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Siyapatha Finance**

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

SIYAPATHA FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

	For the 6 months ended 30 June		Change %	For the quarter ended 30 June		Change %
	2019 LKR.000	2018 LKR.000		2019 LKR.000	2018 LKR.000	
Gross income	3,766,805	3,299,461	14%	1,920,505	1,717,254	12%
Interest income	3,460,080	3,025,670	14%	1,767,245	1,577,384	12%
Less:Interest expenses	(2,143,462)	(1,713,452)	25%	(1,096,531)	(891,279)	23%
Net interest income	1,316,618	1,312,218	0%	670,714	686,105	-2%
Fee and commission income	148,298	141,874	5%	71,802	70,483	2%
Less:Fee and commission expenses	-	(21)	-100%	-	-	0%
Net fee and commission income	148,298	141,853	5%	71,802	70,483	2%
Other operating income	158,427	131,917	20%	81,458	69,387	17%
Total operating income	1,623,343	1,585,988	2%	823,974	825,975	0%
Less:Credit loss expense on financial assets and other losses	(551,427)	(304,236)	81%	(327,074)	(161,769)	102%
Net operating income	1,071,916	1,281,752	-16%	496,900	664,206	-25%
Less:Operating expenses						
Personnel expenses	(366,451)	(391,759)	-6%	(170,741)	(208,681)	-18%
Depreciation of property,plant & equipment	(27,794)	(26,233)	6%	(14,286)	(12,531)	14%
Amortization of intangible assets	(11,667)	(2,271)	414%	(5,830)	(1,127)	417%
Other operating expenses	(298,529)	(257,418)	16%	(136,424)	(139,018)	-2%
Total operating expenses	(704,441)	(677,681)	4%	(327,281)	(361,357)	-9%
Operating profit before taxes on financial services	367,475	604,071	-39%	169,619	302,849	-44%
Less:Taxes on financial services	(146,208)	(142,508)	3%	(71,802)	(73,166)	-2%
Profit before income taxation	221,267	461,563	-52%	97,817	229,683	-57%
Less:Income tax expense	(89,403)	(170,055)	-47%	(35,636)	(85,470)	-58%
Profit after taxation	131,864	291,508	-55%	62,181	144,213	-57%
Other comprehensive income,net of taxes	-	-	-	-	-	-
Total comprehensive income,net of taxes	131,864	291,508	-55%	62,181	144,213	-57%
Basic/Diluted earnings per share-(LKR.)	1.82	5.06		0.86	2.49	

SIYAPATHA FINANCE PLC

STATEMENT OF FINANCIAL POSITION

As at	30-06-2019 LKR'000	Audited 31-12-2018 LKR'000
Assets		
Cash and bank balances	352,918	191,556
Securities purchased under repurchase agreements	2,371,771	1,768,461
Loans and receivables	35,436,231	33,013,008
Other assets	583,354	489,556
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	4,327	4,319
Property, plant and equipment	845,906	615,402
Intangible assets	67,739	83,972
Total Assets	39,662,302	36,166,330
Liabilities		
Bank overdraft	369,167	321,821
Due to other customers	13,095,739	9,672,008
Debt issued and other borrowed funds	20,961,276	21,391,367
Other payables	854,060	600,736
Current tax liabilities	172,329	149,015
Deferred tax liabilities	491,687	449,603
Retirement benefit obligations	50,278	40,789
Total Liabilities	35,994,536	32,625,339
Equity		
Stated capital	1,379,922	948,666
Share application money pending allotment	-	400,000
Reserves		
Statutory reserve fund	139,000	139,000
Revaluation reserve	107,763	107,763
Retained earnings	2,041,081	1,945,562
Total Equity	3,667,766	3,540,991
Total Liabilities and Equity	39,662,302	36,166,330
Net asset value per share(LKR.)	50.03	55.68
Commitments & contingencies	632,276	609,673

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 June 2019 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)
Director

(Sgd)
Director

30 July 2019

SIYAPATHA FINANCE PLC
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 June 2018						
Balance as at 01 January 2018	635,917	-	113,000	56,823	1,672,544	2,478,284
Profit for the period	-	-	-	-	291,508	291,508
Other comprehensive income, net of tax	-	-	-	-	-	-
Transfer to Statutory Reserve Fund	-	-	8,000	-	(8,000)	-
Scrip dividend paid	62,749	-	-	-	(69,721)	(6,972)
Rights issue of shares	250,000	-	-	-	-	250,000
Balance as at 30 June 2018	<u>948,666</u>	<u>-</u>	<u>121,000</u>	<u>56,823</u>	<u>1,886,331</u>	<u>3,012,820</u>
For the period ended 30 June 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	-	-	-	-	131,864	131,864
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 June 2019	<u>1,379,922</u>	<u>-</u>	<u>139,000</u>	<u>107,763</u>	<u>2,041,081</u>	<u>3,667,766</u>

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

For the period ended 30 June	2019 LKR'000	2018 LKR'000
Cash flows from operating activities		
Profit before taxation	221,267	461,563
Interest expenses	2,143,462	1,713,452
Fee and commission expenses	-	21
Provision for credit losses	551,427	304,236
Provision for staff gratuity	12,500	3,750
Provision for depreciation	27,794	26,233
Amortization of software	11,667	2,271
(Profit)/Loss on sale of motor vehicle	-	(84)
	2,746,850	2,049,879
Operating profit before working capital changes	2,968,117	2,511,442
(Increase)/decrease in lease receivables	(2,519,040)	(3,829,523)
(Increase)/decrease in hire purchase receivables	38,291	133,656
(Increase)/decrease in factoring receivables	261,586	(55,893)
(Increase)/decrease in gold loan receivables	(947,499)	(426,007)
(Increase)/decrease in loan receivables	302,366	(281,909)
Increase/(decrease) in due to other customers	3,206,951	(144,210)
(Increase)/decrease in other assets	(199,588)	(120,065)
Increase/(decrease) in other payables	235,002	95,706
	378,069	(4,628,245)
Cash generated from operating activities	3,346,186	(2,116,803)
Interest expense paid	(1,752,037)	(1,464,196)
Gratuity paid	(3,011)	(1,149)
Income tax paid	(5,682)	(25,663)
Dividend tax paid	(5,088)	(6,972)
Net cash inflow/(outflow) from operating activities	1,580,368	(3,614,783)
Cash flow from investing activities		
Investments in government treasury bonds and government securities	(1,810,691)	(564,123)
Purchase of property, plant, equipment and intangible assets	(258,297)	(53,217)
Proceeds from sale of property, plant and equipment	-	100
Net cash inflow/(outflow) from investing activities	(2,068,988)	(617,240)
Net cash inflow/(outflow) before financing activities	(488,620)	(4,232,023)
Cash flow from financing activities		
Proceeds from long term loans	550,000	4,200,000
Repayments of long term loans	(2,554,736)	(2,900,758)
Proceeds for rights issue of sharers	-	250,000
Net proceeds from short term borrowings	1,400,000	2,600,000
Net cash inflow/(outflow) from financing activities	(604,736)	4,149,242
Net increase/(decrease) in cash and cash equivalents	(1,093,356)	(82,781)
Cash & cash equivalents at the beginning of the period	1,077,107	(92,461)
Cash and cash equivalents as at end of the period	(16,249)	(175,242)
Analysis of the cash and cash equivalents at the end of the period		
Cash and bank balances	352,918	255,122
Bank overdraft	(369,167)	(430,364)
	(16,249)	(175,242)

SIYAPATHA FINANCE PLC
SELECTED PERFORMANCE INDICATORS

	As at 30.06.2019	As at 31.12.2018
<u>Capital Adequacy</u>		
Core Capital Ratio(Minimum Requirement -6%)	8.54%	9.40%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10%)	11.40%	12.21%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	36.92%	47.77%
<u>Profitability</u>		
Return on Average Assets (After Tax)	0.69%	1.50%
Return on Average Shareholders' Funds	7.36%	16.84%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation(Gross)	37,074,585	34,532,955
Non-Performing Accommodation	3,496,632	2,679,866
Net Total Accommodation(Net of allowance for expected credit losses/impairment)	35,436,231	33,013,008
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets**	1,899,324	1,440,739
Required Minimum Amount of Government Securities***	2,254,033	1,717,655
Available Amount of Liquid Assets	2,488,015	1,821,523
Available Amount of Government Securities	2,361,519	1,758,728

* **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 30 June 2019 & 31 December 2018 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. 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. **Sri Lanka Accounting Standard – SLFRS 9 (Financial Instruments)**
The Sri Lanka Accounting Standard – SLFRS 9 (Financial Instruments) was effective for annual periods beginning on or after 01 January 2018. However, as permitted by the 'Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements' issued by CA Sri Lanka, Company had prepared the Interim Financial Statements for the period ended 30 June 2018 based on LKAS 39 (Financial Instruments: Recognition and Measurement). Accordingly, information for the period ended 30 June 2018 does not reflect the requirements of SLFRS 9 and therefore not comparable to the information presented for the period ended 30 June 2019 under SLFRS 9.
3. There are no changes to the accounting policies and methods of computation since the publication of the Audited Financial Statements for the year 2018, except for the Accounting Policies and methods of computation adopted to be in compliant with the requirements of the Sri Lanka Accounting Standard SLFRS – 16 on Leasing, which became effective for Annual Financial periods from January 01, 2019.
4. 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.
5. The Interim Financial Statements for the period ended 30 June 2019 are drawn up from unaudited financial statements of the Company unless indicated as audited.
6. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements.
7. The Shareholders of the Company have approved by way of a special resolution passed on 30 April 2019 to issue up to 9,090,910 ordinary shares for the purpose of increasing the total number of ordinary shares in issue to 72,687,298 by way of a rights issue of shares to the shareholders of the Company in the proportion of One (01) new ordinary share for every existing six decimal Nine Nine Five Six Zero Two (6.995602) shares (1:6.995602) held at an issue price of Rupees Forty Four (LKR44/-) per ordinary share.
8. The dividend of LKR.0.50 per share on 72,687,298 Ordinary shares was approved at the Annual General Meeting held on 28 May 2019. This was paid in the form of scrip dividend and relevant provisions were made in the Financial Statements for the period ended 30 June 2019.

9. **Proposed Debenture Issue -2019/2023**

The Board of Directors of the Company resolved to issue Listed, Rated, Unsecured, Subordinated five (05) year Debentures up to minimum of LKR.1 Billion (Sri Lankan Rupees One Billion) with an option to increase by a further LKR.500 Million (Sri Lankan Rupees Five Hundred Million) in the event of an over subscription.

10. Mr.Jayantha Harischandra Gunawardena had appointed as an Independent, Non-Executive Director to the Board of Directors of the Company with effect from 29 January 2019, having obtained the approval of the Central Bank of Sri Lanka in terms of Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No: 3 of 2011.

11. Mr.Kothwala Mudiyansele Saman Priyantha Herath, Managing Director had relinquished his duties at the end of his contract with effect from 28 February 2019.

Accordingly, the Board of Directors had resolved to appoint Mr.Hettiveediye Mudiyansele Ananda Seneviratne as the Managing Director of the Company with effect from 1 March 2019 having obtained the approval of the Central Bank of Sri Lanka in terms of Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No: 3 of 2011.

12. Ms.Aroshi Nanayakkara has tendered her resignation as an independent, Non Executive Director from the Board of Siyapatha Finance PLC with effect from 30 May 2019.The required regulatory approval for the aforesaid resignation has been duly obtained from the Central Bank of Sri Lanka by the letter dated 19 June 2019.

INFORMATION ON SHARES

Stated Capital as at 30 June 2019 was represented by the number of shares in issue as given below.

	As at 30 June 2019		As at 31 December 2018	
	Number	LKR.	Number	LKR.
Ordinary Shares	73,312,409	1,379,921,654/-	63,596,388	948,666,116/-
Total	73,312,409	1,379,921,654/-	63,596,388	948,666,116/-

SHAREHOLDER INFORMATION

Shareholders' list as at 30 June 2019

	Name	No: of Shares	%
(01).	Sampath Bank PLC	73,312,402	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.Soyso	01	0.00%
(05).	Mr.Y.S.H.R.S.Silva	01	0.00%
(06).	Mr. P.S.Cumaranatunga	01	0.00%
(07).	Ms.Aroshi Nanayakkara	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		73,312,409	100.00%

Public Holdings

The percentage of ordinary shares held by the public as at 30 June 2019 was 0%.

Directors'/ CEO's Holding in Shares as at 30 June 2019

Name	Position	No: of Shares
Mr. C.P.Palansuriya	Chairman	01
Dr.H.S.D.Soyasa	Director	01
Mr. W.M.P.L. De Alwis	Director	01
Mr. P.S.Cumaranatunga	Director	01
Mr.Y.S.H.R.S.Silva	Director	01

INFORMATION ON LISTED DEBENTURES

(i).Market Values

	Highest (LKR.)		Lowest (LKR.)		Period End (LKR.)	
	2019	2018	2019	2018	2019	2018
Debentures -2014/2019	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures -2016/2019	100.00	100.50	99.50	99.50	99.50	99.70
Debentures -2016/2021	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures -2017/2022	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded

N/A-Not Applicable

(ii).Interest Rates

	2019		2018	
	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%	12.50%	12.50%

(iii).Interest rates of comparable Government Securities

	30-06-2019	31-12-2018
6 months treasury bill	8.61%	10.02%
1 year treasury bill	8.83%	11.01%
5 year treasury bond	10.26%	11.56%

(iv).Current Yield & Yield to maturity

	2019		2018	
	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)	13.07%	13.82%	13.00%	13.14%
Debentures Issued-September 2016 5 year Fixed rated(13.50% p.a. payable annually)	13.50%	Not Traded	13.50%	Not Traded
Debentures Issued-October 2017 5 year Fixed rated(12.50% p.a. payable annually)	12.50%	Not Traded	12.50%	Not Traded

(v).Ratios

	30-06-2019	31-12-2018
Debt to Equity Ratio (Times)	2.61	3.38
Interest Cover(Times)	1.10	1.23
Quick Asset Ratio (%)	65.31%	88.44%