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Siyapatha Finance**

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

SIYAPATHA FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

	Audited		Change %	For the quarter ended 31 December		Change %
	For the year ended 31 December			2020	2019	
	2020 LKR'000	2019 LKR'000		2020 LKR.000	2019 LKR.000	
Gross income	7,579,695	7,919,905	-4%	1,853,023	2,072,617	-11%
Interest income	6,814,216	7,229,612	-6%	1,633,620	1,866,756	-12%
Less:Interest expenses	(3,856,315)	(4,230,657)	-9%	(827,740)	(1,037,082)	-20%
Net interest income	2,957,901	2,998,955	-1%	805,880	829,674	-3%
Fee and commission income	278,704	311,765	-11%	50,579	88,304	-43%
Less:Fee and commission expenses	-	-	-	-	-	-
Net fee and commission income	278,704	311,765	-11%	50,579	88,304	-43%
Other operating income	486,775	378,528	29%	168,824	117,557	44%
Total operating income	3,723,380	3,689,248	1%	1,025,283	1,035,535	-1%
Less:Credit loss expense on financial assets and other losses	(1,356,264)	(1,050,938)	29%	(344,563)	(169,510)	103%
Net operating income	2,367,116	2,638,310	-10%	680,720	866,025	-21%
Less:Operating expenses						
Personnel expenses	(873,311)	(777,688)	12%	(227,060)	(205,151)	11%
Depreciation of property,plant & equipment	(62,899)	(58,116)	8%	(15,727)	(15,255)	3%
Amortization of intangible assets	(23,119)	(23,273)	-1%	(5,751)	(5,789)	-1%
Other operating expenses	(503,217)	(574,334)	-12%	(108,717)	(122,604)	-11%
Total operating expenses	(1,462,546)	(1,433,411)	2%	(357,255)	(348,799)	2%
Operating profit before taxes on financial services	904,570	1,204,899	-25%	323,465	517,226	-37%
Less:Taxes on financial services						
VAT on financial services	(226,551)	(234,698)	-3%	(67,300)	(86,195)	-22%
NBT on financial services	-	(33,680)	-100%	-	(11,946)	-100%
Debt repayment levy	-	(137,991)	-100%	-	(51,786)	-100%
Profit before income taxation	678,019	798,530	-15%	256,165	367,299	-30%
Less:Income tax expense	(268,528)	(318,336)	-16%	(144,449)	(149,087)	-3%
Profit after taxation	409,491	480,194	-15%	111,716	218,212	-49%
Other comprehensive income/(expenses)						
Other comprehensive income not to be reclassified to profit or loss						
Actuarial gain/(loss) on defined benefit plan	901	(14,527)	-106%	901	(14,527)	-106%
Deferred tax effect on actuarial gain/(loss)	(252)	4,067	-106%	(252)	4,067	-106%
Surplus from revaluation of property,plant & equipment	-	14,150	-100%	-	14,150	-100%
Deferred tax effect on revaluation surplus	-	(3,962)	-100%	-	(3,962)	-100%
Other comprehensive income,net of taxes	649	(272)	-	649	(272)	-
Total comprehensive income,net of taxes	410,140	479,922	-15%	112,365	217,940	-48%
Basic/Diluted earnings per share-(LKR.)	5.37	6.56		1.47	2.98	

STATEMENT OF FINANCIAL POSITION

As at	Audited 31-12-2020 LKR'000	Audited 31-12-2019 LKR'000
Assets		
Cash and bank balances	292,036	273,429
Securities purchased under repurchase agreements	2,781,162	2,304,392
Loans and receivables	35,801,573	36,226,753
Other assets	851,671	653,710
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	34,145	15,301
Property, plant and equipment	1,353,815	1,013,625
Right-of-use assets	402,579	403,653
Intangible assets	34,623	56,426
Total Assets	41,551,660	40,947,345
Liabilities		
Bank overdraft	250,536	361,586
Due to other customers	17,279,614	13,221,026
Debt issued and other borrowed funds	17,049,706	21,342,227
Other payables	1,312,080	1,301,543
Current tax liabilities	118,150	407,066
Deferred tax liabilities	328,349	230,107
Retirement benefit obligations	87,260	67,965
Total Liabilities	36,425,695	36,931,520
Equity		
Stated capital	1,522,881	1,379,922
Share application money pending allotment	700,000	-
Reserves		
Statutory reserve fund	185,000	164,000
Revaluation reserve	117,951	117,951
Retained earnings	2,600,133	2,353,952
Total Equity	5,125,965	4,015,825
Total Liabilities and Equity	41,551,660	40,947,345
Net asset value per share(LKR.)	67.26	54.78
Commitments & contingencies	731,739	728,983

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 2020 and its profits for the period then ended.

(Sgd)
Managing Director

(Sgd)
Head of Finance

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

(Sgd)
Chairman

(Sgd)
Director

STATEMENT OF CHANGES IN EQUITY

					Audited LKR'000	
	Stated Capital	Share Application Money Pending Allotment	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	Total
Balance as at 01 January 2019	948,666	400,000	139,000	107,763	1,945,561	3,540,990
Profit for the year	-	-	-	-	480,194	480,194
Other comprehensive income, net of tax	-	-	-	10,188	(10,460)	(272)
Transfer to Statutory Reserve Fund	-	-	25,000	-	(25,000)	-
Rights issue of shares	400,000	(400,000)	-	-	-	-
Scrip dividend paid	31,256	-	-	-	(36,344)	(5,088)
Balance as at 31 December 2019	<u>1,379,922</u>	<u>-</u>	<u>164,000</u>	<u>117,951</u>	<u>2,353,951</u>	<u>4,015,824</u>
Balance as at 01 January 2020	1,379,922	-	164,000	117,951	2,353,951	4,015,824
Profit for the year	-	-	-	-	409,491	409,491
Other comprehensive income, net of tax	-	-	-	-	649	649
Transfer to Statutory Reserve Fund	-	-	21,000	-	(21,000)	-
Scrip dividend paid	142,959	-	-	-	(142,959)	-
Share application money pending allotment	-	700,000	-	-	-	700,000
Balance as at 31 December 2020	<u>1,522,881</u>	<u>700,000</u>	<u>185,000</u>	<u>117,951</u>	<u>2,600,132</u>	<u>5,125,964</u>

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

	Audited	Audited
	2020 LKR'000	2019 LKR'000
For the year ended 31 December		
Cash flows from operating activities		
Profit before taxation	678,019	798,530
Interest expenses	3,856,315	4,230,657
Fee and commission expenses	-	-
Provision for credit losses	1,356,264	1,050,938
Provision for staff gratuity	23,726	16,084
Provision for depreciation	62,899	58,116
Amortization of software	23,119	23,273
Amortisation expenses on right-of-use assets	107,589	103,384
(Profit)/Loss on sale of motor vehicle	(1,280)	-
	5,428,632	5,482,452
Operating profit before working capital changes	6,106,651	6,280,982
(Increase)/decrease in lease receivables	(915,686)	(3,699,109)
(Increase)/decrease in hire purchase receivables	664	47,331
(Increase)/decrease in factoring receivables	392,026	460,863
(Increase)/decrease in gold loan receivables	240,304	(1,461,614)
(Increase)/decrease in loan receivables	(497,150)	590,036
Increase/(decrease) in due to other customers	4,018,841	3,212,525
(Increase)/decrease in other assets	(466,116)	(936,801)
Increase/(decrease) in other payables	150,361	834,067
	2,923,244	(952,702)
Cash generated from operating activities	9,029,895	5,328,280
Interest expense paid	(3,739,845)	(3,915,904)
Gratuity paid	(3,530)	(3,434)
Income tax paid	(449,053)	(238,240)
Dividend tax paid	-	(5,088)
Net cash inflow from operating activities	4,837,467	1,165,614
Cash flow from investing activities		
Investments in government treasury bonds and government securities	504,502	(1,754,282)
Purchase of property, plant, equipment and intangible assets	(404,405)	(415,926)
Proceeds from sale of property, plant and equipment	1,280	-
Net cash inflow/(outflow) from investing activities	101,377	(2,170,208)
Net cash inflow before financing activities	4,938,844	(1,004,594)
Cash flow from financing activities		
Proceeds from long term loans/Securitizations	2,450,000	6,000,000
Repayments of long term loans	(5,719,243)	(5,455,411)
Proceeds from debentures	2,000,000	1,500,000
Debentures redeemed	-	(2,421,990)
Net proceeds from short term borrowings	(3,100,000)	350,000
Share application money pending allotment	700,000	-
Repayment of principal portion of lease liabilities	(139,824)	(133,258)
Net cash outflow from financing activities	(3,809,067)	(160,659)
Net increase/(decrease) in cash and cash equivalents	1,129,777	(1,165,253)
Cash & cash equivalents at the beginning of the year	(88,146)	1,077,107
Cash and cash equivalents at the end of the year	1,041,631	(88,146)
Analysis of the cash and cash equivalents at the end of the year		
Cash and bank balances	292,051	273,440
Securities purchased under repurchase agreements less than three months	1,000,116	-
Bank overdraft	(250,536)	(361,586)
	1,041,631	(88,146)

SIYAPATHA FINANCE PLC
SELECTED PERFORMANCE INDICATORS

	As at 31.12.2020	As at 31.12.2019
<u>Capital Adequacy</u>		
Core Capital Ratio(Minimum Requirement -6.5%)	9.77%	8.96%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10.5%)	14.18%	14.16%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	37.59%	48.59%
<u>Profitability</u>		
Return on Average Assets (After Tax)	0.96%	1.22%
Return on Average Shareholders' Funds	9.54%	12.88%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation(Gross)	38,556,257	37,878,257
Non-Performing Accommodation	7,254,913	3,811,971
Net Total Accommodation(Net of allowance for expected credit losses/impairment)	35,801,573	36,226,753
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets	1,263,680	1,651,440
Required Minimum Amount of Government Securities**	1,701,063	2,254,033
Available Amount of Liquid Assets	1,928,684	2,445,214
Available Amount of Government Securities	1,781,046	2,304,392

*** 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 government securities equals to 5% (7.5% - 31.12.2019) of the average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year.

SEGMENT INFORMATION

The following table presents income, profit, total assets and total liabilities of the Company's operating segments.

	Leasing and Hire Purchase		Gold Loan		Others		Total		Audited
For the year ended 31 December	2020	2019	2020	2019	2020	2019	2020	2019	
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	
Interest Income	5,414,925	5,583,704	1,125,558	1,073,790	273,733	572,118	6,814,216	7,229,612	
Less: Interest expenses	(3,017,256)	(3,189,707)	(468,710)	(525,590)	(370,349)	(515,360)	(3,856,315)	(4,230,657)	
Net interest income	2,397,669	2,393,997	656,848	548,200	(96,616)	56,758	2,957,901	2,998,955	
Net fee and commission income	184,667	206,707	93,638	102,669	399	2,389	278,704	311,765	
Other operating income	469,757	359,184	-	-	17,018	19,344	486,775	378,528	
Total operating income	3,052,093	2,959,888	750,486	650,869	(79,199)	78,491	3,723,380	3,689,248	
Less: Impairment (charges)/reversal on loans and losses	(1,072,252)	(477,513)	(1,247)	988	(282,765)	(574,413)	(1,356,264)	(1,050,938)	
Net operating income	1,979,841	2,482,375	749,239	651,857	(361,964)	(495,922)	2,367,116	2,638,310	
Less: Total operating expenses (Including taxes on financial services)	(180,029)	(1,420,987)	(38,132)	(250,340)	(1,470,936)	(168,453)	(1,689,097)	(1,839,780)	
Operating profit before taxes	1,799,812	1,061,388	711,107	401,517	(1,832,900)	(664,375)	678,019	798,530	
Less: Income tax expenses							(268,528)	(318,336)	
Profit for the year							409,491	480,194	
Non-controlling interest							-	-	
Profit attributable to equity holders of the Company							409,491	480,194	
As at 31 December	2020	2019	2020	2019	2020	2019	2020	2019	
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	
Segmental assets	29,019,797	29,026,631	4,769,716	5,011,268	7,762,147	6,909,446	41,551,660	40,947,345	
Total assets	29,019,797	29,026,631	4,769,716	5,011,268	7,762,147	6,909,446	41,551,660	40,947,345	
Segmental liabilities	25,442,444	26,179,905	4,181,514	4,519,798	6,801,737	6,231,817	36,425,695	36,931,520	
Total liabilities	25,442,444	26,179,905	4,181,514	4,519,798	6,801,737	6,231,817	36,425,695	36,931,520	

EXPLANATORY NOTES

1. These Interim Financial Statements are presented in accordance with the requirements of Sri Lanka Accounting Standard - LKAS 34 on 'Interim Financial Reporting' and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
2. There are no changes to the accounting policies and methods of computation since the publication of the Audited Financial Statements for the year 2019.
3. There are no material changes during the period in the composition of assets, liabilities and contingent liabilities. All known expenditure items have been provided for.
4. **The funds raised from debenture issues**

4.1 The funds raised from debenture issue -2019

The details of utilization of debenture proceeds are given in table below.

Objective Number	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)	Clarification if not fully utilized including where the funds are invested
1	To expand and strengthen the capital base of the Company	716.61 Million	08 Aug 2019	716.61 Million	47.77%	716.61 Million	100%	Fully Utilized
		200.00 Million	31 Oct 2019	200.00 Million	13.33%	200.00 Million	100%	
		200.00 Million	31 Dec 2019	200.00 Million	13.33%	200.00 Million	100%	
		383.39 Million	31 Oct 2020	383.39 Million	25.57%	383.39 Million	100%	
2	To expand future operations and the asset base of the Company	1.5 Billion	08 Sep 2019	1.5 Billion	100.00%	1.5 Billion	100%	

4.2 The funds raised from debenture issue -2020

The details of utilization of debenture proceeds are given in table below.

Objective Number	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)	Clarification if not fully utilized including where the funds are invested
1	To finance the budgeted lending portfolio within the 6 months from the date of allotment which in turn will manage assets and liabilities mismatch and to minimize the interest rate risk.	2.0 Billion	Within 6 months (Between 07 July 2020 to 06 January 2021)	2.0 Billion	100.00%	2.0 Billion	100.00%	Fully Utilized

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.1.95 per share on 73,312,409 Ordinary shares was approved at the Annual General Meeting held on 01 June 2020. This was paid in the form of a scrip dividend and relevant provisions were made in the Financial Statements for the year ended 31 December 2020.
7. The Company issued 20,000,000 listed, rated, unsecured, senior redeemable debentures at a par value of LKR.100/-. The debenture issue was opened on 30 June 2020 and closed on the same day as the issue was oversubscribed. The date of allotment of the said debenture issue was 07 July 2020.
8. The yearend financial information set out on pages 1 to 4 and page 6 are derived from the Audited Financial Statements which was approved by the Board of Directors on 01 February 2021.

9. Impact due to the COVID -19

Subsequent to the outbreak of COVID-19 in Sri Lanka, relief measures announced by the CBSL to provide relief to individuals and businesses affected by the COVID-19 lockdown which include deferment of repayment terms of credit facilities, offering concessionary rates of interest to eligible loan products and waiving off certain fees and charges caused a negative impact on the earnings, cash flows/liquidity position of the Company. However, the management is of the view that the aforementioned negative impact would not pose any additional stress on the Company's ability to maintain its regulatory capital margins.

When assessing ECL, the Company considered the potential impact of the COVID-19 outbreak on customers as well as the relief packages introduced in the form of tax reliefs and moratoriums by the government to protect the economy. Further, the Company made additional provisions against individually significant customers who have shown signs of stress and continue to carry an increased credit risk. In addition, customers who operate in risk elevated industries such as tourism, manufacturing, construction (including condominiums), and transportation etc. were closely reviewed and where necessary have been considered for life-time expected credit loss under stage 2.

10. Amendments to the Income Tax Law announced by the Government

As per the announcement dated 12th February 2020, income tax rate applicable for the Finance sector has been reduced to 24% with effect from 01 January 2020. However, as the said amendment is yet to be enacted, both income tax and deferred tax were calculated at the rate of 28% for the year ended 31 December 2020.

Had we considered the revised rate of 24%, the income tax charge recognized in the Income Statement would have decreased by LKR.100.49 Million. This includes a reversal of LKR.56.64 Million against current tax expense and reversal of LKR.43.85 Million against deferred tax. In addition, the deferred tax charge to OCI would have reduced by LKR. 3.06 Million.

INFORMATION ON SHARES

Stated Capital as at 31 December 2020 was represented by the number of shares in issue as given below.

	As at 31 December 2020		As at 31 December 2019	
	Number	LKR.	Number	LKR.
Ordinary Shares	76,212,072	1,522,880,852/-	73,312,409	1,379,921,654/-
Total	76,212,072	1,522,880,852/-	73,312,409	1,379,921,654/-

SHAREHOLDER INFORMATION

Shareholders' list as at 31 December 2020

	Name	No: of Shares	%
(01).	Sampath Bank PLC	76,212,065	100.00%
(02).	Mr. P.S.Cumaranatunga	01	0.00%
(03).	Mr.Y.S.H.R.S.Silva	01	0.00%
(04).	Mr.C.P.Palansuriya	01	0.00%
(05).	Mr.J.H.Gunawardena	01	0.00%
(06).	Mr.J.Selvaratnam	01	0.00%
(07).	Ms.H.S.R.Ranatunga	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		76,212,072	100.00%

Public Holdings

The percentage of ordinary shares held by the public as at 31 December 2020 was 0%.

Directors'/ CEO's Holding in Shares as at 31 December 2020.

Name	Position	No: of Shares
Mr. P.S.Cumaranatunga	Director	01
Mr. Y.S.H.R.S.Silva	Director	01
Mr.J.H.Gunawardena	Director	01
Mr.J.Selvaratnam	Director	01
Ms.H.S.R.Ranatunga	Director	01

INFORMATION ON LISTED DEBENTURES

(i).Market Values

	Highest (LKR.)		Lowest (LKR.)		Period End (LKR.)	
	2020	2019	2020	2019	2020	2019
Debentures-2016/2021	103.00	103.00	100.00	100.00	100.00	100.00
Debentures-2017/2022	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2019/2024	108.00	Not Traded	108.00	Not Traded	108.00	Not Traded
Debentures-2020/2023	Not Traded	N/A	Not Traded	N/A	Not Traded	N/A

N/A – Not Applicable

(ii).Interest Rates

	2020		2019	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Debentures -2016/2021	13.50%	13.50%	13.50%	13.50%
Debentures -2017/2022	12.50%	12.50%	12.50%	12.50%
Debentures -2019/2024	13.33%	13.33%	13.33%	13.33%
Debentures -2020/2023	11.25%	11.25%	N/A	N/A

N/A – Not Applicable

(iii).Interest rates of comparable Government Securities

	31-12-2020	31-12-2019
6 months treasury bill	4.73%	7.95%
1 year treasury bill	4.97%	8.47%
5 year treasury bond	6.64%	9.94%

(iv).Current Yield & Yield to maturity

	2020		2019	
	Current Yield (%)	Yield to Maturity (%)	Current Yield (%)	Yield to Maturity (%)
Debentures Issued-September 2016 5 year Fixed rated(13.50% p.a. payable annually)	13.50%	13.24%	13.50%	13.40%
Debentures Issued-October 2017 5 year Fixed rated(12.50% p.a. payable annually)	12.50%	Not Traded	12.50%	Not Traded
Debentures Issued-August 2019 5 year Fixed rated(13.33% p.a. payable annually)	13.33%	10.55%	13.33%	Not Traded
Debentures Issued-July 2020 3 year Fixed rated(11.25% p.a. payable annually)	11.25%	Not Traded	N/A	N/A

N/A – Not Applicable

(v).Ratios

	31-12-2020	31-12-2019
Debt to Equity Ratio (Times)	2.62	3.33
Interest Cover(Times)	1.18	1.19
Quick Asset Ratio (%)	63.50%	78.11%