

Central Finance Company PLC

Rated A+(lka) by Fitch Ratings Lanka Ltd.

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020

CENTRAL FINANCE COMPANY PLC
STATEMENT OF INCOME

For the six months ended 30th September	Group			Company		
	2020	2019	Increase /(decrease)	2020	2019	Increase /(decrease)
	Unaudited Rs.'000	Unaudited Rs.'000	%	Unaudited Rs.'000	Unaudited Rs.'000	%
Income	11,885,491	12,707,100	(6.47)	9,847,051	10,755,070	(8.44)
Interest income	8,692,359	9,860,815	(11.85)	8,654,166	9,820,343	(11.88)
Less: Interest expenses	3,184,948	3,367,803	(5.43)	3,201,718	3,397,204	(5.75)
Net interest income	5,507,411	6,493,012	(15.18)	5,452,448	6,423,139	(15.11)
Other revenue	2,056,055	1,983,498	3.66	-	-	-
Less: Cost of sales	1,514,180	1,430,360	5.86	-	-	-
Gross profit	541,875	553,138	(2.04)	-	-	-
Operating lease income	499,023	517,875	(3.64)	501,176	519,776	(3.58)
Other income	638,054	344,912	84.99	691,709	414,951	66.70
	7,186,363	7,908,937	(9.14)	6,645,333	7,357,866	(9.68)
Less: Operating expenses						
Personnel expenses	957,820	1,210,865	(20.90)	817,640	1,062,792	(23.07)
Premises, equipment, establishment and other expenses	1,056,456	1,297,312	(18.57)	987,963	1,220,971	(19.08)
Employee retirement benefit expenses	110,073	110,065	0.01	99,000	99,000	-
	2,124,349	2,618,242	(18.86)	1,904,603	2,382,763	(20.07)
Profit before impairment on loans and other credit losses	5,062,014	5,290,695	(4.32)	4,740,730	4,975,103	(4.71)
Less: Impairments and other credit losses	2,432,554	1,919,064	26.76	2,423,838	1,912,124	26.76
	2,629,460	3,371,631	(22.01)	2,316,892	3,062,979	(24.36)
Share of profit of associates, net of tax	474,702	371,778	27.68	-	-	-
Profit before VAT on financial services, NBT, debt repayment levy and income tax	3,104,162	3,743,409	(17.08)	2,316,892	3,062,979	(24.36)
Less: VAT on financial services and NBT	352,998	504,778	(30.07)	352,998	504,778	(30.07)
Debt repayment levy	-	249,389	-	-	249,389	-
Profit before income tax	2,751,164	2,989,242	(7.96)	1,963,894	2,308,812	(14.94)
Less: Income tax expense	519,886	887,624	(41.43)	446,396	786,461	(43.24)
Profit after income tax	2,231,278	2,101,618	6.17	1,517,498	1,522,351	(0.32)
Attributable to equity holders of the parent	2,130,344	2,032,888	4.79	1,517,498	1,522,351	(0.32)
Attributable to non-controlling interest	100,934	68,730	46.86	-	-	-
Net profit for the period	2,231,278	2,101,618	6.17	1,517,498	1,522,351	(0.32)
Basic and diluted earnings per share -Rs.	9.51	9.07				

The annexed notes form an integral part of these interim financial statements.

CENTRAL FINANCE COMPANY PLC
STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September	Group			Company		
	2020	2019	Increase /(decrease)	2020	2019	Increase /(decrease)
	Unaudited Rs.'000	Unaudited Rs.'000	%	Unaudited Rs.'000	Unaudited Rs.'000	%
Profit / (loss) for the period	2,231,278	2,101,618	6.17	1,517,498	1,522,351	(0.32)
Other comprehensive income to be reclassified to income statement						
Fair value changes in debt securities at fair value through other comprehensive income						
Share from associates, net of tax	221,742	53,493	314.53	-	-	-
Total other comprehensive income to be reclassified to income statement	221,742	53,493	314.53	-	-	-
Other comprehensive income not to be reclassified to income statement						
Actuarial gains / (losses) on defined benefit plans						
Share from associates, net of tax	-	(9,053)	-	-	-	-
Total other comprehensive income not to be reclassified to income statement	-	(9,053)	-	-	-	-
Other comprehensive income for the period (net of tax)	221,742	44,440	398.97	-	-	-
Total comprehensive income for the period	2,453,020	2,146,058	14.30	1,517,498	1,522,351	(0.32)
Attributable to equity holders of the parent	2,352,086	2,077,328	13.23	1,517,498	1,522,351	(0.32)
Attributable to non-controlling interest	100,934	68,730	46.86	-	-	-
Total comprehensive income for the period	2,453,020	2,146,058	14.30	1,517,498	1,522,351	(0.32)

The annexed notes form an integral part of these interim financial statements.

CENTRAL FINANCE COMPANY PLC STATEMENT OF INCOME						
For the three months ended 30th September	Group			Company		
	2020	2019	Increase	2020	2019	Increase
	Unaudited Rs.'000	Unaudited Rs.'000	(decrease) %	Unaudited Rs.'000	Unaudited Rs.'000	(decrease) %
Income	6,586,062	6,464,851	1.87	5,287,555	5,404,451	(2.16)
Interest income	4,597,347	4,887,372	(5.93)	4,577,355	4,866,851	(5.95)
Less: Interest expenses	1,556,285	1,694,078	(8.13)	1,562,703	1,708,524	(8.53)
Net interest income	3,041,062	3,193,294	(4.77)	3,014,652	3,158,327	(4.55)
Other revenue	1,335,971	1,097,721	21.70	-	-	-
Less: cost of sales	951,077	786,342	20.95	-	-	-
Gross profit	384,894	311,379	23.61	-	-	-
Other operating income	251,434	259,889	(3.25)	252,357	260,840	(3.25)
Other income	401,310	219,869	82.52	457,843	276,760	65.43
	4,078,700	3,984,431	2.37	3,724,852	3,695,927	0.78
Less: Operating expenses						
Personnel expenses	469,736	620,165	(24.26)	396,671	545,580	(27.29)
Premises, equipment ,establishment and other expenses	589,377	672,381	(12.34)	546,836	632,152	(13.50)
Employee retirement benefit expenses	55,017	55,021	(0.01)	49,500	49,500	-
	1,114,130	1,347,567	(17.32)	993,007	1,227,232	(19.09)
Profit before impairment on loans and other credit losses	2,964,570	2,636,864	12.43	2,731,845	2,468,695	10.66
Less: Impairments and other credit losses	(58,830)	900,613	(106.53)	(66,539)	896,329	(107.42)
	3,023,400	1,736,251	74.13	2,798,384	1,572,366	77.97
Share of profit of associates, net of tax	268,577	222,646	20.63	-	-	-
Profit before VAT on financial services, NBT,debt repayment levy and income tax	3,291,977	1,958,897	68.05	2,798,384	1,572,366	77.97
Less: VAT on financial services and NBT	352,998	256,405	37.67	352,998	256,405	37.67
Debt repayment levy	-	126,683	-	-	126,683	-
Profit before income tax	2,938,979	1,575,809	86.51	2,445,386	1,189,278	105.62
Less: Income tax expense	932,125	463,280	101.20	877,310	402,112	118.18
Profit after income tax	2,006,854	1,112,529	80.39	1,568,076	787,166	99.21
Attributable to equity holders of the parent	1,926,392	1,066,791	80.58	1,568,076	787,166	99.21
Attributable to non-controlling interest	80,462	45,738	75.92	-	-	-
Net profit for the period	2,006,854	1,112,529	80.39	1,568,076	787,166	99.21
Basic and diluted earnings per share - Rs.	8.60	4.76				

The annexed notes form an integral part of these interim financial statements

CENTRAL FINANCE COMPANY PLC STATEMENT OF COMPREHENSIVE INCOME						
For the three months ended 30th September	Group			Company		
	2020	2019	Increase	2020	2019	Increase
	Unaudited Rs.'000	Unaudited Rs.'000	(decrease) %	Unaudited Rs.'000	Unaudited Rs.'000	(decrease) %
Profit for the period	2,006,854	1,112,529	80.39	1,568,076	787,166	99.21
Fair value change in debt securities at fair value through other comprehensive income						
Share from associates, net of tax	(106,471)	(8,570)	(1,142.37)	-	-	-
Total other comprehensive income to be reclassified to income statement	(106,471)	(8,570)	(1,142.37)	-	-	-
Other comprehensive income not to be reclassified to income statement						
Share from associates, net of tax	-	(9,053)	-	-	-	-
Total other comprehensive income not to be reclassified to income statement	-	(9,053)	-	-	-	-
Other comprehensive income for the period (net of tax)	(106,471)	(17,623)	(504.16)	-	-	-
Total comprehensive income for the period	1,900,383	1,094,906	73.57	1,568,076	787,166	99.21
Attributable to equity holders of the parent	1,819,921	1,049,168	73.46	1,568,076	787,166	99.21
Attributable to non-controlling interest	80,462	45,738	75.92	-	-	-
Total comprehensive income for the period	1,900,383	1,094,906	73.57	1,568,076	787,166	99.21

The annexed notes form an integral part of these interim financial statements


CENTRAL FINANCE COMPANY PLC
STATEMENT OF FINANCIAL POSITION


As at	Group		Company	
	30.09.2020	31.03.2020	30.09.2020	31.03.2020
	Unaudited Rs.'000	Audited Rs.'000	Unaudited Rs.'000	Audited Rs.'000
ASSETS				
Cash in hand and at banks	1,248,363	773,312	1,218,185	671,117
Fair value through profit or loss financial assets	11,916,967	5,599,847	10,873,572	5,320,028
Trade and other receivables	1,226,279	1,499,363	366,597	566,309
Tax receivables	722	1,616	-	-
Inventories and other stocks	702,922	997,014	69,958	81,520
Securities bought under repurchase agreements	2,670,756	4,440,427	2,670,756	4,440,427
Loans and receivables from banks	820,060	2,403,532	816,034	2,398,375
Loans and receivables from others	3,726,993	2,616,233	3,247,181	2,026,744
Loans and receivables from customers	3,791,217	4,167,030	3,815,590	4,167,893
Net investment in leases and hire purchase	69,845,518	74,343,334	69,845,518	74,343,334
Investments in real estate	14,496	18,339	14,496	18,339
Investment properties	303,800	303,800	303,800	303,800
Investments in associates	8,127,181	7,430,736	1,454,646	1,454,646
Investments in subsidiaries	-	-	306,481	289,063
Deferred tax asset	18,439	18,439	-	-
Right of use assets	487,965	443,545	640,443	612,968
Property, plant and equipment	12,533,591	12,605,679	10,312,610	10,358,739
Intangible assets	113,441	132,421	112,860	131,751
Total assets	117,548,710	117,794,667	106,068,727	107,185,053
LIABILITIES				
Bank overdrafts	497,908	1,241,075	483,751	1,224,972
Tax payables	1,101,470	836,968	1,011,097	752,572
Trade and other payables	1,313,204	1,297,648	763,248	913,308
Amounts due to subsidiaries	-	-	177,194	86,209
Short term borrowings	-	982,277	-	650,295
Deposits	54,002,386	52,912,500	54,269,949	53,390,977
Long term borrowings	6,984,868	7,150,700	6,983,243	7,148,317
Debentures	-	1,791,038	-	1,791,038
Lease liabilities	409,919	353,415	568,366	522,842
Employee benefit obligations	1,795,569	1,746,130	1,658,274	1,612,038
Deferred tax liability	3,493,261	3,960,035	3,003,388	3,459,432
Total liabilities	69,598,585	72,271,786	68,918,510	71,552,000
SHAREHOLDERS' FUNDS				
Stated capital	1,961,597	1,696,898	1,961,597	1,696,898
Revaluation reserve	4,819,977	4,823,863	3,564,216	3,567,167
Reserve fund	2,213,000	2,213,000	2,213,000	2,213,000
Other comprehensive income reserve	333,509	111,767	-	-
Loan loss reserve	920,000	920,000	920,000	920,000
Revenue reserves	36,429,476	34,560,162	28,491,404	27,235,988
Funds attributable to equity holders of the parent	46,677,559	44,325,690	37,150,217	35,633,053
Non-controlling interest	1,272,566	1,197,191	-	-
	47,950,125	45,522,881	37,150,217	35,633,053
Total liabilities, shareholders' funds and non-controlling interest	117,548,710	117,794,667	106,068,727	107,185,053
Net asset value per share - Rs.	208.36	197.86	165.83	159.06

I certify that the financial statements comply with the requirements of the Companies Act No.07 of 2007.


K. Kandeepan Ihsan
Chief Financial 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.


E. H. Wijenaik
Managing Director


G. S. N. Peiris
Director (Finance)

09th November 2020

The annexed notes form an integral part of these interim financial statements.

CENTRAL FINANCE COMPANY PLC
STATEMENT OF CHANGES IN EQUITY

Group equity statement for the six months ended 30th September 2020	Attributable to equity holders of the company									Total
	Stated capital	Revaluation reserve	Reserve fund	Fair value through OCI reserve	Loan loss reserve	General reserves	Retained earnings	Non-controlling interest		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 01st April 2019	1,527,778	4,745,864	2,037,000	17,993	920,000	23,402,957	8,089,048	1,119,290	41,859,930	
Net profit for the six months ended 30th September 2019	-	-	-	-	-	-	2,032,888	68,730	2,101,618	
Other comprehensive income	-	-	-	53,493	-	-	(9,053)	-	44,440	
Total comprehensive income for the six months ended 30th September 2019	-	-	-	53,493	-	-	2,023,835	68,730	2,146,058	
Depreciation on revaluation surplus	-	(3,784)	-	-	-	-	3,784	-	-	
Effect arising out of buy-back of shares by a subsidiary company	-	-	-	-	-	-	(1,449)	1,449	-	
Unclaimed dividends written back	-	-	-	-	-	-	74	76	150	
Dividends	169,120	-	-	-	-	-	(349,858)	(42,970)	(223,708)	
Balance as at 30th September 2019	1,696,898	4,742,080	2,037,000	71,486	920,000	23,402,957	9,765,434	1,146,575	43,782,430	
Balance as at 01st April 2020	1,696,898	4,823,863	2,213,000	111,767	920,000	23,402,957	11,157,205	1,197,191	45,522,881	
Net profit for the six months ended 30th September 2020	-	-	-	-	-	-	2,130,344	100,934	2,231,278	
Other comprehensive income	-	-	-	221,742	-	-	-	-	221,742	
Total comprehensive income for the six months ended 30th September 2020	-	-	-	221,742	-	-	2,130,344	100,934	2,453,020	
Depreciation on revaluation surplus	-	(3,886)	-	-	-	-	3,886	-	-	
Unclaimed dividends written back	-	-	-	-	-	-	117	118	235	
Dividends	264,699	-	-	-	-	-	(265,033)	(25,677)	(26,011)	
Balance as at 30th September 2020	1,961,597	4,819,977	2,213,000	333,509	920,000	23,402,957	13,026,519	1,272,566	47,950,125	
Company equity statement for the six months ended 30th September 2020	Stated capital	Revaluation reserve	Reserve fund		Loan loss reserve	General reserve	Retained earnings		Total	
	Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000		Rs.'000	
Balance as at 01st April 2019	1,527,778	3,573,069	2,037,000		920,000	23,391,776	1,858,154		33,307,777	
Net profit for the six months ended 30th September 2019	-	-	-		-	-	1,522,351		1,522,351	
Total comprehensive income for the six months ended 30th September 2019	-	-	-		-	-	1,522,351		1,522,351	
Depreciation on revaluation surplus	-	(2,951)	-		-	-	2,951		-	
Dividends	169,120	-	-		-	-	(349,858)		(180,738)	
Balance as at 30th September 2019	1,696,898	3,570,118	2,037,000		920,000	23,391,776	3,033,598		34,649,390	
Balance as at 01st April 2020	1,696,898	3,567,167	2,213,000		920,000	23,391,776	3,844,212		35,633,053	
Net profit for the six months ended 30th September 2020	-	-	-		-	-	1,517,498		1,517,498	
Total comprehensive income for the six months ended 30th September 2020	-	-	-		-	-	1,517,498		1,517,498	
Depreciation on revaluation surplus	-	(2,951)	-		-	-	2,951		-	
Dividends	264,699	-	-		-	-	(265,033)		(334)	
Balance as at 30th September 2020	1,961,597	3,564,216	2,213,000		920,000	23,391,776	5,099,628		37,150,217	

The annexed notes form an integral part of these interim financial statements.

Figures in brackets indicate deductions.

CENTRAL FINANCE COMPANY PLC
CASH FLOW STATEMENT

	Group		Company	
	2020 Unaudited Rs.'000	2019 Unaudited Rs.'000	2020 Unaudited Rs.'000	2019 Unaudited Rs.'000
For the six months ended 30th September				
Cash flows from operating activities				
Interest receipts	6,039,238	9,341,442	5,998,195	9,303,341
Interest payments	(1,452,204)	(1,403,395)	(1,463,630)	(1,417,972)
Recoveries on bad debts previously written off	46,203	57,835	46,203	57,835
Receipts from other operating activities	3,660,530	4,147,860	626,527	619,687
Cash payments to employees and suppliers	(3,563,315)	(4,859,857)	(1,325,631)	(1,675,834)
Operating profit before changes in operating assets	4,730,452	7,283,885	3,881,664	6,887,057
(Increase) / decrease in operating assets:				
Securities with bank and non-bank financial institutions	(3,136,760)	(2,433,500)	(3,136,760)	(2,433,500)
Loans to customers	(9,974,890)	(19,183,200)	(9,991,277)	(19,181,541)
Recoveries from customers	14,349,827	17,432,498	14,344,092	17,423,903
Others	146,452	(155,896)	154,994	(175,525)
Increase / (decrease) in operating liabilities:				
Net cash effect on deposits	247,349	5,215,815	24,376	5,185,050
Net cash from operating activities before value added tax, VAT/NBT on financial services and debt repayment levy	6,362,430	8,159,602	5,277,089	7,705,444
Value added tax, VAT/NBT on financial services and debt repayment levy	(342,531)	(970,398)	(296,614)	(862,558)
Net cash on operating activities before income tax	6,019,899	7,189,204	4,980,475	6,842,886
Income tax paid	(723,697)	(2,527,132)	(644,740)	(2,420,206)
Net cash inflow / (outflow) from operating activities	5,296,202	4,662,072	4,335,735	4,422,680
Cash flows from investing activities				
Dividends received from subsidiaries and associates	139,587	12,849	127,055	64,714
Dividends received from other companies	20,370	5,158	20,370	5,152
Investments in fixed deposits and commercial papers	(12,000)	(221,361)	-	-
Investments in unit trusts	(760,779)	(114,950)	-	-
Divestment of unit trusts	20,800	35,000	-	-
Divestment of debentures and commercial papers	56,000	50,000	-	-
Divestment of fixed deposits	30,277	127,750	-	-
Purchase of property, plant and equipment	(366,373)	(226,553)	(354,375)	(216,492)
Disposal of property, plant and equipment	50,180	21,952	50,149	21,894
Net cash inflow / (outflow) from investing activities	(821,938)	(310,155)	(156,801)	(124,732)
Cash flows from financing activities				
Borrowings	291,976	4,620,549	-	3,890,000
Repayment of borrowings	(3,446,379)	(7,391,029)	(2,821,663)	(6,645,000)
Lease installment settlement	(75,021)	(80,332)	(67,024)	(73,951)
Dividends paid to equity holders of the parent	(1,638)	(179,090)	(1,638)	(179,090)
Dividends paid to non-controlling interest	(24,661)	(42,797)	-	-
Net cash inflow / (outflow) from financing activities	(3,255,723)	(3,072,699)	(2,890,325)	(3,008,041)
Net increase / (decrease) in cash and cash equivalents	1,218,541	1,279,218	1,288,609	1,289,907
Cash and cash equivalents at the beginning of the period	(467,693)	(720,944)	(553,787)	(747,329)
Cash and cash equivalents at the end of the period	750,848	558,274	734,822	542,578
Cash in hand and at banks	1,248,363	844,961	1,218,185	793,848
Bank overdrafts	(497,908)	(286,858)	(483,751)	(251,439)
impairment provision for cash equivalents	393	171	388	169
Cash and cash equivalents at the end of the period	750,848	558,274	734,822	542,578
Movement of borrowings (short term, long term loans and debentures)				
Balance at the beginning of the period	9,924,015	11,676,431	9,589,650	11,579,327
Amount borrowed during the period	291,976	4,620,549	-	3,890,000
Capital repaid during the period	(3,446,379)	(7,391,029)	(2,821,663)	(6,645,000)
Amortised interest	215,256	345,886	215,256	345,886
Balance at the end of the period	6,984,868	9,251,837	6,983,243	9,170,213

Figures in brackets indicate outflows.

The annexed notes form an integral part of these interim financial statements.

CENTRAL FINANCE COMPANY PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 The interim financial statements of the Company and the Group have been prepared in accordance with the accounting policies set out in the Annual Report for the year ended 31st March 2020 and provide the information as required by the Colombo Stock Exchange and LKAS 34-Interim Financial Reporting.

2 The presentation and classification of the previous periods have been amended where relevant for better presentation and to be comparable with those of the current period.

3 Stated capital is represented by number of shares in issue as given below:

	As at 30.09.2020	As at 30.06.2020
Ordinary shares	224,024,987	220,674,367

(Increase in number of shares is due to payment of scrip dividend of Rs.1.20 per share in August 2020).

4 Market price per share

	Quarter ended 30.09.2020	Quarter ended 30.06.2020
	Rs.	Rs.
Highest	83.60	88.00
Lowest	73.90	75.10
Last traded	80.10	81.00

5 Number of shares held by individual Directors are as follows:

	As at 30.09.2020	As at 30.06.2020
E.H. Wijenaikie	34,526,340	34,009,737
G.S.N. Peiris	313,843	309,148
A.K. Gunaratne	1,784,132	1,757,437
D.P. de Silva	221,819	218,501
A.D.B. Talwatte	Nil	Nil
Dr. (Mrs.) A.D.N. de Zoysa	Nil	Nil
A.R. Fernando	Nil	Nil
C.K. Hettiarachchi	132,430	130,449
K.B. Herath	Nil	Nil
M.H.de Silva	Nil	N/A

6 Twenty largest shareholders of the Company are as follows:

	As at 30.09.2020		*As at 30.06.2020	
	Number of shares	%	Number of shares	%
1 Corporate Services (Pvt) Ltd. A/C No.01	36,088,465	16.11	35,548,488	16.11
2 E.H. Wijenaikie	34,526,340	15.41	34,009,737	15.41
3 Employees Provident Fund	24,061,391	10.74	23,701,371	10.74
4 Thurston Investments Limited	13,045,963	5.82	12,850,762	5.82
5 Hallsville Trading Group INC	11,571,944	5.17	11,348,798	5.14
6 Ceylon Investment PLC A/C No.02	8,813,521	3.93	8,790,002	3.98
7 Rubber Investment Trust Limited. A/C No.01	7,214,520	3.22	7,106,573	3.22
8 A.J. Wijenaikie	6,987,572	3.12	6,883,020	3.12
9 Ceylon Guardian Investment Trust PLC A/C No.02	6,064,799	2.71	5,974,054	2.71
10 N.W. Wijegoonawardene	4,618,754	2.06	4,549,646	2.06
11 E.W. Balasuriya & Co.(Pvt) Ltd.	3,730,491	1.67	3,563,924	1.62
12 C.R. Dunuwille	2,880,551	1.29	2,837,451	1.29
13 N.M. Gunawardana	2,777,519	1.24	2,735,961	1.24
14 P.R. Munasinha	2,620,812	1.17	2,581,598	1.17
15 Employees Trust Fund Board	2,339,262	1.04	2,304,261	1.04
16 P.M. Wijenaikie	2,170,544	0.97	2,138,068	0.97
17 S.K. Wedande	1,820,562	0.81	1,793,322	0.81
18 A.K. Gunaratne	1,784,132	0.80	1,757,437	0.80
19 N.M. Wahab	1,602,618	0.72	1,578,639	0.72
20 Shalfar (Pty) Ltd.	1,437,460	0.64	1,415,952	0.64

*Comparative shareholdings as at 30.06.2020 held by the twenty largest shareholders as at 30.09.2020.

CENTRAL FINANCE COMPANY PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

7 Public holding

The company qualifies under option one of the minimum public holding requirement No.7.13.1 of the Listing Rules of the Colombo Stock Exchange and relevant information is given below.

As at 30.09.2020

Float adjusted market capitalization		Public holding percentage (%)		Number of public shareholders	
Minimum requirement	Available amount	Minimum requirement	Available	Minimum requirement	Available
Rs.10 Bn	Rs.11.38 Bn	No minimum % requirement	63.45%	500	3,048

As at 30.06.2020

Float adjusted market capitalization		Public holding percentage (%)		Number of public shareholders	
Minimum requirement	Available amount	Minimum requirement	Available	Minimum requirement	Available
Rs.10 Bn	Rs.11.28 Bn	No minimum % requirement	63.10%	500	2,811

8 Contingent liabilities

	Group		Company	
	As at 30.09.2020 Rs.'000	As at 30.06.2020 Rs.'000	As at 30.09.2020 Rs.'000	As at 30.06.2020 Rs.'000
Guarantees issued				
Guarantees issued on behalf of depositors, fully secured on their deposits	51,875	49,485	51,875	49,485
	51,875	49,485	51,875	49,485

Tax assessments
Company and the group

There are no major changes to the outstanding tax assessments reported in the annual report for the year ended 31st March 2020.

9 Interest expenses of the group other than the parent are categorised under premises, equipment, establishment and other expenses.

10 Classification of financial assets and liabilities - Group

The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 Financial Instruments.

Analysis of financial assets and liabilities by measurement basis - Group

As at 30.09.2020

Description	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value measurement level
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Cash in hand and at banks	-	1,248,363	1,248,363		
Fair value through profit or loss financial assets					
Quoted securities	224,919	-	224,919		Level 1
Unquoted securities	114,743	-	114,743		Level 3
Investments in units	11,577,305	-	11,577,305		Level 2
Trade and other receivables		1,226,279	1,226,279		
Securities bought under repurchase agreements	-	2,670,756	2,670,756		
Loans and receivables from banks	-	820,060	820,060		
Loans and receivables from others	-	3,726,993	3,726,993	3,297,760	
Loans and receivables from customers	-	3,791,217	3,791,217	3,452,037	
Net investment in leases and hire purchase	-	69,845,518	69,845,518	N/A	
Total financial assets	11,916,967	83,329,186	95,246,153		
Bank overdrafts	-	497,908	497,908		
Trade and other payables	-	1,313,204	1,313,204		
Deposits	-	54,002,386	54,002,386	50,731,468	
Long term borrowings	-	6,984,868	6,984,868	6,793,708	
Lease liabilities	-	409,919	409,919	405,979	
Total financial liabilities	-	63,208,285	63,208,285		

Analysis of financial assets and liabilities by measurement basis - Group

As at 31.03.2020

Description	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value measurement level
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Cash in hand and at banks	-	773,312	773,312		
Fair value through profit or loss financial assets					
Quoted securities	174,542	-	174,542		Level 1
Unquoted securities	100,567	-	100,567		Level 3
Investments in units	5,324,738	-	5,324,738		Level 2
Trade and other receivables	-	1,499,363	1,499,363		
Securities bought under repurchase agreements	-	4,440,427	4,440,427		
Loans and receivables from banks	-	2,403,532	2,403,532		
Loans and receivables from others	-	2,616,233	2,616,233	2,508,473	
Loans and receivables from customers	-	4,167,030	4,167,030	3,699,579	
Net investment in leases and hire purchase	-	74,343,334	74,343,334	N/A	
Total financial assets	5,599,847	90,243,231	95,843,078		
Bank overdrafts	-	1,241,075	1,241,075		
Trade and other payables	-	1,297,648	1,297,648		
Short term borrowings	-	982,277	982,277		
Deposits	-	52,912,500	52,912,500	50,999,031	
Long term borrowings	-	7,150,700	7,150,700	6,676,598	
Debentures	-	1,791,038	1,791,038		
Lease liabilities	-	353,415	353,415	352,182	
Total financial liabilities	-	65,728,653	65,728,653		

Analysis of financial assets and liabilities by measurement basis - Company					
As at 30.09.2020					
Description	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value measurement level
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Cash in hand and at banks	-	1,218,185	1,218,185		
Fair value through profit or loss financial assets					
Quoted securities	224,629	-	224,629		Level 1
Unquoted securities	112,938	-	112,938		Level 3
Investments in units	10,536,005	-	10,536,005		Level 2
Trade and other receivables	-	366,597	366,597		
Securities bought under repurchase agreements	-	2,670,756	2,670,756		
Loans and receivables from banks	-	816,034	816,034		
Loans and receivables from others	-	3,247,181	3,247,181	2,817,948	
Loans and receivables from customers	-	3,815,590	3,815,590	3,476,410	
Net investment in leases and hire purchase	-	69,845,518	69,845,518	N/A	
Total financial assets	10,873,572	81,979,861	92,853,433		
Bank overdrafts	-	483,751	483,751		
Trade and other payables	-	763,248	763,248		
Deposits	-	54,269,949	54,269,949	52,700,968	
Long term borrowings	-	6,983,243	6,983,243	6,792,083	
Lease liabilities	-	568,366	568,366	564,426	
Total financial liabilities	-	63,068,557	63,068,557		
Analysis of financial assets and liabilities by measurement basis - Company					
As at 31.03.2020					
Description	Fair value through profit or loss	Amortised cost	Total	Fair value	Fair value measurement level
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Cash in hand and at banks	-	671,117	671,117		
Fair value through profit or loss financial assets					
Quoted securities	174,324	-	174,324		Level 1
Unquoted securities	98,762	-	98,762		Level 3
Investments in units	5,046,942	-	5,046,942		Level 2
Trade and other receivables	-	566,309	566,309		
Securities bought under repurchase agreements	-	4,440,427	4,440,427		
Loans and receivables from banks	-	2,398,375	2,398,375		
Loans and receivables from others	-	2,026,744	2,026,744	1,918,984	
Loans and receivables from customers	-	4,167,893	4,167,893	3,700,442	
Net investment in leases and hire purchase	-	74,343,334	74,343,334	N/A	
Total financial assets	5,320,028	88,614,199	93,934,227		
Bank overdrafts	-	1,224,972	1,224,972		
Trade and other payables	-	913,308	913,308		
Short term borrowings	-	650,295	650,295		
Deposits	-	53,390,977	53,390,977	51,477,508	
Long term borrowings	-	7,148,317	7,148,317	6,674,215	
Debentures	-	1,791,038	1,791,038		
Lease liabilities	-	522,842	522,842	521,609	
Total financial liabilities	-	65,641,749	65,641,749		
<p>Level 01 valuations are based on market prices published by the Colombo Stock Exchange for shares quoted on the Colombo Stock Exchange and level 2 valuations for units are based on the prices published by fund managers for respective funds.</p> <p>Level 03 valuations have been determined using valuation techniques which approximate the fair value.</p> <p>Financial instruments measured at amortised cost presented above where the fair value has not been disclosed separately, are approximately representing the fair value of such investments.</p> <p>There have been no transfers among levels 01, 02 and 03.</p>					

Financial assets and financial liabilities measured at fair value - fair value hierarchy
Fair value through profit or loss financial assets - Group

30.09.2020	Level 1 Rs.'000	Level 02 Rs.'000	Level 03 Rs.'000	Total Rs.'000
Investments in quoted securities	224,919	-	-	224,919
Unquoted equities	-	-	114,743	114,743
Investments in units	-	11,577,305	-	11,577,305
	224,919	11,577,305	114,743	11,916,967

Fair value through profit or loss financial assets - Group

31.03.2020	Level 1 Rs.'000	Level 02 Rs.'000	Level 03 Rs.'000	Total Rs.'000
Investments in quoted securities	174,542	-	-	174,542
Unquoted equities	-	-	100,567	100,567
Investments in units	-	5,324,738	-	5,324,738
	174,542	5,324,738	100,567	5,599,847

Fair value through profit or loss financial assets - Company

30.09.2020	Level 1 Rs.'000	Level 02 Rs.'000	Level 03 Rs.'000	Total Rs.'000
Investments in quoted securities	224,629	-	-	224,629
Unquoted equities	-	-	112,938	112,938
Investments in units	-	10,536,005	-	10,536,005
	224,629	10,536,005	112,938	10,873,572

Fair value through profit or loss financial assets - Company

.	Level 1 Rs.'000	Level 02 Rs.'000	Level 03 Rs.'000	Total Rs.'000
Investments in quoted securities	174,324	-	-	174,324
Unquoted equities	-	-	98,762	98,762
Investments in units	-	5,046,942	-	5,046,942
	174,324	5,046,942	98,762	5,320,028

Level 3 - fair value measurement

The following table shows a reconciliation from the beginning balance to the ending balance for fair value measurement in level 3 of the fair value hierarchy.

	Group		Company	
	30.09.2020 Rs.'000	31.03.2020 Rs.'000	30.09.2020 Rs.'000	31.03.2020 Rs.'000
Balance at the beginning of the year	100,567	108,614	98,762	106,524
Changes in fair value during the period	14,176	(8,047)	14,176	(7,762)
	114,743	100,567	112,938	98,762

11 The COVID - 19 pandemic has disrupted business and economic activities and increased uncertainty in the global and local economies. Subsequent to the outbreak of COVID-19 in Sri Lanka, the Company has strictly adhered to the guidelines and directions issued by the Government, Health authorities and the Central Bank of Sri Lanka (CBSL) when conducting its business operations. Accordingly, the Company has provided relief measures including rescheduling of contracts with extended payment periods, deferment of repayment of contracts and waiving-off certain fees including late payment fees, in line with the directions issued by CBSL. The Company is also continuously assessing possible disruptions due to the COVID - 19 pandemic.

The Institute of Chartered Accountants of Sri Lanka has provided a guideline in assessing expected credit losses under SLFRS-9. As per this guideline, as a practical expedient, entities are allowed to use the Probability of Default (PD), Loss Given Default (LGD), Economic Factor Adjustment (EFA) and Staging of Contracts applicable as at 31st December 2019.

However, the Company has used the Probability of Default, Loss Given Default, Economic Adjustment Factor as at 30 th September 2020, in computing the expected credit losses for the period ended 30th September 2020. This has resulted in a significant increase in impairment charges for the period ended 30th September 2020. The Company is of the view that this higher impairment charge would not pose any additional stress whatsoever on the Company's ability to maintain its minimum regulatory capital which is currently well above the minimum requirements. The Company has also substantially increased its liquid assets and maintains a strong liquidity buffer, well over and above the minimum regulatory requirements.

12 There have been no material events subsequent to the reporting date which require adjustments to or disclosure in these interim Financial Statements.

BUSINESS SEGMENT INFORMATION																				
For the six months ended 30th September																				
	Leasing, hire purchase and other advances		Medical services		Power generation		Manufacturing		Insurance broking		Investments		Real estate		Intra segmental adjustments		Total			
All figures in Rs.000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
Revenue																				
Interest income	8,378,882	9,564,465	6,934	7,473	-	-	5,371	383	24,106	27,194	275,858	259,307	1,208	1,993	-	-	8,692,359	9,860,815		
Other revenue	-	-	44,380	61,979	58,817	32,245	1,828,359	1,702,250	124,499	187,024	-	-	-	-	-	-	2,056,055	1,983,498		
Operating lease income	499,023	517,875	-	-	-	-	-	-	-	-	-	-	-	-	-	-	499,023	517,875		
Other income	243,436	249,061	691	238	-	-	3,192	3,083	14,443	1,506	373,882	97,504	2,410	4,971	-	(11,451)	638,054	344,912		
Income from external customers	9,121,341	10,331,401	52,005	69,690	58,817	32,245	1,836,922	1,705,716	163,048	215,724	649,740	356,811	3,618	6,964	-	(11,451)	11,885,491	12,707,100		
Inter - segment income	15,071	72,227	1	1	483	2,590	193	247	9,873	21,995	96,427	20,756	23,694	22,763	(145,742)	(140,579)	-	-		
Total income	9,136,412	10,403,628	52,006	69,691	59,300	34,835	1,837,115	1,705,963	172,921	237,719	746,167	377,567	27,312	29,727	(145,742)	(152,030)	11,885,491	12,707,100		
Expenses																				
Interest expenses	2,970,642	3,146,670	-	-	-	-	-	-	-	-	203,630	210,331	10,676	10,802	-	-	3,184,948	3,367,803		
Depreciation & amortisation	369,742	370,418	5,120	4,482	5	-	31,002	22,467	7,245	712	-	-	-	1,237	-	-	413,114	399,316		
Cost of sales	-	-	21,885	28,795	9,671	10,220	1,455,106	1,371,527	-	-	-	-	-	-	-	-	1,486,662	1,410,542		
Impairments and other credit losses	2,430,617	1,909,161	-	16	-	(3)	8,951	6,470	(242)	499	(6,780)	2,919	1	(76)	7	78	2,432,554	1,919,064		
Other operating and administrative expenses	1,509,783	1,985,540	24,389	29,602	2,538	3,428	151,443	148,996	47,314	62,439	178	118	6,526	8,621	(3,418)	-	1,738,753	2,238,744		
	7,280,784	7,411,789	51,394	62,895	12,214	13,645	1,646,502	1,549,460	54,317	63,650	197,028	213,368	17,203	20,584	(3,411)	78	9,256,031	9,335,469		
Inter - segment expenses	36,935	49,661	-	-	-	-	-	-	13,813	13,472	722	183	717	183	(52,187)	(63,499)	-	-		
Total expenses	7,317,719	7,461,450	51,394	62,895	12,214	13,645	1,646,502	1,549,460	68,130	77,122	197,750	213,551	17,920	20,767	(55,598)	(63,421)	9,256,031	9,335,469		
Segment results	1,818,693	2,942,178	612	6,796	47,086	21,190	190,613	156,503	104,791	160,597	548,417	164,016	9,392	8,960	(90,144)	(88,609)	2,629,460	3,371,631		
Share of profit of associates, net of tax																		474,702	371,778	
Profit before VAT on financial services, NBT debt repayment levy and income tax																		3,104,162	3,743,409	
Less: VAT on financial services, NBT and debt repayment levy																		352,998	754,167	
Profit before income tax																		2,751,164	2,989,242	
Less: Income tax expense																		519,886	887,624	
Profit after income tax																		2,231,278	2,101,618	
Non-controlling interest																		100,934	68,730	
Profit attributable to equity holders of the parent																		2,130,344	2,032,888	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	
	30.09.2020	31.03.2020	30.09.2020	31.03.2020	30.09.2020	31.03.2020	30.09.2020	31.03.2020	30.09.2020	31.03.2020	30.09.2020	31.03.2020	30.09.2020	31.03.2020	30.09.2020	31.03.2020	30.09.2020	31.03.2020	30.09.2020	31.03.2020
Segment assets	88,411,557	92,267,184	636,535	642,855	119,309	72,879	2,651,836	2,708,756	2,309,048	2,246,473	17,629,393	15,359,692	1,167,723	1,157,397	(4,834,917)	(4,894,173)	108,090,484	109,561,063		
Investments in associates																	8,127,181	7,430,736		
Unallocated assets																	1,331,045	802,868		
Total assets	88,411,557	92,267,184	636,535	642,855	119,309	72,879	2,651,836	2,708,756	2,309,048	2,246,473	17,629,393	15,359,692	1,167,723	1,157,397	(4,834,917)	(4,894,173)	117,548,710	117,794,667		
Segment liabilities	59,114,377	61,526,669	142,857	148,542	13,559	7,499	668,967	846,090	293,449	297,555	3,939,401	4,012,972	610,202	579,469	(856,986)	(971,052)	63,925,826	66,447,744		
Unallocated liabilities																	5,672,759	5,824,042		
Total liabilities	59,114,377	61,526,669	142,857	148,542	13,559	7,499	668,967	846,090	293,449	297,555	3,939,401	4,012,972	610,202	579,469	(856,986)	(971,052)	69,598,585	72,271,786		
For the six months ended 30th September	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2,020	2,019		
Additions to non-current assets	373,960	61,642	150	135	-	-	9,994	8,962	2,005	964	-	-	-	-	-	-	386,109	71,703		
Additions to intangible assets	3,357	7,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,357	7,700		
Additions to right of use assets	113,341	51,226	-	-	-	83	-	-	-	-	-	-	-	-	-	-	113,341	51,309		
Cash flows from operating activities	7,471,728	6,855,055	7,196	1,935	(11,804)	(501)	688,860	45,451	16,455	106,156	(3,131,629)	(2,430,570)	9,128	45,703	246,268	38,843	5,296,202	4,662,072		
Cash flows from investing activities	(303,426)	(193,643)	(723)	(6,136)	11,476	33,181	(314,427)	(8,184)	(59,727)	(75,251)	143,092	81,763	(1,436)	(34,040)	(296,767)	(107,845)	(821,938)	(310,155)		
Cash flows from financing activities	(2,890,325)	(3,008,041)	-	(1,360)	-	(30,664)	(372,302)	(64,901)	(38,934)	(24,750)	200	-	(4,861)	(11,985)	50,499	69,002	(3,255,723)	(3,072,699)		

CORPORATE INFORMATION

NAME OF COMPANY

Central Finance Company PLC

LEGAL FORM

A Quoted Public Company with limited liability incorporated in Sri Lanka on 5th December 1957 and registered under the Companies Act No.07 of 2007.

Registered under Finance Business Act No.42 of 2011 and Finance Leasing Act No.56 of 2000.

Approved Credit Agency under:

- Mortgage Act No.6 of 1949
- Trust Receipt Ordinance No.12 of 1947

COMPANY REGISTRATION NUMBER

PQ 67

CREDIT RATING

Rated A+(Ika) by Fitch Ratings Lanka Ltd.

DIRECTORS

A.D.B. Talwatte	- Independent Non - executive Director / Chairman
E.H. Wijenaik	- Managing Director / Chief Executive Officer
G.S.N. Peiris	- Director (Finance)
A.K. Gunaratne	- Deputy Managing Director/Deputy Chief Executive Officer
D.P. de Silva	- Director/Chief Operating Officer
Dr.(Mrs).A.D.N. de Zoysa	- Independent Non - executive Director
A.R. Fernando	- Non - executive Director
C.K. Hettiarachchi	- Director (Marketing)
K.B. Herath	- Independent Non - executive Director
M.H.de Silva	- Independent Non - executive Director

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on the Colombo Stock Exchange.

HEAD / REGISTERED OFFICE

84, Raja Veediya, Kandy.
Telephone : 081 - 2227000
Facsimile : 081 - 2232047

CITY OFFICE

270, Vauxhall Street, Colombo 2.
Telephone : 011 - 2300555
Facsimile : 011 - 2300441
E-mail : cenfin@cf.lk
Website : www.centralfinance.lk

BRANCH OFFICES

Akuressa, Alawwa, Aluthgama, Ambalangoda, Ampara, Anuradhapura, Aralaganwila, Athurugiriya, Avissawella, Badulla, Bakamuna, Balangoda, Bandaragama, Bandarawela, Batticaloa, Chilaw, Dambulla, Dehiattakandiya, Digana, Divulapitiya, Eheliyagoda, Elpitiya, Embilipitiya, Galewela, Galle, Gampaha, Gampola, Giriulla, Godakawela, Hambantota, Hanwella, Hatton, Hettipola, Hingurakgoda, Hiripitiya, Homagama, Horana, Ja-Ela, Jaffna, Kadawatha, Kaduwela, Kalmunai, Kalutara, Kantale, Katugastota, Kegalle, Kekirawa, Killinochchi, Kiribathgoda, Kirindiwela, Kuliypitiya, Kurunegala, Maharagama, Mahiyanganaya, Maho, Malabe, Mannar, Maradana, Matale, Matara, Matugama, Mawanella, Mawathagama, Melsiripura, Minuwangoda, Mirigama, Monaragala, Narammala, Nattandiya, Nawalapitiya, Negombo, Nikaweratiya, Nittambuwa, Nochchiyagama, Nugedoda, Nuwaraeliya, Padukka, Panadura, Pilimathalawa, Piliyandala, Polonnaruwa, Pottuvil, Puttalam, Ragama, Rajagiriya, Rambukkana, Ratmalana, Ratnapura, Rikillagaskada, Talawathugoda, Tambuttegama, Tissamaharama, Trincomalee, Vavuniya, Walasmulla, Warakapola, Wariyapola, Wattala, Welimada, Wellawaya, Wennappuwa.

BANKERS

Bank of Ceylon
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
NDB Bank PLC
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
DFCC Bank PLC
State Bank of India

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