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Siyapatha Finance

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June		Change %	For the quarter ended 30 June		Change %
	2021 LKR'000	2020 LKR'000		2021 LKR.000	2020 LKR.000	
Gross income	3,963,309	3,815,161	4%	1,879,349	1,781,037	6%
Interest income	3,369,643	3,526,476	-4%	1,634,175	1,673,905	-2%
Less:Interest expenses	(1,414,652)	(2,090,254)	-32%	(686,877)	(1,046,487)	-34%
Net interest income	1,954,991	1,436,222	36%	947,298	627,418	51%
Fee and commission income	137,578	138,303	-1%	49,752	59,035	-16%
Less:Fee and commission expenses	-	-	-	-	-	-
Net fee and commission income	137,578	138,303	-1%	49,752	59,035	-16%
Other operating income	456,088	150,382	203%	195,422	48,097	306%
Total operating income	2,548,657	1,724,907	48%	1,192,472	734,550	62%
Less:Credit loss expense on financial assets and other losses	(856,632)	(610,139)	40%	(462,761)	(259,797)	78%
Net operating income	1,692,025	1,114,768	52%	729,711	474,753	54%
Less:Operating expenses						
Personnel expenses	(558,510)	(419,363)	33%	(280,641)	(212,886)	32%
Depreciation and amortisation expenses	(94,463)	(94,633)	0%	(47,323)	(47,854)	-1%
Other operating expenses	(209,006)	(206,631)	1%	(66,761)	(84,393)	-21%
Total operating expenses	(861,979)	(720,627)	20%	(394,725)	(345,133)	14%
Operating profit before VAT on financial services	830,046	394,141	111%	334,986	129,620	158%
Less:VAT on financial services	(180,259)	(108,721)	66%	(81,124)	(45,472)	78%
Profit before income taxation	649,787	285,420	128%	253,862	84,148	202%
Less:Income tax expense	(113,143)	(84,156)	34%	(90,495)	(9,735)	830%
Profit after taxation	536,644	201,264	167%	163,367	74,413	120%
Other comprehensive income/(expenses)						
Other comprehensive income not to be reclassified to profit or loss						
Deferred tax effect on rate change:						
Actuarial loss on defined benefit plans	(3,490)	-	100%	-	-	-
Revaluation surplus on property, plant & equipment	6,553	-	100%	-	-	-
Other comprehensive income,net of taxes	3,063	-	100%	-	-	-
Total comprehensive income,net of taxes	539,707	201,264	168%	163,367	74,413	120%
Basic/Diluted earnings per share-(LKR.)	6.30	2.57	145%	1.78	0.98	

SIYAPATHA FINANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	30-06-2021 LKR'000	Audited 31-12-2020 LKR'000
Assets		
Cash and bank balances	252,745	292,036
Securities purchased under repurchase agreements	1,824,269	2,781,162
Loans and receivables	36,908,155	35,801,573
Other assets	720,711	851,671
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	-	34,145
Property, plant and equipment	1,558,642	1,353,815
Right-of-use assets	403,866	402,579
Intangible assets	30,200	34,623
Total Assets	41,698,644	41,551,660
Liabilities		
Bank overdraft	324,111	250,536
Due to other customers	16,854,532	17,279,614
Debt issued and other borrowed funds	16,743,051	17,049,706
Other payables	1,515,725	1,312,080
Current tax liabilities	140,875	118,150
Deferred tax liabilities	354,229	328,349
Retirement benefit obligations	100,450	87,260
Total Liabilities	36,032,973	36,425,695
Equity		
Stated capital	2,346,095	1,522,881
Share application money pending allotment	-	700,000
Reserves		
Statutory reserve fund	185,000	185,000
Revaluation reserve	124,504	117,951
Retained earnings	3,010,072	2,600,133
Total Equity	5,665,671	5,125,965
Total Liabilities and Equity	41,698,644	41,551,660
Net asset value per share(LKR.)	61.60	67.26
Commitments & contingencies	583,045	731,739

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 2021 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

27 July 2021

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
Balance as at 01 January 2020	1,379,922	-	164,000	117,951	2,353,951	4,015,824
Profit for the period	-	-	-	-	201,264	201,264
Other comprehensive income, net of tax	-	-	-	-	-	-
Scrip dividend paid	142,959	-	-	-	(142,959)	-
Balance as at 30 June 2020	<u>1,522,881</u>	<u>-</u>	<u>164,000</u>	<u>117,951</u>	<u>2,412,256</u>	<u>4,217,088</u>
Balance as at 01 January 2021	1,522,881	700,000	185,000	117,951	2,600,132	5,125,964
Profit for the period	-	-	-	-	536,644	536,644
Other comprehensive income, net of tax	-	-	-	6,553	(3,490)	3,063
Rights issue of shares	700,000	(700,000)	-	-	-	-
Scrip dividend paid	123,214	-	-	-	(123,214)	-
Balance as at 30 June 2021	<u><u>2,346,095</u></u>	<u><u>-</u></u>	<u><u>185,000</u></u>	<u><u>124,504</u></u>	<u><u>3,010,072</u></u>	<u><u>5,665,671</u></u>

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

For the period ended 30 June	2021 LKR'000	2020 LKR'000
Cash flows from operating activities		
Profit before taxation	649,787	285,420
Interest expenses	1,414,652	2,090,254
Fee and commission expenses	-	-
Provision for credit losses	856,632	610,139
Provision for staff gratuity	15,126	13,752
Provision for depreciation	29,477	31,221
Amortization of software	11,611	11,613
Amortisation of right-of-use assets	53,375	51,799
(Profit)/Loss on sale of motor vehicle	(1,452)	(330)
	2,379,421	2,808,448
Operating profit before working capital changes	3,029,208	3,093,868
(Increase)/decrease in lease receivables	(1,160,107)	(1,913,235)
(Increase)/decrease in hire purchase receivables	424	(550)
(Increase)/decrease in factoring receivables	48,985	139,911
(Increase)/decrease in gold loan receivables	(240,033)	(225,604)
(Increase)/decrease in loan receivables	(558,629)	45,242
Increase/(decrease) in due to other customers	(197,758)	2,676,415
(Increase)/decrease in other assets	21,708	(315,205)
Increase/(decrease) in other payables	280,371	137,053
	(1,805,039)	544,027
Cash generated from operating activities	1,224,169	3,637,895
Interest expense paid	(1,301,258)	(1,885,265)
Gratuity paid	(1,936)	(1,957)
Income tax paid	(61,474)	(155,453)
Net cash inflow/(outflow) from operating activities	(140,499)	1,595,220
Cash flow from investing activities		
Investments in government treasury bonds and government securities	(9,078)	563,128
Purchase of property, plant, equipment and intangible assets	(241,800)	(166,743)
Proceeds from sale of property, plant and equipment	1,761	330
Net cash inflow/(outflow) from investing activities	(249,117)	396,715
Net cash inflow/(outflow) before financing activities	(389,616)	1,991,935
Cash flow from financing activities		
Proceeds from long term loans/Securitizations	-	2,450,000
Repayments of long term loans/Securitizations	(2,697,374)	(2,854,094)
Debenture application money pending allotment	-	2,511,500
Net proceeds from short term borrowings	2,050,000	(1,600,000)
Repayment of principal portion of lease liabilities	(75,992)	(69,231)
Net cash inflow/(outflow) from financing activities	(723,366)	438,175
Net increase/(decrease) in cash and cash equivalents	(1,112,982)	2,430,110
Cash & cash equivalents at the beginning of the year	1,041,631	(88,146)
Cash and cash equivalents at the end of the period	(71,351)	2,341,964
Analysis of the cash and cash equivalents at the end of the period		
Cash and bank balances	252,760	2,725,402
Bank overdraft	(324,111)	(383,438)
	(71,351)	2,341,964

SIYAPATHA FINANCE PLC

SELECTED PERFORMANCE INDICATORS

	As at 30.06.2021	As at 31.12.2020
<u>Capital Adequacy</u>		
Core Capital Ratio(Minimum Requirement -6.5%)	9.33%	9.77%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10.5%)	13.54%	14.18%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	43.64%	37.59%
<u>Profitability</u>		
Return on Average Assets (After Tax)	2.60%	0.96%
Return on Average Shareholders' Funds	19.83%	9.54%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation(Gross)	40,462,834	38,556,257
Non-Performing Accommodation	6,999,144	7,254,913
Net Total Accommodation(Net of allowance for expected credit losses/impairment)	36,908,155	35,801,573
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets	1,255,628	1,263,680
Required Minimum Amount of Government Securities**	1,799,155	1,701,063
Available Amount of Liquid Assets	1,913,808	1,928,684
Available Amount of Government Securities	1,824,269	1,781,046

*** 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% 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	
	2021 LKR'000	2020 LKR'000	2021 LKR'000	2020 LKR'000	2021 LKR'000	2020 LKR'000	2021 LKR'000	2020 LKR'000
For the period ended 30 June								
Interest Income	2,764,934	2,746,543	448,318	623,690	156,391	156,243	3,369,643	3,526,476
Less: Interest expenses	(1,108,761)	(1,645,240)	(163,342)	(271,404)	(142,549)	(173,610)	(1,414,652)	(2,090,254)
Net interest income	1,656,173	1,101,303	284,976	352,286	13,842	(17,367)	1,954,991	1,436,222
Net fee and commission income	92,168	95,213	45,040	42,515	370	575	137,578	138,303
Other operating income	406,193	165,203	-	-	49,895	(14,821)	456,088	150,382
Total operating income	2,154,534	1,361,719	330,016	394,801	64,107	(31,613)	2,548,657	1,724,907
Less: Impairment (charges)/reversal on loans and losses	(534,028)	(466,657)	(2,228)	1,197	(320,376)	(144,679)	(856,632)	(610,139)
Net operating income	1,620,506	895,062	327,788	395,998	(256,269)	(176,292)	1,692,025	1,114,768
Less: Total operating expenses (Including VAT on financial services)	(803,527)	(563,801)	(150,997)	(124,308)	(87,714)	(141,239)	(1,042,238)	(829,348)
Operating profit before taxes	816,979	331,261	176,791	271,690	(343,983)	(317,531)	649,787	285,420
Less: Income tax expenses							(113,143)	(84,156)
Profit for the period							536,644	201,264
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							536,644	201,264
As at 30 June								
	2021 LKR'000	2020 LKR'000	2021 LKR'000	2020 LKR'000	2021 LKR'000	2020 LKR'000	2021 LKR'000	2020 LKR'000
Segmental assets	29,699,359	30,551,100	5,007,520	5,238,069	6,991,765	8,778,695	41,698,644	44,567,864
Total assets	29,699,359	30,551,100	5,007,520	5,238,069	6,991,765	8,778,695	41,698,644	44,567,864
Segmental liabilities	25,664,053	27,660,302	4,327,139	4,742,434	6,041,781	7,948,039	36,032,973	40,350,775
Total liabilities	25,664,053	27,660,302	4,327,139	4,742,434	6,041,781	7,948,039	36,032,973	40,350,775

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 2020.
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 Shareholders of the Company at an Extraordinary General Meeting held on 31 March 2021 had approved to allot 13,725,490 Ordinary Shares by way of a Rights Issue in the proportion of One (01) new Ordinary Share for every 5.55259389646563 existing Ordinary shares at an issue price of Rupees Fifty One (LKR.51/-) per Ordinary Share. The total number of shares after the Rights Issue is 89,937,562 Ordinary Shares.
5. The dividend of LKR.1.37 per share on 89,937,562 Ordinary shares was approved as scrip dividend at the Annual General Meeting held on 25 May 2021, subject to the condition that the said scrip dividend and the resultant issue of shares shall be effective upon the receipt of the requisite approval of the Central Bank of Sri Lanka, under the relevant Guideline / Direction as applicable to Licensed Finance Companies. The approval from the Central Bank of Sri Lanka was received by the Company by letter dated 4 June 2021 issued by the Director, Department of Supervision of Non-Bank Financial Institutions, which said approval is effective from 25 May 2021. The relevant provisions were made in the Financial Statements for the period ended 30 June 2021.
6. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements other than the item disclosed in Note 10 below.
7. **Comparative Information**
The Company re-classified comparative information wherever necessary to conform to the current period's presentation.

7.1 Statement of Comprehensive Income

For the period ended 30 June 2020	Reclassified	As reported in 2020	Change
	LKR'000	LKR'000	LKR'000
Depreciation and amortisation expenses	94,633	42,834	51,799
Other operating expenses	206,631	258,430	(51,799)

Amortisation of right-of-use assets amounting to LKR.51.79 Million has been re-classified under Depreciation and amortization expenses.

8. **Impact due to the COVID -19**

Disturbances to the economic activities due to the third wave of the COVID-19 pandemic and related preventive measures weakened the recovery actions to certain extent in the second quarter of 2021. Further, the COVID-19 pandemic is still not fully under control, the Company has made adequate impairment provisions as at 30 June 2021 to ensure that the potential impact on its loan book is adequately covered in the Financial Statements.

In the period under review, the credit quality of the Individually Significant Loans was discretely evaluated and appropriate provisions were made, regardless of the fact that those customers were within the debt moratorium period. Adequate provisions were also made under the Collective Impairment segment to

capture the impact of current unprecedented economic conditions. Due to extension of the debt moratoriums given and also considering the potential impact that may arise due to the pandemic, it was decided to recognise a material impairment provision as an allowance for overlay, for the period ended 30 June 2021. 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.

9. **Change of the Income Tax Rate from 28% to 24%**

Income tax rate applicable for the Finance sector was reduced to 24% with effect from 01 January 2020, via the IRD announcement dated 12 January 2020. Both income tax and deferred tax provisions were calculated for the year ended 31 December 2020 at the rate of 28% on the basis that this amendment was not legally enacted in 2020.

However, as per the guideline on “Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12” issued by the Institute of Chartered Accountants of Sri Lanka dated 23 April 2021, the revised rate of 24% can be used to compute income tax and deferred tax, for financial periods ending after 26 March 2021. Furthermore, the Inland Revenue (Amendment) Act, No.10 of 2021 was passed in Parliament and certified by the Speaker on 13 May 2021. Accordingly, the Company applied the revised rate of 24% and the other amendments, for the computation of both income tax & deferred tax for the period ended 30 June 2021.

10. **Listed Rated Unsecured Subordinated Redeemable Debenture issue -2021**

Siyapatha Finance PLC made the following announcement on 1 July 2021.

“The Board of Directors of Siyapatha Finance PLC (the Company) at its meeting held on 29 June 2021 resolved to raise funds through an issue Listed, Rated, Unsecured, Subordinated, Redeemable Debentures up to a value of LKR.1.5 Billion, subject to all regulatory approvals.”

11. **The funds raised from debenture issues**

The funds raised through debenture issues in the previous years were fully utilised for the objectives stated in the relevant prospectuses.

INFORMATION ON SHARES

Stated Capital as at 30 June 2021 was represented by the number of shares in issue as given below.

	As at 30 June 2021		As at 31 December 2020	
	Number	LKR.	Number	LKR.
Ordinary Shares	91,973,156	2,346,095,301/-	76,212,072	1,522,880,852/-
Total	91,973,156	2,346,095,301/-	76,212,072	1,522,880,852/-

SHAREHOLDER INFORMATION

Shareholders' list as at 30 June 2021

	Name	No: of Shares	%
(01).	Sampath Bank PLC	91,973,149	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%
		91,973,156	100.00%

Public Holdings

The percentage of ordinary shares held by the public as at 30 June 2021 was 0%.

Directors'/ CEO's Holding in Shares as at 30 June 2021.

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.)	
	2021	2020	2021	2020	2021	2020
Debentures-2016/2021	Not Traded	103.00	Not Traded	100.00	Not Traded	100.00
Debentures-2017/2022	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2019/2024	108.75	108.00	108.75	108.00	108.75	108.00
Debentures-2020/2023	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded

N/A – Not Applicable

(ii).Interest Rates

	2021		2020	
	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%	11.25%	11.25%

N/A – Not Applicable

(iii).Interest rates of comparable Government Securities

	30-06-2021	31-12-2020
6 months treasury bill	5.13%	4.73%
1 year treasury bill	5.19%	4.97%
5 year treasury bond	7.30%	6.64%

(iv).Current Yield & Yield to maturity

	2021		2020	
	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%	Not Traded	13.50%	13.24%
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%	9.91%	13.33%	10.55%
Debentures Issued-July 2020 3 year Fixed rated(11.25% p.a. payable annually)	11.25%	Not Traded	11.25%	Not Traded

N/A – Not Applicable

(v).Ratios

	30-06-2021	31-12-2020
Debt to Equity Ratio (Times)	2.03	2.62
Interest Cover(Times)	1.46	1.18
Quick Asset Ratio (%)	57.97%	63.50%