

# INTERIM FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## SIYAPATHA FINANCE PLC

***Siyapatha***  
F I N A N C E

member  ***Sampath Bank Group***

	Audited		Change %	Audited		Change %
	For the year ended			For the quarter ended		
	31.12.2016 LKR.000	31.12.2015 LKR.000		31.12.2016 LKR.000	31.12.2015 LKR.000	
<b>Income</b>	<b>3,153,907</b>	<b>2,212,489</b>	<b>43%</b>	<b>929,794</b>	<b>606,669</b>	<b>53%</b>
Interest income	2,838,995	1,973,921	44%	842,193	525,682	60%
Interest expenses	(1,620,783)	(824,699)	97%	(517,731)	(242,866)	113%
<b>Net interest income</b>	<b>1,218,212</b>	<b>1,149,222</b>	<b>6%</b>	<b>324,462</b>	<b>282,816</b>	<b>15%</b>
Fee and commission income	139,442	86,385	61%	42,204	39,077	8%
Fee and commission expenses	(2,139)	(6,252)	-66%	(365)	(1,203)	-70%
<b>Net fee and commission income</b>	<b>137,303</b>	<b>80,133</b>	<b>71%</b>	<b>41,840</b>	<b>37,874</b>	<b>10%</b>
Net gain/(loss) from trading	-	-	-	-	-	-
Other operating income	175,471	152,182	15%	45,397	41,910	8%
<b>Total operating income</b>	<b>1,530,986</b>	<b>1,381,537</b>	<b>11%</b>	<b>411,698</b>	<b>362,600</b>	<b>14%</b>
<b>Impairment (charge)/reversal for loans</b>	<b>(79,189)</b>	<b>(49,275)</b>	<b>61%</b>	<b>(28,422)</b>	<b>(2,366)</b>	<b>1101%</b>
Individual impairment (charge)/reversal	(19,710)	(37,890)	-48%	(3,515)	(16,291)	-78%
Collective impairment (charge)/reversal	(59,479)	(11,385)	422%	(24,908)	13,925	-279%
<b>Net operating income</b>	<b>1,451,797</b>	<b>1,332,262</b>	<b>9%</b>	<b>383,276</b>	<b>360,234</b>	<b>6%</b>
<b>Operating expenses</b>	<b>(808,111)</b>	<b>(679,804)</b>	<b>19%</b>	<b>(178,662)</b>	<b>(176,503)</b>	<b>1%</b>
Personnel expenses	(439,719)	(329,553)	33%	(99,330)	(83,826)	18%
Depreciation of property, plant & equipment	(42,173)	(25,355)	66%	(11,349)	(7,428)	53%
Amortization of intangible assets	(7,753)	(7,087)	9%	(1,888)	(1,895)	0%
Other operating expenses	(318,466)	(317,810)	0%	(66,095)	(83,354)	-21%
<b>Operating profit before VAT &amp; NBT on financial services</b>	<b>643,686</b>	<b>652,458</b>	<b>-1%</b>	<b>204,614</b>	<b>183,731</b>	<b>11%</b>
VAT & NBT on financial services	(128,500)	(93,305)	38%	(44,034)	(27,181)	62%
<b>Profit before taxation</b>	<b>515,186</b>	<b>559,153</b>	<b>-8%</b>	<b>160,579</b>	<b>156,549</b>	<b>3%</b>
Taxation	(187,904)	(174,629)	8%	(64,761)	(41,037)	58%
<b>Profit after taxation</b>	<b>327,282</b>	<b>384,524</b>	<b>-15%</b>	<b>95,818</b>	<b>115,512</b>	<b>-17%</b>
<b>Other comprehensive income/(expenses)</b>						
<b>Other comprehensive income not to be reclassified to profit or loss</b>						
Actuarial losses on defined benefit plan	(3,165)	(2,749)	15%	(3,165)	(2,749)	15%
Deferred tax effect on actuarial losses	886	770	15%	886	770	15%
<b>Other comprehensive income, net of taxes</b>	<b>(2,279)</b>	<b>(1,979)</b>	<b>15%</b>	<b>(2,279)</b>	<b>(1,979)</b>	<b>15%</b>
<b>Total comprehensive income, net of taxes</b>	<b>325,003</b>	<b>382,545</b>	<b>-15%</b>	<b>93,539</b>	<b>113,532</b>	<b>-18%</b>
<b>Basic earnings per share-(LKR.)</b>	<b>6.14</b>	<b>7.32</b>		<b>1.77</b>	<b>2.20</b>	

## SIYAPATHA FINANCE PLC

## STATEMENT OF FINANCIAL POSITION

As at	Audited 31-12-2016 LKR'000	Audited 31-12-2015 LKR'000
<b>Assets</b>		
Cash and bank balances	169,333	130,070
Securities purchased under repurchase agreements	777,438	601,679
Loans and receivables	19,181,355	13,529,244
Other assets	291,648	234,417
Financial investments- Available for sale	56	56
Financial investments- Held to maturity	4,288	4,274
Property, plant and equipment	358,131	124,697
Intangible assets	8,489	14,889
<b>Total Assets</b>	<b>20,790,738</b>	<b>14,639,326</b>
<b>Liabilities</b>		
Bank overdraft	460,494	163,583
Due to other customers	3,362,662	1,233,041
Debt issued and other borrowed funds	14,187,266	10,925,421
Other liabilities	595,597	508,921
Current tax liabilities	61,257	75,663
Deferred tax liabilities	170,088	102,306
Retirement benefit obligations	23,013	19,259
<b>Total Liabilities</b>	<b>18,860,377</b>	<b>13,028,194</b>
<b>Shareholders' Funds</b>		
Stated capital	576,975	525,000
Reserves		
Statutory reserve fund	86,422	70,059
Retained earnings	1,266,964	1,016,073
<b>Total Shareholders' Funds</b>	<b>1,930,361</b>	<b>1,611,132</b>
Non controlling interest	-	-
<b>Total Equity</b>	<b>1,930,361</b>	<b>1,611,132</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>20,790,738</b>	<b>14,639,326</b>
Net asset value per share(LKR.)	35.67	30.69
Commitments & contingencies	1,045,384	558,986

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 31 December 2016 and its profits for the year then ended 31 December 2016.

(Sgd)  
Group Finance Director

(Sgd)  
Managing Director

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

(Sgd)  
Chairman

(Sgd)  
Director

09 February 2017

## STATEMENT OF CHANGES IN EQUITY

Audited

LKR.000

	Stated Capital	Statutory Reserve Fund	Retained Earnings	Total Shareholders' Funds
<b>For the year ended 31 December 2015</b>				
<b>Balance as at 31 December 2014</b>	<b>525,000</b>	<b>50,832</b>	<b>735,813</b>	<b>1,311,644</b>
Super Gain Tax	-	-	(51,558)	(51,558)
Cash dividend paid	-	-	(31,500)	(31,500)
Net profit for the year	-	-	384,524	384,524
Other comprehensive income, net of tax	-	-	(1,979)	(1,979)
Transfer to Statutory Reserve Fund	-	19,227	(19,227)	-
<b>Balance as at 31 December 2015</b>	<b>525,000</b>	<b>70,059</b>	<b>1,016,073</b>	<b>1,611,132</b>
<b>For the year ended 31 December 2016</b>				
<b>Balance as at 31 December 2015</b>	<b>525,000</b>	<b>70,059</b>	<b>1,016,073</b>	<b>1,611,132</b>
Scrip dividend paid	51,975	-	(57,750)	(5,775)
Net profit for the year	-	-	327,282	327,282
Other comprehensive income, net of tax	-	-	(2,279)	(2,279)
Transfer to Statutory Reserve Fund	-	16,363	(16,363)	-
<b>Balance as at 31 December 2016</b>	<b>576,975</b>	<b>86,422</b>	<b>1,266,963</b>	<b>1,930,360</b>

## STATEMENT OF CASH FLOWS

For the year ended 31 December	Audited	Audited
	2016 LKR'000	2015 LKR'000
<b>Cash flow from operating activities</b>		
<b>Profit before taxation</b>	<b>515,186</b>	<b>559,153</b>
Interest expenses	1,620,783	824,699
Fee and commission expenses	2,139	6,252
Provision for impairment	79,189	49,275
Provision for /(Reversal of) staff gratuity	6,784	4,309
Provision for depreciation	42,173	25,355
Amortization of software	7,753	7,087
(Profit)/Loss on sale of motor vehicle	39	-
Write off of provisions	(14,775)	-
	1,744,085	916,976
<b>Operating profit before working capital changes</b>	<b>2,259,271</b>	<b>1,476,129</b>
(Increase)/decrease in Lease receivables	(4,675,805)	(5,832,238)
(Increase)/decrease in Hire purchase receivables	1,255,436	2,312,656
(Increase)/decrease in Factoring receivables	(840,364)	(199,542)
(Increase)/decrease in Pawning receivables	14,775	456,193
(Increase)/decrease in Gold loan receivables	(1,006,021)	(773,198)
(Increase)/decrease in Loan receivables	(456,797)	218,433
(Increase)/decrease in Other assets	(64,979)	(274,858)
Increase/(decrease) in Other payables	133,763	153,359
	<b>(5,639,992)</b>	<b>(3,939,195)</b>
<b>Cash generated from operations</b>	<b>(3,380,721)</b>	<b>(2,463,067)</b>
Interest paid	(1,502,565)	(779,294)
Gratuity paid	(6,195)	(334)
Income tax paid	(105,409)	(169,503)
Dividend tax paid	(5,775)	(3,150)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(5,000,665)</b>	<b>(3,415,348)</b>
<b>Cash flow from investing activities</b>		
Investments in government treasury bonds & government securities	(8,114)	(76)
Purchase of property, plant, equipment & intangible assets	(279,002)	(57,213)
Proceeds from sale of property, plant & equipment	2,003	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(285,113)</b>	<b>(57,289)</b>
<b>Net cash inflow/(outflow) before financing activities</b>	<b>(5,285,778)</b>	<b>(3,472,638)</b>
<b>Cash flow from financing activities</b>		
Proceeds from long term loans/Securitizations	3,346,350	5,482,037
Repayments of long long term loans/ Securitizations	(3,204,655)	(2,463,666)
Net proceeds from term deposits	2,054,301	1,206,628
Proceeds from debentures	2,500,000	-
Debentures redeemed	-	(259,000)
Net proceeds from short term borrowings	499,794	(388,116)
Cash Dividend paid	-	(31,500)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>5,195,790</b>	<b>3,546,383</b>
Net increase/(decrease) in cash and cash equivalents	(89,988)	73,747
Cash & cash equivalents at the beginning of the period	568,166	494,419
<b>Cash and cash equivalents at end of the period</b>	<b>478,178</b>	<b>568,166</b>
<b>Analysis of the cash and cash equivalents at the end of the period</b>		
Securities purchased under repurchase agreements	169,333	130,070
Cash and bank balances	769,339	601,679
Bank overdraft	(460,494)	(163,583)
	<b>478,178</b>	<b>568,166</b>

**SIYAPATHA FINANCE PLC**

**SELECTED PERFORMANCE INDICATORS**

	<b>As at 31.12.2016</b>	<b>As at 31.12.2015</b>
<b><u>Capital Adequacy</u></b>		
Core Capital Ratio(Minimum Requirement -5%)	10.62%	12.25%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10%)	13.93%	18.34%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	86.74%	222.78%
<b><u>Profitability</u></b>		
Return on Average Assets (After Tax)	1.81%	2.87%
Return on Average Shareholders' Funds	18.35%	25.91%
<b><u>Asset Quality (LKR'000)</u></b>		
Total Accommodation(Gross)	19,475,509	13,775,020
Non-Performing Accommodation	538,312	304,065
Net Total Accommodation(Net of Allowance for Impairment Losses)	19,181,355	13,529,244
<b><u>Liquidity (LKR'000)</u></b>		
Required Minimum Amount of Liquid Assets**	735,129	475,478
Required Minimum Amount of Government Securities***	762,830	590,992
Available Amount of Liquid Assets	817,852	632,165
Available Amount of Government Securities	769,234	593,429

**\* 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 31 December 2016 & 31 December 2015 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 2015 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.
3. The Interim Financial Statements for the period ended 31 December 2016 are drawn up from unaudited accounts of the Company unless indicated as audited.
4. The following comparative information for the year 2015 is re-classified as follows to conform with the current year's presentation of Financial Statements.

### **Statement of Comprehensive Income**

	Note	Re-classified LKR.000	As disclosed in 2015 LKR.000	Adjustment LKR.000
Individual impairment	4.1	37,890	87,551	(49,661)
Collective impairment	4.1	11,385	(38,276)	49,661

- 4.1** Following provision/losses amounting to LKR.49.66 Million which was classified under "Individual impairment charges" in 2015 have been re-classified under "Collective impairment charges".

- Losses on sale of repossessed vehicles LKR.47.79 Million
- Interest losses incurred at pawning auctions LKR. 0.86 Million
- Provision for NPA on insurance premium receivables LKR. 1.01 Million

5. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements.
6. The dividend of LKR.1.10 per share on 52.5 Million shares was approved at the Annual General Meeting held on 28 June 2016. This was paid in the form of scrip dividend and relevant provisions were made in the financial statements for the period ended 31 December 2016.
7. The Company has acquired a plot of land for the proposed Head Office of the Company for a total cost of LKR. 204.08 Million with the approval of Board of Directors of the Company.
8. Mr.K.M.Saman Priyantha Herath was appointed as the Managing Director of Siyapatha Finance PLC with effect from 05 April 2016.

9. Mr.A.Roshan Nanayakkara has resigned from the position of Chief Executive Officer of Siyapatha Finance PLC with effect from 30 April 2016.
10. The Company issued Rated, Unsecured, Senior, Redeemable debentures to the value of LKR.2,500 Mn in the month of September 2016. These debentures are listed on the Colombo Stock Exchange.
11. Fitch Ratings Lanka Ltd has revised Siyapatha Finance PLC's Outlook to Negative from Stable while affirming National Long-Term Rating at 'A-(lka)' in line with the revision of rating for the parent company. The agency has also affirmed Siyapatha's senior unsecured debt at 'A-(lka)' and outstanding subordinated debentures at 'BBB+ (lka)'.
12. The Board of Directors of the Company has appointed Mr.Mahawaduge Yasalal Aravinda Perera as the Chairman of the Company with effect from 07 October 2016. Further, Mr.Channa Prabodha Palansuriya, former Chairman of the Company continues to serve as a Non Executive Director of the Company.

### **INFORMATION ON SHARES**

Stated Capital as at 31 December 2016 was represented by the number of shares in issue as given below.

	As at 31 December 2016		As at 31 December 2015	
	Number	LKR.	Number	LKR.
Ordinary Shares	54,124,726	576,975,000/-	52,500,000	525,000,000/-
<b>Total</b>	<b>54,124,726</b>	<b>576,975,000/-</b>	<b>52,500,000</b>	<b>525,000,000/-</b>

### **SHAREHOLDER INFORMATION**

**Shareholders' list as at 31 December 2016**

	Name	No: of Shares	%
(01).	Sampath Bank PLC	54,124,719	100.00%
(02).	Mr. M.A.Abeynaike	01	0.00%
(03).	Mr. S.G. Wijesinha	01	0.00%
(04).	Dr.H.S.D.Soyasa	01	0.00%
(05).	Mr. W.M.P.L. De Alwis	01	0.00%
(06).	Mr. M.Y.A.Perera	01	0.00%
(07).	Mr. Ranjith Samaranayake	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		<b>54,124,726</b>	<b>100.00%</b>

#### **Public Holdings**

The percentage of ordinary shares held by the public as at 31 December 2016 was 0%.



**Directors'/ CEO's Holding in Shares as at 31 December 2016**

<b>Name</b>	<b>Position</b>	<b>No: of Shares</b>
Mr. M.Y.A. Perera	Chairman	01
Mr. M.A.Abeynaike	Deputy Chairman	01
Mr. S.G. Wijesinha	Director	01
Dr.H.S.D.Soyasa	Director	01
Mr. W.M.P.L. De Alwis	Director	01
Mr. Ranjith Samaranayake	Director	01

**INFORMATION ON LISTED DEBENTURES****(i).Market Values**

	<b>Highest (LKR.)</b>		<b>Lowest (LKR.)</b>		<b>Period End (LKR.)</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Debentures - 2014/2019	Not Traded	99.98	Not Traded	99.98	Not Traded	99.98
Debentures- 2016/2019	100.00	N/A	100.00	N/A	100.00	N/A
Debentures- 2016/2021	100.00	N/A	100.00	N/A	100.00	N/A

N/A-Not Applicable

**(ii).Interest Rates**

	<b>2016</b>		<b>2015</b>	
	<b>Coupon Rate</b>	<b>Effective Rate</b>	<b>Coupon Rate</b>	<b>Effective Rate</b>
Debentures -2014/2019	8.90%	8.90%	8.90%	8.90%
Debentures -2016/2019	13.00%	13.00%	N/A	N/A
Debentures -2016/2021	13.50%	13.50%	N/A	N/A

N/A-Not Applicable

**(iii).Interest rate of comparable Government Securities**

	<b>31-12-2016</b>	<b>31-12-2015</b>
6 months treasury bill	10.70%	7.43%
1 year treasury bill	11.30%	7.90%
5 year treasury bond	13.07%	10.88%

**(iv).Current Yield & Yield to maturity**

	2016		2015	
	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%	8.88%
Debentures Issued-September 2016 3 year Fixed rated(13.00% p.a. payable annually)	13.00%	12.93%	N/A	
Debentures Issued-September 2016 5 year Fixed rated(13.50% p.a. payable annually)	13.50%	13.49%	N/A	

N/A-Not Applicable

**(v).Ratios**

	31-12-2016	31-12-2015
Debt to Equity Ratio (Times)	4.92	4.42
Interest Cover(Times)	1.32	1.68
Quick Asset Ratio (%)	154.01%	110.25%