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Siyapatha Finance

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

SIYAPATHA FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME

	For the 09 months ended		Change %	For the quarter ended		Change %
	30.09.2018 LKR.000	30.09.2017 LKR.000		30.09.2018 LKR.000	30.09.2017 LKR.000	
Gross income	5,095,887	3,583,191	42%	1,796,426	1,355,860	32%
Interest income	4,675,267	3,248,491	44%	1,649,597	1,227,885	34%
Interest expenses	(2,667,887)	(1,966,763)	36%	(954,435)	(737,886)	29%
Net interest income	2,007,380	1,281,728	57%	695,162	489,999	42%
Fee and commission income	213,725	172,442	24%	71,851	64,927	11%
Fee and commission expenses	(21)	(626)	-97%	-	(131)	-100%
Net fee and commission income	213,704	171,816	24%	71,851	64,796	11%
Other operating income	206,895	162,258	28%	74,978	63,048	19%
Total operating income	2,427,979	1,615,802	50%	841,991	617,843	36%
Impairment (charge)/reversal for loans	(553,071)	(129,107)	328%	(248,835)	(56,602)	340%
Individual impairment (charge)/reversal	(63,581)	(21,053)	202%	(36,969)	(18,117)	104%
Collective impairment (charge)/reversal	(489,490)	(108,054)	353%	(211,866)	(38,485)	451%
Net operating income	1,874,908	1,486,695	26%	593,156	561,241	6%
Operating expenses	(1,076,384)	(801,263)	34%	(398,703)	(289,772)	38%
Personnel expenses	(625,315)	(447,329)	40%	(233,556)	(158,547)	47%
Depreciation of property, plant & equipment	(39,477)	(35,385)	12%	(13,244)	(12,288)	8%
Amortization of intangible assets	(8,185)	(4,980)	64%	(5,914)	(1,438)	311%
Other operating expenses	(403,407)	(313,569)	29%	(145,989)	(117,499)	24%
Operating profit before Value Added Tax (VAT) & Nation Building Tax (NBT) on financial services	798,524	685,432	16%	194,453	271,469	-28%
VAT & NBT on financial services	(201,781)	(159,778)	26%	(59,273)	(60,888)	-3%
Profit before taxation	596,743	525,654	14%	135,180	210,581	-36%
Tax expenses	(224,878)	(197,589)	14%	(54,823)	(78,542)	-30%
Profit after taxation	371,865	328,065	13%	80,357	132,039	-39%
Other comprehensive income/(expenses)	-	-	-	-	-	-
Total comprehensive income, net of taxes	371,865	328,065	13%	80,357	132,039	-39%
Basic earnings per share-(LKR.)	6.23	5.72		1.26	2.30	

SIYAPATHA FINANCE PLC

STATEMENT OF FINANCIAL POSITION

As at	30-09-2018 LKR'000	Audited 31-12-2017 LKR'000
Assets		
Cash and bank balances	241,393	297,858
Placements with banks	-	65,699
Securities purchased under repurchase agreements	1,781,839	1,200,981
Loans and receivables	33,130,639	27,313,300
Other assets	490,408	464,986
Financial investments- Available for sale	56	56
Financial investments- Held to maturity	4,411	4,303
Property, plant and equipment	480,079	455,140
Intangible assets	89,462	8,257
Total Assets	36,218,287	29,810,580
Liabilities		
Bank overdraft	370,068	456,018
Due to other customers	9,718,348	9,333,622
Debt issued and other borrowed funds	21,445,955	16,310,778
Other payables	974,655	775,445
Current tax liabilities	124,001	91,800
Deferred tax liabilities	449,219	331,469
Retirement benefit obligations	42,863	33,163
Total Liabilities	33,125,109	27,332,295
Shareholders' Funds		
Stated capital	948,666	635,917
Reserves		
Statutory reserve fund	121,000	113,000
Revaluation Reserve	56,823	56,823
Retained earnings	1,966,689	1,672,545
Total Shareholders' Funds	3,093,178	2,478,285
Non controlling interest	-	-
Total Equity	3,093,178	2,478,285
Total Liabilities and Shareholders' Funds	36,218,287	29,810,580
Net asset value per share(LKR.)	48.64	38.97
Commitments & contingencies	735,067	772,657

The information contained in these financial statements have been extracted from the unaudited Financial Statements of the Company unless indicated as "Audited".

CERTIFICATION

We certify that the above Interim Financial Statements are in compliance with the requirements of the Companies Act No: 7 of 2007 and give true and fair view of the state of affairs of Siyapatha Finance PLC as at 30 September 2018 and its profits for the period then ended 30 September 2018.

(Sgd)
Managing Director

(Sgd)
Head of Finance

The Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board of Directors by,

(Sgd)
Director

(Sgd)
Director

07 November 2018

SIYAPATHA FINANCE PLC

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	LKR.000 Total
For the period ended 30 September 2017					
Balance as at 31 December 2016	576,975	86,422	-	1,266,964	1,930,361
Profit for the period	-	-	-	328,065	328,065
Other comprehensive income, net of tax	-	-	-	-	-
Transfer to Statutory Reserve Fund	-	4,604	-	(4,604)	-
Scrip dividend paid	58,942	-	-	(65,491)	(6,549)
Balance as at 30 September 2017	<u>635,917</u>	<u>91,026</u>	<u>-</u>	<u>1,524,934</u>	<u>2,251,877</u>
For the period ended 30 September 2018					
Balance as at 31 December 2017	635,917	113,000	56,823	1,672,544	2,478,284
Profit for the period	-	-	-	371,865	371,865
Other comprehensive income, net of tax	-	-	-	-	-
Transfer to Statutory Reserve Fund	-	8,000	-	(8,000)	-
Scrip dividend paid	62,749	-	-	(69,721)	(6,972)
Rights issue of shares	250,000	-	-	-	250,000
Balance as at 30 September 2018	<u>948,666</u>	<u>121,000</u>	<u>56,823</u>	<u>1,966,688</u>	<u>3,093,177</u>

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

For the period ended 30 September	2018	2017
	LKR'000	LKR'000
Cash flow from operating activities		
Profit before taxation	596,743	525,654
Interest expenses	2,667,887	1,966,763
Fee and commission expenses	21	626
Provision for impairment	553,071	129,107
Provision for /(Reversal of) staff gratuity	10,850	10,321
Provision for depreciation	39,477	35,385
Amortization of software	8,185	4,980
(Profit)/Loss on sale of motor vehicle	(84)	(691)
	3,279,407	2,146,491
Operating profit before working capital changes	3,876,150	2,672,145
(Increase)/decrease in Lease receivables	(5,552,783)	(4,695,660)
(Increase)/decrease in Hire purchase receivables	180,071	482,773
(Increase)/decrease in Factoring receivables	(22,537)	(128,111)
(Increase)/decrease in Gold loan receivables	(735,866)	(654,140)
(Increase)/decrease in Loan receivables	(212,059)	(1,835,372)
(Increase)/decrease in Other assets	(52,658)	(163,953)
Increase/(decrease) in Customer deposits	364,133	4,168,029
Increase/(decrease) in Other payables	164,045	590,977
	(5,867,654)	(2,235,457)
Cash generated from operations	(1,991,504)	436,688
Interest paid	(2,588,684)	(1,922,033)
Gratuity paid	(1,149)	(101)
Income tax paid	(39,761)	(25,361)
Dividend tax paid	(6,972)	(6,549)
Net cash inflow/(outflow) from operating activities	(4,628,070)	(1,517,356)
Cash flow from investing activities		
Investments in government treasury bonds & government securities	(580,966)	(1,186,203)
Purchase of property, plant, equipment & intangible assets	(153,823)	(60,578)
Proceeds from sale of property, plant & equipment	100	1,046
Net cash inflow/(outflow) from investing activities	(734,689)	(1,245,735)
Net cash inflow/(outflow) before financing activities	(5,362,759)	(2,763,091)
Cash flow from financing activities		
Proceeds from long term loans	7,750,000	4,775,000
Repayments of long long term loans	(4,473,455)	(2,697,000)
Proceeds from rights issue of shares	250,000	-
Net proceeds from short term borrowings	1,800,000	650,000
Net cash inflow/(outflow) from financing activities	5,326,545	2,728,000
Net decrease in cash and cash equivalents	(36,214)	(35,091)
Cash & cash equivalents at the beginning of the period	(92,461)	478,178
Cash and cash equivalents at end of the period	(128,675)	443,087
Analysis of the cash and cash equivalents at the end of the period		
Cash and bank balances	241,393	752,407
Securities purchased under repurchase agreements	-	-
Bank overdraft	(370,068)	(309,320)
	(128,675)	443,087

SIYAPATHA FINANCE PLC
SELECTED PERFORMANCE INDICATORS

	As at 30.09.2018	As at 31.12.2017
<u>Capital Adequacy</u>		
Core Capital Ratio(Minimum Requirement -6%)	7.59%	9.44%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10%)	11.49%	14.16%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	44.85%	40.40%
<u>Profitability</u>		
Return on Average Assets (After Tax)	1.46%	1.91%
Return on Average Shareholders' Funds	16.81%	23.05%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation(Gross)	34,173,510	27,836,365
Non-Performing Accommodation	1,950,917	820,816
Net Total Accommodation(Net of Allowance for Impairment Losses)	33,130,639	27,313,300
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets**	1,412,203	1,299,136
Required Minimum Amount of Government Securities***	1,717,655	1,153,393
Available Amount of Liquid Assets	1,835,209	1,311,674
Available Amount of Government Securities	1,772,343	1,192,090

* **Capital Funds to Deposit Liabilities Ratio**

The capital funds to deposit liabilities ratio is computed on the following basis:Capital funds as a percentage of average of month end deposit liabilities during last three months.

** Required minimum amount of liquid assets equals to 10 % of total liabilities less Shareholders' Funds and Secured Borrowings as at 30 September 2018 & 31 December 2017 respectively.

*** Required minimum amount of government securities equals to 7.5% of the average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year.

EXPLANATORY NOTES

1. The Interim Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards that came into effect from 01 January 2012.

Further, these Interim Financial Statements have been prepared in compliance with the requirements of Sri Lanka Accounting Standards - LKAS 34 on 'Interim Financial Reporting'.

The accounting policies and methods of computation followed in preparing the above interim financial statements are same as those disclosed in our Audited Financial Statements for the year ended 31 December 2017 and they provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.

2. There are no material changes during the period in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures. The funds raised through debentures were fully utilized for the objectives mentioned in the relevant prospectus.
3. The Interim Financial Statements for the period ended 30 September 2018 are drawn up from unaudited accounts of the Company unless indicated as audited.
4. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements other than those disclosed in Note 9 below
5. The dividend of LKR.1.25 per share on 55,777,146 Ordinary shares was approved at the Annual General Meeting held on 27 March 2018. This was paid in the form of scrip dividend and relevant provisions were made in the Financial Statements for the period ended 30 September 2018.
6. In terms of Section 144 of the Companies Act No 7 of 2007, Shareholders of the Company have approved by way of a special resolution passed on 22 June 2018 to issue up to 6,250,000 ordinary shares for the purpose of increasing the total number of ordinary shares in issue to 63,596,388 by way of a rights issue of shares to the shareholders of the Company in the proportion of Forty(40) new ordinary shares for every existing Three Hundred and Sixty Seven (367) shares (40:367) held at an issue price of Rupees Forty (LKR.40/-) per ordinary share.
7. Mr.Rushanka Silva was appointed as a Non Executive, Non Independent Director to the Board of Directors of the Company with effect from 01 June 2018 as per Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No: 3 of 2011 of Central Bank of Sri Lanka and Section 8.1 of the Listing rules of the Colombo Stock Exchange.

8. **SLFRS-9 Financial Instruments**

The Sri Lanka Accounting Standard –SLFRS 9 (Financial Instruments) is effective for annual periods beginning on or after 01 January 2018. However, The Institute of Chartered Accountants of Sri Lanka has granted the option, via the Statement of Alternative Treatment (SoAT) to prepare the interim financial statements continuing the application of LKAS 39 (Financial Instruments: Recognition and Measurement), with disclosures on impact to the Statement of Comprehensive Income for the period, if SLFRS 9 has been applied.

Accordingly, the accounting policies and method of computations adopted for the preparation and presentation of the financial statements for the period ended 30 September 2018 are consistent with LKAS 39 Financial Instruments: Measurement & Recognition.

The Company has performed provisional calculation for SLFRS 9 to identify the day 1 impact with the assistance of external consultant and has a fair view of the potential impact of SLFRS 9.

The models used for impairment computations are designed and being further tested and improvements will be made by the Company having obtained the assistance from the external consultant and the management.

9. Mr.Parakrama Maithri Asoka Sirimane, Non Executive, Non Independent Director of the Company had rendered his resignation from the Board of Directors in order to comply with the Corporate Governance code for finance companies where a director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies.

The Company has obtained approval from Central Bank of Sri Lanka by their letter dated 9 October 2018 in terms of Clause 5 of Finance Companies (Structural Changes) Direction No: 1 of 2013.

The Board of Directors has resolved that the resignation of Mr.Parakrama Maithri Asoka Sirimane will be effective from 15 October 2018.

INFORMATION ON SHARES

Stated Capital as at 30 September 2018 was represented by the number of shares in issue as given below.

	As at 30 September 2018		As at 31 December 2017	
	Number	LKR.	Number	LKR.
Ordinary Shares	63,596,388	948,666,116/-	55,777,146	635,916,827/-
Total	63,596,388	948,666,116/-	55,777,146	635,916,827/-

SHAREHOLDER INFORMATION

Shareholders' list as at 30 September 2018

	Name	No: of Shares	%
(01).	Sampath Bank PLC	63,596,381	100.00%
(02).	Mr. C.P.Palansuriya	01	0.00%
(03).	Mr. W.M.P.L. De Alwis	01	0.00%
(04).	Dr.H.S.D.Soyso	01	0.00%
(05).	Mr.Y.S.H.R.S.Silva	01	0.00%
(06).	Mr. P.S.Cumaranatunga	01	0.00%
(07).	Ms.Aroshi Nanayakkara	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		63,596,388	100.00%

Public Holdings

The percentage of ordinary shares held by the public as at 30 September 2018 was 0%.

Directors'/ CEO's Holding in Shares as at 30 September 2018

Name	Position	No: of Shares
Mr. C.P.Palansuriya	Chairman	01
Dr.H.S.D.Soyso	Director	01
Mr. W.M.P.L. De Alwis	Director	01
Mr. P.S.Cumaranatunga	Director	01
Ms.Aroshi Nanayakkara	Director	01
Mr. Y.S.H.R.S.Silva	Director	01

INFORMATION ON LISTED DEBENTURES

(i).Market Values

	Highest (LKR.)		Lowest (LKR.)		Period End (LKR.)	
	2018	2017	2018	2017	2018	2017
Debentures -2014/2019	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2016/2019	100.50	98.00	99.80	98.00	100.00	98.00
Debentures-2016/2021	Not Traded	100.00	Not Traded	100.00	Not Traded	100.00
Debentures-2017/2022	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded

N/A-Not Applicable

(ii).Interest Rates

	2018		2017	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Debentures -2014/2019	8.90%	8.90%	8.90%	8.90%
Debentures -2016/2019	13.00%	13.00%	13.00%	13.00%
Debentures -2016/2021	13.50%	13.50%	13.50%	13.50%
Debentures -2017/2022	12.50%	12.50%	12.50%	12.50%

N/A-Not Applicable

(iii).Interest rate of comparable Government Securities

	30-09-2018	31-12-2017
6 months treasury bill	8.60%	9.22%
1 year treasury bill	9.51%	9.89%
5 year treasury bond	10.58%	11.33%

(iv).Current Yield & Yield to maturity

	2018		2017	
	Current Yield (%)	Yield to Maturity (%)	Current Yield (%)	Yield to Maturity (%)
Debentures Issued-December 2014 5 year Fixed rated(8.90% p.a. payable annually)	8.90%	Not Traded	8.90%	Not Traded
Debentures Issued-September 2016 3 year Fixed rated(13.00% p.a. payable annually)	13.00%	12.98%	13.00%	13.90%
Debentures Issued-September 2016 5 year Fixed rated(13.50% p.a. payable annually)	13.50%	Not Traded	13.50%	13.43%
Debentures Issued-October 2017 5 year Fixed rated(12.50% p.a. payable annually)	12.50%	Not Traded	12.50%	Not Traded

N/A-Not Applicable

(v).Ratios

	30-09-2018	31-12-2017
Debt to Equity Ratio (Times)	4.39	4.95
Interest Cover(Times)	1.22	1.28
Quick Asset Ratio (%)	92.01%	99.74%