

SPF/WDPL/MHM

Board of Directors  
Siyapatha Finance PLC  
No. 46/12  
"Sayuru Sevana"  
Nawam Mawatha  
Colombo 02

17 June 2019

## **Accountants' Report Siyapatha Finance PLC**

Dear Sirs/Mesdames

### **Introduction**

This report has been prepared for the purpose of prospectus issued in connection with the Issue of 10,000,000 listed, rated, unsecured, subordinated redeemable debentures of Rs. 100/- each, aggregating to a value Rs. 1,000,000,000/- with an option to issue up to a further 5,000,000 of said Debentures, (value of Rs. 500,000,000/-) in the event of an oversubscription of the initial issue of 10,000,000 debentures.

We have examined the Financial Statements of Siyapatha Finance PLC (the "Company") for the years ended 31 December 2014 to 31 December 2018, and report as follows.

### **1. Incorporation**

Siyapatha Finance PLC ("The Company"), formerly known as Siyapatha Finance Limited is a domiciled, Public Limited Company incorporated in Sri Lanka on 03 March 2005. The Company was re-registered under the Companies Act No.07 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto. The debentures of the Company were initially listed on the Colombo Stock Exchange on 31 December 2014.

### **2. Financial Information**

#### **2.1 Five-year Summary of Audited Financial Statements**

A summary of Income Statements and Statements of Financial Position of the Company for the financial years ended 31 December 2014 to 31 December 2018, based on the audited Financial Statements are out on Annexure 01 of the Accountants' Report.



## 2.2 Audited Financial Statements for the Year Ended 31 December 2018

Our audit report on the Financial Statements of the Company for the year ended 31 December 2018 together with such Financial Statements comprising the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow along with the accounting policies and notes thereon is available on the websites of CSE, [www.cse.lk](http://www.cse.lk), where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

## 2.3 Audit Reports

We have audited the Financial Statements of the Company for the years ended 31 December 2014 to 31 December 2018. Unmodified audit opinions have been issued for the said financial years by our reports dated 26 February 2019, 20 February 2018, 07 February 2017, 15 February 2016, and 09 February 2015 respectively.

## 2.4 Accounting Policies

The Financial Statements of the Company for the years ended 31 December 2014 to 31 December 2018 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company are stated in detail in the audited Financial Statements for the year ended 31 December 2018 & changes in the accounting policies of Company from 31 December 2014 to 31 December 2018 are given below.

The Company has adopted SLFRS 9 -Financial Instruments, SLFRS 7 (Revised) - Financial Instruments Disclosures, SLFRS 15-Revenue from Contracts with Customers, effective for annual periods beginning on or after 01 January 2018, for the first time. More information are available in the Financial Statements of the Company for the year ended 31 December 2018.

## 2.5 Dividends

Company has paid dividend during the years ended 31 December 2014 to 31 December 2018 as follows.

Year	Dividend Paid (Rs. '000)	Dividend Per Share (Rs.)	Dividend Payment Method
2014	31,500	0.60	Cash dividend
2015	57,750	1.10	Scrip dividend
2016	65,491	1.21	Scrip dividend
2017	69,721	1.25	Scrip dividend
2018	36,343	0.50	Scrip dividend

## 2.6 Events after Reporting Date

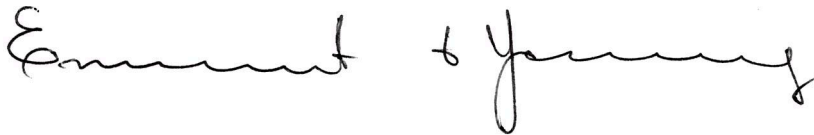
There were no significant events occurred after the last audit report date.



**3. Restriction on Use**

This report is made solely for the purpose of the Board of Directors of Siyapatha Finance PLC in usage in the application for the purpose of issuance of 10,000,000 listed, rated, unsecured, subordinated, redeemable debentures of Rs. 100/- each, aggregating to a value Rs.1,000,000,000/- with an option to issue up to a further 5,000,000 of said Debentures, (value of Rs.500,000,000/-) in the event of an oversubscription of the initial issue of 10,000,000 debentures. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for this report we have formed. This report should not to be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully



## STATEMENT OF FINANCIAL POSITION

As at 31 December

	2018 Rs. '000	2017 Rs. '000
<b>Assets</b>		
Cash and bank balances	191,556	297,858
Placements with banks	-	65,699
Securities purchased under repurchase agreements	1,768,461	1,200,981
Factoring receivables	1,332,310	1,899,702
Gold loan receivables	3,548,666	2,563,352
Loan receivables	2,481,575	2,724,776
Lease receivables	25,601,932	19,873,470
Hire purchase receivables	48,525	252,000
Other assets	489,556	464,986
Financial instruments- available for sale	-	56
Equity instruments at fair value through other comprehensive income	56	-
Financial investments held to maturity	-	4,303
Debt instruments at amortised cost	4,319	-
Property, plant & equipment	615,402	455,140
Intangible assets	83,972	8,257
<b>Total Assets</b>	<b>36,166,330</b>	<b>29,810,580</b>
<b>Liabilities</b>		
Bank overdraft	321,821	456,018
Due to other customers	9,672,008	9,333,622
Debt issued and other borrowed funds	21,391,367	16,310,778
Other payables	600,736	775,445
Current tax liabilities	149,015	91,800
Deferred tax liabilities	449,603	331,469
Retirement benefit obligations	40,789	33,163
<b>Total Liabilities</b>	<b>32,625,339</b>	<b>27,332,295</b>
<b>Equity</b>		
Stated capital	948,666	635,917
Share application money pending allotment	400,000	-
Statutory reserve fund	139,000	113,000
Revaluation reserve	107,763	56,823
Retained earnings	1,945,562	1,672,545
<b>Total Equity</b>	<b>3,540,991</b>	<b>2,478,285</b>
<b>Total Liabilities and Equity</b>	<b>36,166,330</b>	<b>29,810,580</b>
Net asset value per share (Rs.)	55.68	44.43
Commitments and contingencies	609,673	772,657





## STATEMENT OF FINANCIAL POSITION

As at 31 December

	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Assets</b>			
Cash and bank balances	169,333	130,070	88,655
Securities purchased under repurchase agreements	777,438	601,679	489,685
Factoring receivables	1,979,243	1,157,136	996,440
Gold loan receivables	1,768,922	770,839	-
Pawning receivables	-	-	456,193
Loan receivables	743,740	286,968	506,526
Lease receivables	13,851,890	9,230,730	3,383,597
Hire purchase receivables	837,560	2,083,571	4,250,553
Other assets	291,648	234,417	127,074
Financial instruments- available for sale	56	56	56
Financial investments held to maturity	4,288	4,274	4,198
Property, plant & equipment	358,131	124,697	97,716
Intangible assets	8,489	14,889	17,097
<b>Total Assets</b>	<b>20,790,738</b>	<b>14,639,326</b>	<b>10,417,790</b>
<b>Liabilities</b>			
Bank overdraft	460,494	163,583	83,921
Due to other customers	3,362,662	1,233,041	-
Debt issued and other borrowed funds	14,187,266	10,925,421	8,528,922
Other payables	595,597	508,921	299,606
Income taxation payable	61,257	75,663	69,983
Deferred taxation liability	170,088	102,306	111,179
Retirement benefit obligations	23,013	19,259	12,535
<b>Total Liabilities</b>	<b>18,860,377</b>	<b>13,028,194</b>	<b>9,106,146</b>
<b>Shareholders' Funds</b>			
Stated capital	576,975	525,000	525,000
Statutory reserve fund	86,422	70,059	50,831
Retained earnings	1,266,964	1,016,073	735,813
<b>Total Shareholders' Funds</b>	<b>1,930,361</b>	<b>1,611,132</b>	<b>1,311,644</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>20,790,738</b>	<b>14,639,326</b>	<b>10,417,790</b>
Net asset value per share (Rs.)	35.67	30.69	24.98
Commitments and contingencies	1,045,384	558,986	228,058



## INCOME STATEMENT

Year ended 31 December

	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000
Interest income	6,395,898	4,599,470	2,838,995	1,973,921	1,837,546
Less: Interest expenses	(3,680,060)	(2,764,290)	(1,620,783)	(824,699)	(778,661)
<b>Net interest income</b>	<b>2,715,838</b>	<b>1,835,180</b>	<b>1,218,212</b>	<b>1,149,222</b>	<b>1,058,885</b>
Fee and commission income	278,637	243,899	139,442	86,385	46,534
Less: Fee and commission expenses	(21)	(680)	(2,139)	(6,252)	(12,271)
<b>Net fee and commission income</b>	<b>278,616</b>	<b>243,219</b>	<b>137,303</b>	<b>80,133</b>	<b>34,263</b>
Other operating income	288,844	222,685	175,471	152,182	105,091
<b>Total operating income</b>	<b>3,283,298</b>	<b>2,301,084</b>	<b>1,530,986</b>	<b>1,381,537</b>	<b>1,198,239</b>
Less: Credit loss expense on financial assets and other losses	(829,751)	(236,744)	(79,189)	(49,275)	(183,217)
<b>Net operating income</b>	<b>2,453,547</b>	<b>2,064,340</b>	<b>1,451,797</b>	<b>1,332,262</b>	<b>1,015,021</b>
<b>Less: Operating expenses</b>					
Personnel expenses	(733,266)	(611,373)	(439,718)	(329,553)	(234,721)
Other operating expenses	(595,233)	(436,917)	(368,393)	(350,251)	(313,209)
<b>Operating profit before taxes on financial services</b>	<b>1,125,048</b>	<b>1,016,050</b>	<b>643,686</b>	<b>652,458</b>	<b>467,091</b>
Less: Taxes on financial services	(291,259)	(230,810)	(128,500)	(93,305)	(61,536)
<b>Profit before income tax</b>	<b>833,789</b>	<b>785,240</b>	<b>515,186</b>	<b>559,153</b>	<b>405,555</b>
Less: Income tax expense	(317,268)	(286,378)	(187,904)	(174,629)	(145,379)
<b>Profit for the year</b>	<b>516,521</b>	<b>498,862</b>	<b>327,282</b>	<b>384,524</b>	<b>260,177</b>
<b>Basic/Diluted earnings per share (Rs.)</b>	<b>8.52</b>	<b>8.70</b>	<b>6.14</b>	<b>7.32</b>	<b>4.96</b>
<b>Dividend per share (Rs.)</b>	<b>1.25</b>	<b>1.21</b>	<b>1.10</b>	<b>0.60</b>	<b>0.41</b>

Chartered Accountants

COLOMBO