

**INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

SIYAPATHA FINANCE PLC



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Siyapatha Finance**

(Finance company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME

	Audited		Change %	Audited		Change %
	For the year ended			For the quarter ended		
	31.12.2017 LKR.000	31.12.2016 LKR.000		31.12.2017 LKR.000	31.12.2016 LKR.000	
Gross income	5,066,054	3,153,907	61%	1,482,863	929,794	59%
Interest income	4,599,470	2,838,995	62%	1,350,979	842,193	60%
Interest expenses	(2,764,290)	(1,620,783)	71%	(797,527)	(517,731)	54%
Net interest income	1,835,180	1,218,212	51%	553,452	324,462	71%
Fee and commission income	243,899	139,442	75%	71,457	42,204	69%
Fee and commission expenses	(680)	(2,139)	-68%	(54)	(365)	-85%
Net fee and commission income	243,219	137,303	77%	71,403	41,840	71%
Other operating income	222,685	175,471	27%	60,427	45,397	33%
Total operating income	2,301,084	1,530,986	50%	685,282	411,698	66%
Impairment (charge)/reversal for loans	(236,744)	(79,189)	199%	(107,637)	(28,422)	279%
Individual impairment (charge)/reversal	(69,405)	(19,710)	252%	(48,352)	(3,515)	-1276%
Collective impairment (charge)/reversal	(167,339)	(59,479)	181%	(59,285)	(24,908)	138%
Net operating income	2,064,340	1,451,797	42%	577,645	383,276	51%
Operating expenses	(1,048,290)	(808,111)	30%	(247,027)	(178,662)	38%
Personnel expenses	(611,373)	(439,718)	39%	(164,044)	(99,330)	65%
Depreciation of property, plant & equipment	(49,839)	(42,173)	18%	(14,454)	(11,349)	27%
Amortization of intangible assets	(6,224)	(7,753)	-20%	(1,244)	(1,888)	-34%
Other operating expenses	(380,854)	(318,467)	20%	(67,285)	(66,095)	2%
Operating profit before Value Added Tax (VAT) & Nation Building Tax (NBT) on financial services	1,016,050	643,686	58%	330,618	204,614	62%
VAT & NBT on financial services	(230,810)	(128,500)	80%	(71,032)	(44,034)	61%
Profit before taxation	785,240	515,186	52%	259,586	160,579	62%
Tax expenses	(286,378)	(187,904)	52%	(88,789)	(64,761)	37%
Profit after taxation	498,862	327,282	52%	170,797	95,818	78%
Other comprehensive income/(expenses)						
Other comprehensive income not to be reclassified to profit or loss						
Actuarial losses on defined benefit plan	(1,683)	(3,165)	-47%	(1,683)	(3,165)	-47%
Deferred tax effect on actuarial losses	471	886	-47%	471	886	-47%
Surplus from revaluation of property, plant & equipment	78,921	-	100%	78,921	-	100%
Deferred tax effect on surplus from revaluation of property, plant & equipment	(22,098)	-	100%	(22,098)	-	100%
Other comprehensive income, net of taxes	55,611	(2,279)	2541%	55,611	(2,279)	2541%
Total comprehensive income, net of taxes	554,473	325,003	71%	226,408	93,539	142%
Basic earnings per share-(LKR.)	8.94	5.87		3.06	1.72	

SIYAPATHA FINANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	Audited 31-12-2017 LKR'000	Audited 31-12-2016 LKR'000
Assets		
Cash and bank balances	297,858	169,333
Placements with banks	65,699	-
Securities purchased under repurchase agreements	1,200,981	777,438
Loans and receivables	27,313,300	19,181,355
Other assets	464,986	291,648
Financial investments- Available for sale	56	56
Financial investments- Held to maturity	4,303	4,288
Property, plant and equipment	455,140	358,131
Intangible assets	8,257	8,489
Total Assets	29,810,580	20,790,738
Liabilities		
Bank overdraft	456,018	460,494
Due to other customers	9,333,622	3,362,662
Debt issued and other borrowed funds	16,310,778	14,187,266
Other payables	775,445	595,597
Current tax liabilities	91,800	61,257
Deferred tax liabilities	331,469	170,088
Retirement benefit obligations	33,163	23,013
Total Liabilities	27,332,295	18,860,377
Shareholders' Funds		
Stated capital	635,917	576,975
Reserves		
Statutory reserve fund	113,000	86,422
Revaluation Reserve	56,823	-
Retained earnings	1,672,545	1,266,964
Total Shareholders' Funds	2,478,285	1,930,361
Non controlling interest	-	-
Total Equity	2,478,285	1,930,361
Total Liabilities and Shareholders' Funds	29,810,580	20,790,738
Net asset value per share(LKR.)	44.43	34.61
Commitments & contingencies	772,657	1,045,384

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 2017 and its profits for the period then ended 31 December 2017.

(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)
Chairman

(Sgd)
Director

20 February 2018

SIYAPATHA FINANCE PLC

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	Audited LKR.000 Total
Balance as at 31 December 2015	525,000	70,059	-	1,016,073	1,611,132
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)	-
Scrip dividend paid	51,975	-	-	(57,750)	(5,775)
Balance as at 31 December 2016	576,975	86,422	-	1,266,963	1,930,360
Profit for the year	-	-	-	498,862	498,862
Other comprehensive income, net of tax	-	-	56,823	(1,212)	55,611
Transfer to Statutory Reserve Fund	-	26,578	-	(26,578)	-
Scrip dividend paid	58,942	-	-	(65,491)	(6,549)
Balance as at 31 December 2017	635,917	113,000	56,823	1,672,544	2,478,284

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

	Audited	Audited
	2017	2016
	LKR'000	LKR'000
For the year ended 31 December		
Cash flow from operating activities		
Profit before taxation	785,240	515,186
Interest expenses	2,764,290	1,620,783
Fee and commission expenses	680	2,139
Provision for impairment	236,744	79,189
Provision for /(Reversal of) staff gratuity	9,175	6,784
Provision for depreciation	49,839	42,173
Amortization of software	6,224	7,753
(Profit)/Loss on sale of motor vehicle	(1,723)	39
Write off of provisions	-	(14,775)
	3,065,229	1,744,085
Operating profit before working capital changes	3,850,469	2,259,271
(Increase)/decrease in Lease receivables	(6,143,152)	(4,675,805)
(Increase)/decrease in Hire purchase receivables	586,489	1,255,436
(Increase)/decrease in Factoring receivables	10,685	(840,364)
(Increase)/decrease in Pawning receivables	-	14,775
(Increase)/decrease in Gold loan receivables	(801,728)	(1,006,021)
(Increase)/decrease in Loan receivables	(2,014,570)	(456,797)
(Increase)/decrease in Other assets	(179,752)	(64,978)
Increase/(decrease) in Other payables	122,516	133,763
	(8,419,512)	(5,639,992)
Cash generated from operations	(4,569,043)	(3,380,721)
Interest paid	(2,514,237)	(1,502,565)
Gratuity paid	(708)	(6,195)
Income tax paid	(58,749)	(105,409)
Dividend tax paid	(6,549)	(5,775)
Net cash inflow/(outflow) from operating activities	(7,149,286)	(5,000,665)
Cash flow from investing activities		
Investments in government treasury bonds & government securities	(1,192,896)	(8,114)
Purchase of property, plant, equipment & intangible assets	(74,444)	(279,002)
Proceeds from sale of property, plant & equipment	2,248	2,003
Net cash inflow/(outflow) from investing activities	(1,265,092)	(285,113)
Net cash inflow/(outflow) before financing activities	(8,414,378)	(5,285,778)
Cash flow from financing activities		
Proceeds from long term loans/Securitized	5,075,000	3,346,350
Repayments of long long term loans/ Securitized	(3,757,504)	(3,204,655)
Net proceeds from deposits	5,751,243	2,054,301
Proceeds from debentures	1,000,000	2,500,000
Net proceeds from short term borrowings	(225,000)	499,794
Net cash inflow/(outflow) from financing activities	7,843,739	5,195,790
Net decrease in cash and cash equivalents	(570,639)	(89,988)
Cash & cash equivalents at the beginning of the period	478,178	568,166
Cash and cash equivalents at end of the period	(92,461)	478,178
Analysis of the cash and cash equivalents at the end of the period		
Cash and bank balances	297,858	169,333
Placements with banks less than three months	65,699	-
Securities purchased under repurchase agreements	-	769,339
Bank overdraft	(456,018)	(460,494)
	(92,461)	478,178

SIYAPATHA FINANCE PLC

SELECTED PERFORMANCE INDICATORS

	As at 31.12.2017	As at 31.12.2016
<u>Capital Adequacy</u>		
Core Capital Ratio(Minimum Requirement -5%)	9.44%	10.62%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10%)	14.16%	13.93%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	40.40%	86.74%
<u>Profitability</u>		
Return on Average Assets (After Tax)	1.91%	1.81%
Return on Average Shareholders' Funds	23.05%	18.35%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation(Gross)	27,836,365	19,475,509
Non-Performing Accommodation	820,816	538,312
Net Total Accommodation(Net of Allowance for Impairment Losses)	27,313,300	19,181,355
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets**	1,299,136	735,129
Required Minimum Amount of Government Securities***	1,153,393	762,830
Available Amount of Liquid Assets	1,311,674	817,852
Available Amount of Government Securities	1,192,090	769,234

*** 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 2017 & 31 December 2016 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 2016 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. The details of utilization of debenture proceeds are given in table below.

Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed date of utilization as per Prospectus	Amount Allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)
“To expand the Company’s loan book via diverse lending products in the ordinary course of business over a period of 6 to 9 months.”	2.5 Billion	Within 6 to 9 months (Between 20 September 2016 to 19 June 2017)	2.5 Billion	100%	2.5 Billion	100%
“Expand and strength the capital base of the Company and to maintain the Capital Adequacy requirements as stipulated by CBSL. “	1.0 Billion	Within two weeks (between 4 October 2017 to 18 October 2017)	1.0 Billion	100%	1.0 Billion	100%

3. The Interim Financial Statements for the year ended 31 December 2017 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 12 below.
5. The dividend of LKR.1.21 per share on 54,124,726 Ordinary shares was approved at the Annual General Meeting held on 28 March 2017. This was paid in the form of scrip dividend and relevant provisions were made in the Financial Statements for the year ended 31 December 2017.
6. Mr. Ranjith Samaranayake retired from the office of Non Independent Non Executive Director of the Company upon reaching the age of 70 years on 08 August 2017.
7. Mr. Sunil Gamini Wijesinha, having served the Board for a period of 9 years has relinquished his duties from the Board of Directors with effect from 22 October 2017 in terms of clause 4(2) of the Finance Companies (Corporate Governance) Direction No 03 of 2008 of Central Bank of Sri Lanka.

8. Mr.Palavinnege Sumith Cumaranatunga has been appointed as a Non Executive, Independent Director to the Board of Directors of the Company with effect from 30 October 2017 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. Mr.Cumaranatunga does not hold any shares in the Company as at the date of appointment.
9. Mrs.Aroshi Nanayakkara has been appointed as a Non Executive, Independent Director to the Board of Directors of the Company with effect from 06 November 2017 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. Mrs. Nanayakkara does not hold any shares in the Company as at the date of appointment.
10. Mr.M.A. Abeynaike (Deputy Chairman),Non Executive, Non Independent Director has rendered his resignation on 17 October 2017 and the approval of the Central Bank of Sri Lanka has been obtained in terms of Clause No: 5 of Finance Companies (Structural Changes) Direction No: 1 of 2013 on 27 October 2017 for the said resignation. Mr.Abeynaike, resigned due to the fact that he needed to retain his independent status as a Director of another Listed Company of which he is the Chairman of the Board Audit Committee.
11. The Company issued 10,000,000 listed, rated, unsecured, subordinated redeemable debentures at a par value of LKR.100/-. The debenture issue was opened on 25 September 2017 and closed on 29 September 2017 as the issue was oversubscribed. The date of allotment of the said debenture issue was 04 October 2017.
12. The Board of Directors of the Company, at its meeting held on 20 February 2018 approved the piling contract for the construction of proposed Head Office complex at No: 534, Baudhaloka Mawatha, Colombo 08 at a total cost of LKR. 119.21 Million (Inclusive of 10% contingencies) excluding taxes.

INFORMATION ON SHARES

Stated Capital as at 31 December 2017 was represented by the number of shares in issue as given below.

	As at 31 December 2017		As at 31 December 2016	
	Number	LKR.	Number	LKR.
Ordinary Shares	55,777,146	635,916,827	54,124,726	576,975,000/-
Total	55,777,146	635,916,827	54,124,726	576,975,000/-

SHAREHOLDER INFORMATION

Shareholders' list as at 31 December 2017

	Name	No: of Shares	%
(01).	Sampath Bank PLC	55,777,139	100.00%
(02).	Mr. M.A.Abeynaike	01	0.00%
(03).	Mr. S.G. Wijesinha	01	0.00%
(04).	Dr.H.S.D.Soyso	01	0.00%
(05).	Mr. W.M.P.L. De Alwis	01	0.00%
(06).	Mr. C.P.Palansuriya	01	0.00%
(07).	Mr. Ranjith Samaranyake	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		55,777,146	100.00%

Public Holdings

The percentage of ordinary shares held by the public as at 31 December 2017 was 0%.

Directors'/ CEO's Holding in Shares as at 31 December 2017

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

INFORMATION ON LISTED DEBENTURES

(i).Market Values

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

N/A-Not Applicable

(ii).Interest Rates

	2017		2016	
	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%	N/A	N/A

N/A-Not Applicable

(iii).Interest rate of comparable Government Securities

	31-12-2017	31-12-2016
6 months treasury bill	9.22%	10.70%
1 year treasury bill	9.89%	11.30%
5 year treasury bond	11.33%	13.07%

(iv).Current Yield & Yield to maturity

	2017		2016	
	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%	13.90%	13.00%	12.93%
Debentures Issued-September 2016 5 year Fixed rated(13.50% p.a. payable annually)	13.50%	13.43%	13.50%	13.49%
Debentures Issued-October 2017 5 year Fixed rated(12.50% p.a. payable annually)	12.50%	Not Traded	N/A	N/A

N/A-Not Applicable

(v).Ratios

	31-12-2017	31-12-2016
Debt to Equity Ratio (Times)	4.95	4.92
Interest Cover(Times)	1.28	1.32
Quick Asset Ratio (%)	99.74%	105.95%