                      |                      |                            |                   |                              |             |                    |                        |                       |                       |             |               |              |
| Operating activities                 | (964,690,497)                      | 746,735,224           | (10,318,560)            | 45,339,407           | (126,274,507)         | 56,359,943           | 520,928,987          | 392,003,632          | 5,278,656                  | 7,209,555         | 6,286,157                    | -           | (54,781,074)       | (81,904,089)           | (623,570,837)         | 1,165,743,672         |             |               |              |
| Investing activities                 | -                                  | -                     | -                       | -                    | -                     | -                    | 2,075,850            | (531,377)            | -                          | -                 | -                            | -           | -                  | 14,341,400             | 2,075,850             | 13,810,023            |             |               |              |
| Capital expenditure                  | (10,225,301)                       | (51,470,504)          | (439,865)               | (2,369,515)          | (961,443)             | (3,664,960)          | (1,957,963)          | (11,920,514)         | -                          | -                 | (586,000)                    | -           | (288,812)          | (1,922,844)            | (14,459,385)          | (71,348,337)          |             |               |              |
| Financing activities                 | -                                  | -                     | -                       | -                    | -                     | -                    | -                    | -                    | -                          | -                 | -                            | -           | 163,916,162        | (1,191,163,614)        | 163,916,162           | (1,191,163,614)       |             |               |              |
| <b>Net cash flow</b>                 | <b>(974,915,799)</b>               | <b>695,264,720</b>    | <b>(10,758,425)</b>     | <b>42,969,892</b>    | <b>(127,235,949)</b>  | <b>52,694,983</b>    | <b>521,046,874</b>   | <b>379,551,741</b>   | <b>5,278,656</b>           | <b>7,209,555</b>  | <b>5,700,157</b>             | <b>-</b>    | <b>108,846,276</b> | <b>(1,260,649,147)</b> | <b>(472,038,210)</b>  | <b>(82,958,256)</b>   |             |               |              |
| <b>Depreciation and amortisation</b> | <b>(89,159,883)</b>                | <b>(75,856,491)</b>   | <b>(3,835,423)</b>      | <b>(3,492,157)</b>   | <b>(8,383,335)</b>    | <b>(5,401,366)</b>   | <b>(1,057,187)</b>   | <b>(850,000)</b>     | <b>(314,172)</b>           | <b>(299,809)</b>  | <b>(16,508)</b>              | <b>-</b>    | <b>(2,518,308)</b> | <b>(2,833,861)</b>     | <b>(105,284,816)</b>  | <b>(88,733,684)</b>   |             |               |              |

## *Selected performance indicators*

| <i>As at 30th June</i>  | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| <b>Regulatory Capital Adequacy</b>  |             |             |
| Core Capital (Tier 1) Rs. '000  | 5,216,762   | 5,230,056   |
| Total Capital Base (Tier 1 and 2) Rs. '000  | 7,318,212   | 5,601,193   |
| Core Capital Adequacy Ratio, as % of Risk Weighted Assets   | 14.78%      | 14.60%      |
| Total Capital Adequacy Ratio, as % of Risk Weighted Assets  | 20.73%      | 15.64%      |
| Capital funds to Deposit Liabilities Ratio  | 45.33%      | 52.81%      |
| <i>Computed as per Finance Companies Act (Capital Adequacy Requirements) Direction No. 03 of 2018</i> |             |             |
| <b>Asset Quality (Quality of Loan Portfolio)</b>  |             |             |
| Gross Non-Performing Accommodations Rs. '000  | 1,895,124   | 1,841,226   |
| Gross Non-Performing Accommodations Ratio   | 6.52%       | 6.17%       |
| Net Non-Performing Accommodations Ratio   | 2.02%       | 2.76%       |
| <b>Profitability</b>  |             |             |
| Interest Margin   | -0.68%      | 9.34%       |
| Return on Assets (before Tax)   | -6.53%      | -0.25%      |
| Return on Equity (after Tax)  | -43.64%     | -4.98%      |
| <b>Regulatory Liquidity (Rs. '000)</b>  |             |             |
| Required minimum amount of Liquid Assets  | 792,716     | 1,433,482   |
| Available amount of Liquid Assets   | 2,042,010   | 3,974,712   |
| Required minimum amount of Government Securities  | 707,062     | 1,099,434   |
| Available amount of Government Securities   | 1,577,043   | 3,326,084   |
| <i>Computed as per CBSL guidelines</i>  |             |             |
| <b>Debt</b>   |             |             |
| Debt-to-Equity ratio (times)  | 3.35        | 3.61        |
| Interest cover (times)  | 0.30        | 0.96        |
| <b>Memorandum information</b>   |             |             |
| Number of employees   | 806         | 806         |
| Number of branches  | 59          | 59          |
| Number of service centers   | 41          | 41          |

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

## Notes to the financial statements

### 1 General

The financial statements of the Company and the Group are prepared on the basis of the accounting policies and methods of computation applied in the year ended March 31, 2020 and are 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.

- 2 There were no material changes in the composition of assets, liabilities and contingent liabilities during the period and the use of funds raised through debentures during the period.
- 3 All known expenses have been provided for in these financial statements.
- 4 The Board of Directors has not declared any dividends during the period.

### 5 Debenture Information

#### 5.1 Debenture issue -November 2010

Utilisation of funds raised via capital market Debenture Issue as at September 14, 2020

| Objective number | Objective as per prospectus | Amount allocated as per prospectus | Proposed date of utilization as per prospectus | Amount allocated from proceeds in Rs. (A) | % of total proceeds | Amount utilized in Rs. (B) | % of utilization against allocation (B/A) | Clarification if not fully utilized including where the funds are invested |
|------------------|-----------------------------|------------------------------------|--|---|---------------------|----------------------------|---|--|
| 1                | Leasing                     | Rs. 2.7 Bn                         | Within 6 months from the date of allotment     | Rs. 2.7 Bn                                | 90%                 | Rs. 2.7 Bn                 | 100%                                      | N/A  |
| 2                | Loans and advances          | Rs. 300 Mn                         | Within 6 months from the date of allotment     | Rs. 300 Mn                                | 10%                 | Rs. 300 Mn                 | 100%                                      | N/A  |

#### 5.2 Debenture issue -August 2019

Utilisation of funds raised via capital market Debenture Issue as at September 14, 2020

| Objective as per prospectus        | Amount allocated as per prospectus | Proposed date of utilization as per prospectus | Amount allocated from proceeds in Rs. (A) | % of total proceeds | Amount utilized in Rs. (B) | % of utilization against allocation (B/A) | Clarification if not fully utilized including where the funds are invested |
|------------------------------------|------------------------------------|--|---|---------------------|----------------------------|---|--|
| Expansion of the lending portfolio | Rs.1.75 Bn                         | Within 12 months from the date of allotment    | Rs.1.75 Bn                                | 100%                | Rs.1.75 Bn                 | 100%                                      | N/A  |

#### 5.3 Information on listed debenture

| Type of Debenture   | Annual effective % | Current yield % | Yield to maturity % | Last traded Value Rs. | Highest traded Value Rs. | Lowest traded Value Rs. |
|---|--------------------|-----------------|---------------------|-----------------------|--------------------------|-------------------------|
| 4 year - 6 months gross T-bill rate + 1.75% payable Semi-annually | 8.84%              | Not traded      | Not traded          | Not traded            | Not traded               | Not traded              |
| 4 year - 13.75% payable Semi- Annually                            | 14.22%             | Not traded      | Not traded          | Not traded            | Not traded               | Not traded              |
| 5 year - 12.875% payable Semi- Annually                           | 13.29%             | Not traded      | Not traded          | Not traded            | Not traded               | Not traded              |

## Notes to the financial statements (continued)

### 5.4 Interest rate of comparable government securities

| As at 30th June       | 2020  | 2019  |
|-----------------------|-------|-------|
| 6 month Treasury bill | 5.53% | 8.49% |
| 4 year Treasury bond  | 6.50% | 9.80% |
| 5 year Treasury bond  | 6.65% | 9.95% |

## 6 Share information

### 6.1 Directors' shareholdings

The number of shares held by the members of the Board of Directors and their close family members are as follows;

| As at  | 30.06.2020 |
|--|------------|
| 1. Dr. M. Balasuriya   | 4,172,046  |
| 2. Dr. A. Balasuriya & Mr. D. Balasuriya                       | 2,086,023  |
| 3. Mr. L. Balasuriya & Mr. S. K. Balasuriya                    | 2,086,023  |
| 4. Dr. A. Balasuriya & Mr. S. Balasuriya                       | 2,086,022  |
| 5. Mr. L. Balasuriya & Ms. A. S. Balasuriya                    | 2,086,022  |
| 6. Mrs. L. Fernando & Ms. S.A. Fernando                        | 1,166,232  |
| 7. Mrs. L. Fernando & Mr. A. R. Fernando                       | 1,166,231  |
| 8. Mrs. L. Fernando & Ms. A.L. Fernando                        | 1,166,231  |
| 9. Mr. L. Balasuriya - The Trustee of the Capitalisation Issue | 15         |
| 10. Mr. S. D. Bandaranayake                                    | Nil        |
| 11. Mr. D.T.P. Collure   | Nil        |
| 12. Mr. W.M.R.S. Dias  | Nil        |
| 13. Mr. S.R. Pushpakumara                                      | Nil        |
| 14. Mr. N. Vasantha Kumar                                      | Nil        |

### 6.2 Key Management Shareholdings

The number of shares held by the Key Management Personnel.

| As at                    | 30.06.2020 |
|--------------------------|------------|
| 1. Mr. P.P.K. Ikiriwatte | 16,977     |
| 2. Mr. J.K. Jayatileke   | 16,963     |

### 6.3 Stated Capital

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

| As at           | 30.06.2020 | 31.03.2020 |
|-----------------|------------|------------|
| Ordinary shares | 72,475,061 | 72,475,061 |

*Notes to the financial statements (continued)*

**6.4 The 20 largest shareholders of the Company as at June 30, 2020 were:**

| Shareholder                                     | Number of Shares  | %     |
|---|-------------------|-------|
| 1. E. W. Balasuriya & Co. (Pvt) Limited         | 40,918,535        | 56.46 |
| 2. Hallsville Trading Group Inc.                | 5,954,393         | 8.22  |
| 3. Dr. M. Balasuriya                            | 4,172,046         | 5.76  |
| 4. Dr. (Mrs.) G. Madan Mohan                    | 4,172,045         | 5.76  |
| 5. Mr. R. Balasuriya                            | 4,172,045         | 5.76  |
| 6. Dr. A. Balasuriya & Mr. D. Balasuriya        | 2,086,023         | 2.88  |
| 7. Mr. L. Balasuriya & Mr. S. K. Balasuriya     | 2,086,023         | 2.88  |
| 8. Mr. L. Balasuriya & Ms. A. S. Balasuriya     | 2,086,022         | 2.88  |
| 9. Dr. A. Balasuriya & Mr. S. Balasuriya        | 2,086,022         | 2.88  |
| 10. Mrs. L. Fernando & Ms.S.A. Fernando         | 1,166,232         | 1.61  |
| 11. Mrs. L. Fernando & Mr. A. R.Fernando        | 1,166,231         | 1.61  |
| 12. Mrs. L. Fernando & Ms. A.L. Fernando        | 1,166,231         | 1.61  |
| 13. Mr. D. K. C. R. Fernando                    | 673,348           | 0.93  |
| 14. Mrs. Chandra Fernando                       | 172,888           | 0.24  |
| 15. Estate of the late Mr. D. G. K. Hewamallika | 172,888           | 0.24  |
| 16. Mr. I. M. Thaha                             | 144,073           | 0.20  |
| 17. Mr. M. M. Ariyaratne                        | 31,653            | 0.04  |
| 18. Mr. P. P. K. Ikirowatte                     | 16,977            | 0.02  |
| 19. Mr. J. K. Jayatileke                        | 16,963            | 0.02  |
| 20. Mrs. S. Thaha                               | 14,408            | 0.02  |
|   | <b>72,475,046</b> |       |

**6.5 The float adjusted market capitalisation and public holding**

| As at                                    | 30.06.2020    | 30.06.2019    | Minimum Requirement |
|--|---------------|---------------|---------------------|
| The float adjusted market capitalisation | 1,042,884,032 | 1,393,011,618 | Rs. 1 Bn            |
| Public holding percentage                | 15.64%        | 15.64%        | 7.5%                |
| No. of public shareholders               | 8             | 8             | 200                 |

**6.6 Information on Ratios and Share Prices**

| As at                      | 30.06.2020 | 30.06.2019 |
|----------------------------|------------|------------|
| Dividend per share (Rs.)   | Nil        | 0.60       |
| Net Assets per share (Rs.) | 67.09      | 71.61      |
| Market Prices (Rs.)        |            |            |
| - Highest price            | Not traded | Not traded |
| - Lowest price             | Not traded | Not traded |
| - Last traded price        | Not traded | Not traded |

**7 The impact of COVID-19 pandemic on the business/ operations of the Company**

The outbreak of COVID-19 has caused disruptions to business and economic activities creating a widespread uncertainty in the global economy. In Sri Lanka, several guidelines and instructions were issued by the government health authorities and the Central Bank of Sri Lanka which are strictly followed by the Company.

The Central Bank of Sri Lanka issued circulars and guidelines for financial institutions to offer concessions on financial obligations to individual customers and private businesses as a result of the adverse short-term impact on their sources of income. The relief measures include deferment of payment, restructuring, concessionary interest rate and waving off certain charges and fees. These are causing an adverse impact to the earnings, cash flows and liquidity positions of the Company.

***Day 1 loss on loans and receivables due to granting of moratoriums to COVID-19 affected customers***

In line with SLFRS 9, the management decided to recognise the concessions granted to COVID-19 affected customers, as a non substantial modification to the loans and receivables of the Company. Accordingly, Rs. 616 million, the difference between the gross carrying amount of the loans and receivables and the present value of the modified cash flow discounted at original effective interest rate (EIR), has been recognised as a Day 1 loss in the Income Statement. This was the main contributory factor for the 56.2% drop recorded in interest income for the period.

However, the management is of the view that the Company is able to maintain a satisfactory liquidity position to safeguard the interest of all stakeholders. Accordingly, the management concluded that the Company has adequate resources to continue as a going concern, and is continuously monitoring and assessing the impact of COVID-19 pandemic, on the financial performance, financial position and cash flows of the Company.

**8 Events after the reporting period**

There were no material events occurring after the reporting period that require adjustment to or disclosure in the Financial Statements.

*Fitch Ratings Lanka Limited re-affirmed the long-term rating of the Company at BBB+ (lka) with a stable outlook.*