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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 2020

SIYAPATHA FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended 30 September			For the quarter ended 30 September		
	2020 LKR'000	2019 LKR'000	Change %	2020 LKR.000	2019 LKR.000	Change %
Gross income	5,726,672	5,847,288	-2%	1,911,511	2,080,483	-8%
Interest income	5,180,596	5,362,856	-3%	1,654,120	1,902,776	-13%
Less:Interest expenses	(3,028,575)	(3,193,575)	-5%	(938,321)	(1,050,113)	-11%
Net interest income	2,152,021	2,169,281	-1%	715,799	852,663	-16%
Fee and commission income	228,125	223,461	2%	89,822	75,163	20%
Less:Fee and commission expenses	-	-	0%	-	-	0%
Net fee and commission income	228,125	223,461	2%	89,822	75,163	20%
Other operating income	317,951	260,971	22%	167,569	102,544	63%
Total operating income	2,698,097	2,653,713	2%	973,190	1,030,370	-6%
Less:Credit loss expense on financial assets and other losses	(1,011,701)	(881,428)	15%	(401,562)	(330,001)	22%
Net operating income	1,686,396	1,772,285	-5%	571,628	700,369	-18%
Less:Operating expenses						
Personnel expenses	(646,251)	(572,537)	13%	(226,888)	(206,086)	10%
Depreciation of property,plant & equipment	(47,172)	(42,861)	10%	(15,951)	(15,067)	6%
Amortization of intangible assets	(17,368)	(17,484)	-1%	(5,755)	(5,817)	-1%
Other operating expenses	(394,500)	(451,730)	-13%	(136,070)	(153,201)	-11%
Total operating expenses	(1,105,291)	(1,084,612)	2%	(384,664)	(380,171)	1%
Operating profit before taxes on financial services	581,105	687,673	-15%	186,964	320,198	-42%
Less:Taxes on financial services						
VAT on financial services	(159,251)	(148,503)	7%	(50,530)	(64,473)	-22%
NBT on financial services	-	(21,734)	-100%	-	(9,203)	-100%
Debt repayment levy	-	(86,205)	-100%	-	(36,558)	-100%
Profit before income taxation	421,854	431,231	-2%	136,434	209,964	-35%
Less:Income tax expense	(124,079)	(169,249)	-27%	(39,923)	(79,846)	-50%
Profit after taxation	297,775	261,982	14%	96,511	130,118	-26%
Other comprehensive income,net of taxes	-	-	-	-	-	-
Total comprehensive income,net of taxes	297,775	261,982	14%	96,511	130,118	-26%
Basic/Diluted earnings per share-(LKR.)	3.99	3.60		1.27	1.77	

SIYAPATHA FINANCE PLC

STATEMENT OF FINANCIAL POSITION

As at	30-09-2020 LKR'000	Audited 31-12-2019 LKR'000
Assets		
Cash and bank balances	189,872	273,429
Securities purchased under repurchase agreements	1,744,954	2,304,392
Loans and receivables	37,385,381	36,226,753
Other assets	839,571	653,710
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	46,450	15,301
Property, plant and equipment	1,294,390	1,013,625
Right-of-use assets	406,387	403,653
Intangible assets	40,374	56,426
Total Assets	41,947,435	40,947,345
Liabilities		
Bank overdraft	409,360	361,586
Due to other customers	16,912,537	13,221,026
Debt issued and other borrowed funds	18,204,922	21,342,227
Other payables	1,629,702	1,301,543
Current tax liabilities	274,071	407,066
Deferred tax liabilities	117,397	230,107
Retirement benefit obligations	85,846	67,965
Total Liabilities	37,633,835	36,931,520
Equity		
Stated capital	1,522,881	1,379,922
Reserves		
Statutory reserve fund	164,000	164,000
Revaluation reserve	117,951	117,951
Retained earnings	2,508,768	2,353,952
Total Equity	4,313,600	4,015,825
Total Liabilities and Equity	41,947,435	40,947,345
Net asset value per share(LKR.)	56.60	54.78
Commitments & contingencies	695,807	728,983

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 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

27 October 2020

STATEMENT OF CHANGES IN EQUITY

						LKR'000
	Stated Capital	Share Application Money Pending Allotment	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	Total
For the period ended 30 September 2019						
Balance as at 01 January 2019	948,666	400,000	139,000	107,763	1,945,561	3,540,990
Profit for the period	-	-	-	-	261,982	261,982
Other comprehensive income, net of tax	-	-	-	-	-	-
Allotment of shares - Rights Issue	400,000	(400,000)	-	-	-	-
Scrip dividend paid	31,256	-	-	-	(36,344)	(5,088)
Balance as at 30 September 2019	<u>1,379,922</u>	<u>-</u>	<u>139,000</u>	<u>107,763</u>	<u>2,171,199</u>	<u>3,797,884</u>
For the period ended 30 September 2020						
Balance as at 01 January 2020	1,379,922	-	164,000	117,951	2,353,951	4,015,824
Profit for the period	-	-	-	-	297,775	297,775
Other comprehensive income, net of tax	-	-	-	-	-	-
Scrip dividend paid	142,959	-	-	-	(142,959)	-
Balance as at 30 September 2020	<u>1,522,881</u>	<u>-</u>	<u>164,000</u>	<u>117,951</u>	<u>2,508,767</u>	<u>4,313,599</u>

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

For the period ended 30 September	2020	2019
	LKR'000	LKR'000
Cash flows from operating activities		
Profit before taxation	421,854	431,231
Interest expenses	3,028,575	3,193,575
Fee and commission expenses	-	-
Provision for credit losses	1,011,701	881,428
Provision for staff gratuity	20,628	18,750
Provision for depreciation	47,172	42,861
Amortization of software	17,368	17,484
(Profit)/Loss on sale of motor vehicle	(1,280)	-
	4,124,164	4,154,098
Operating profit before working capital changes	4,546,018	4,585,329
(Increase)/decrease in lease receivables	(2,646,600)	(2,990,294)
(Increase)/decrease in hire purchase receivables	652	43,680
(Increase)/decrease in factoring receivables	191,023	263,117
(Increase)/decrease in gold loan receivables	308,829	(1,385,508)
(Increase)/decrease in loan receivables	111,875	507,779
Increase/(decrease) in due to other customers	3,691,318	4,142,117
(Increase)/decrease in other assets	(321,019)	(271,930)
Increase/(decrease) in other payables	416,847	481,622
	1,752,925	790,583
Cash generated from operating activities	6,298,943	5,375,912
Interest expense paid	(2,999,572)	(2,918,958)
Gratuity paid	(2,973)	(3,200)
Income tax paid	(359,381)	(164,915)
Dividend tax paid	-	(5,088)
Net cash inflow from operating activities	2,937,017	2,283,751
Cash flow from investing activities		
Investments in government treasury bonds and government securities	528,289	(1,745,491)
Purchase of property, plant, equipment and intangible assets	(329,250)	(345,608)
Proceeds from sale of property, plant and equipment	1,280	-
Net cash inflow/(outflow) from investing activities	200,319	(2,091,099)
Net cash inflow before financing activities	3,137,336	192,652
Cash flow from financing activities		
Proceeds from long term loans/Securitizations	2,450,000	3,000,000
Repayments of long term loans	(4,466,115)	(4,020,398)
Proceeds from debentures	2,000,000	1,500,000
Debentures redeemed	-	(1,421,990)
Net proceeds from short term borrowings	(3,150,000)	(600,000)
Repayment of principal portion of lease liabilities	(102,552)	-
Net cash outflow from financing activities	(3,268,667)	(1,542,388)
Net increase/(decrease) in cash and cash equivalents	(131,331)	(1,349,736)
Cash & cash equivalents at the beginning of the period	(88,146)	1,077,107
Cash and cash equivalents as at end of the period	(219,477)	(272,629)
Analysis of the cash and cash equivalents at the end of the period		
Cash and bank balances	189,883	144,899
Bank overdraft	(409,360)	(417,528)
	(219,477)	(272,629)

SIYAPATHA FINANCE PLC

SELECTED PERFORMANCE INDICATORS

	As at 30.09.2020	As at 31.12.2019
<u>Capital Adequacy</u>		
Core Capital Ratio(Minimum Requirement -6.5%)	7.99%	8.96%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10.5%)	12.66%	14.16%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	37.92%	48.59%
<u>Profitability</u>		
Return on Average Assets (After Tax)	0.93%	1.22%
Return on Average Shareholders' Funds	9.48%	12.88%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation(Gross)	39,890,313	37,878,257
Non-Performing Accommodation	6,500,963	3,811,971
Net Total Accommodation(Net of allowance for expected credit losses/impairment)	37,385,381	36,226,753
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets	1,228,293	1,651,440
Required Minimum Amount of Government Securities**	1,701,063	2,254,033
Available Amount of Liquid Assets	1,911,179	2,445,214
Available Amount of Government Securities	1,744,953	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	
	2020	2019	2020	2019	2020	2019	2020	2019
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
For the period ended 30 September								
Interest Income	4,041,434	4,152,789	895,759	763,631	243,403	446,436	5,180,596	5,362,856
Less: Interest expenses	(2,430,372)	(2,405,248)	(351,570)	(384,972)	(246,633)	(403,355)	(3,028,575)	(3,193,575)
Net interest income	1,611,062	1,747,541	544,189	378,659	(3,230)	43,081	2,152,021	2,169,281
Net fee and commission income	158,040	145,386	69,312	76,082	773	1,993	228,125	223,461
Other operating income	307,147	248,290	-	-	10,804	12,681	317,951	260,971
Total operating income	2,076,249	2,141,217	613,501	454,741	8,347	57,755	2,698,097	2,653,713
Less: Impairment (charges)/reversal on loans and losses	(812,231)	(408,060)	201	(1,980)	(199,671)	(471,388)	(1,011,701)	(881,428)
Net operating income	1,264,018	1,733,157	613,702	452,761	(191,324)	(413,633)	1,686,396	1,772,285
Less: Total operating expenses (Including taxes on financial services)	(859,999)	(1,034,149)	(182,902)	(177,828)	(221,641)	(129,077)	(1,264,542)	(1,341,054)
Operating profit before taxes	404,019	699,008	430,800	274,933	(412,965)	(542,710)	421,854	431,231
Less: Income tax expenses							(124,079)	(169,249)
Profit for the period							297,775	261,982
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							297,775	261,982
As at 30 September								
	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	31,620,794	28,744,500	4,702,640	4,932,194	5,624,001	6,220,511	41,947,435	39,897,205
Total assets	31,620,794	28,744,500	4,702,640	4,932,194	5,624,001	6,220,511	41,947,435	39,897,205
Segmental liabilities	28,369,118	26,008,261	4,219,051	4,462,690	5,045,666	5,628,369	37,633,835	36,099,320
Total liabilities	28,369,118	26,008,261	4,219,051	4,462,690	5,045,666	5,628,369	37,633,835	36,099,320

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%	346.35 Million	90.36%	Note A
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	100.00%	Fully Utilized

Note A

As per CBSL Capital Adequacy computation guidelines, the maximum eligible amount was limited to LKR.346.35 Million. However, the balance LKR.37.04 Million will be utilized by 31 October 2020.

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 period ended 30 September 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. 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. Nevertheless, the Company has made an additional provision as management overlays by changing the probability weightage applied to different macro-economic scenarios.

9. **Amendments to the Income Tax Law announced by the Government**

As per the announcement dated 12 February 2020, issued by the Department of Inland Revenue on “implementation of proposed changes to the Inland Revenue Act No.24 of 2017” effective from 01 January 2020, income tax rate applicable for the Finance sector has been reduced to 24%. Accordingly, the income tax expense of the Company for the period ended 30 September 2020 has been computed at 24%. However, deferred tax has been determined based on the enacted tax rate of 28%.

INFORMATION ON SHARES

Stated Capital as at 30 September 2020 was represented by the number of shares in issue as given below.

	As at 30 September 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 30 September 2020

	Name	No: of Shares	%
(01).	Sampath Bank PLC	76,212,065	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.Soyasa	01	0.00%
(05).	Mr.Y.S.H.R.S.Silva	01	0.00%
(06).	Mr. P.S.Cumaranatunga	01	0.00%
(07).	Mr.J.H.Gunawardena	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 30 September 2020 was 0%.

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

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	103.00	100.00
Debentures-2017/2022	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2019/2024	Not Traded	Not Traded	Not	Not Traded	Not Traded	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

	30-09-2020	31-12-2019
6 months treasury bill	4.67%	7.95%
1 year treasury bill	4.88%	8.47%
5 year treasury bond	6.69%	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%	10.60%	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%	Not Traded	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

	30-09-2020	31-12-2019
Debt to Equity Ratio (Times)	3.43	3.33
Interest Cover(Times)	1.14	1.19
Quick Asset Ratio (%)	69.58%	78.11%