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சியபத பிணான்ஸ்
Siyapatha Finance

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2021

SIYAPATHA FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended 30 September		Change %	For the quarter ended 30 September		Change %
	2021 LKR'000	2020 LKR'000		2021 LKR.000	2020 LKR.000	
Gross income	5,957,794	5,726,672	4%	1,994,485	1,911,511	4%
Interest income	4,994,304	5,180,596	-4%	1,624,661	1,654,120	-2%
Less:Interest expenses	(2,097,567)	(3,028,575)	-31%	(682,915)	(938,321)	-27%
Net interest income	2,896,737	2,152,021	35%	941,746	715,799	32%
Fee and commission income	207,311	228,125	-9%	69,733	89,822	-22%
Less:Fee and commission expenses	-	-	-	-	-	-
Net fee and commission income	207,311	228,125	-9%	69,733	89,822	-22%
Other operating income	756,179	317,951	138%	300,091	167,569	79%
Total operating income	3,860,227	2,698,097	43%	1,311,570	973,190	35%
Less:Credit loss expense on financial assets and other losses	(1,324,920)	(1,011,701)	31%	(468,288)	(401,562)	17%
Net operating income	2,535,307	1,686,396	50%	843,282	571,628	48%
Less:Operating expenses						
Personnel expenses	(855,029)	(646,251)	32%	(296,519)	(226,888)	31%
Depreciation and amortisation expenses	(151,372)	(144,657)	5%	(56,909)	(50,024)	14%
Other operating expenses	(304,081)	(314,383)	-3%	(95,075)	(107,752)	-12%
Total operating expenses	(1,310,482)	(1,105,291)	19%	(448,503)	(384,664)	17%
Operating profit before VAT on financial services	1,224,825	581,105	111%	394,779	186,964	111%
Less:VAT on financial services	(268,927)	(159,251)	69%	(88,668)	(50,530)	75%
Profit before income taxation	955,898	421,854	127%	306,111	136,434	124%
Less:Income tax expense	(211,924)	(124,079)	71%	(98,781)	(39,923)	147%
Profit after taxation	743,974	297,775	150%	207,330	96,511	115%
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	747,037	297,775	151%	207,330	96,511	115%
Basic/Diluted earnings per share-(LKR.)	8.50	3.81	123%	2.25	1.27	

SIYAPATHA FINANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	30-09-2021	Audited
	LKR'000	31-12-2020
	LKR'000	LKR'000
Assets		
Cash and bank balances	174,089	292,036
Securities purchased under repurchase agreements	2,734,347	2,781,162
Loans and receivables	36,780,427	35,801,573
Other assets	701,686	851,671
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	-	34,145
Property, plant and equipment	1,819,237	1,353,815
Right-of-use assets	393,627	402,579
Intangible assets	24,280	34,623
Total Assets	42,627,749	41,551,660
Liabilities		
Bank overdraft	439,602	250,536
Due to other customers	16,895,433	17,279,614
Debt issued and other borrowed funds	17,300,020	17,049,706
Other payables	1,479,678	1,312,080
Current tax liabilities	144,807	118,150
Deferred tax liabilities	388,873	328,349
Retirement benefit obligations	106,335	87,260
Total Liabilities	36,754,748	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	3,217,402	2,600,133
Total Equity	5,873,001	5,125,965
Total Liabilities and Equity	42,627,749	41,551,660
Net asset value per share(LKR.)	63.86	67.26
Commitments & contingencies	589,501	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 September 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

26 October 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	-	-	-	-	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>
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	-	-	-	-	743,974	743,974
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 September 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>3,217,402</u></u>	<u><u>5,873,001</u></u>

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

For the period ended 30 September	2021 LKR'000	2020 LKR'000
Cash flows from operating activities		
Profit before taxation	955,898	421,854
Interest expenses	2,097,567	3,028,575
Fee and commission expenses	-	-
Provision for credit losses	1,324,920	1,011,701
Provision for staff gratuity	22,689	20,628
Provision for depreciation	46,096	47,172
Amortization of software	17,716	17,368
Amortisation of right-of-use assets	87,560	80,117
(Profit)/Loss on sale of motor vehicle	(1,452)	(1,280)
	3,595,096	4,204,281
Operating profit before working capital changes	4,550,994	4,626,135
(Increase)/decrease in lease receivables	(1,311,634)	(2,646,600)
(Increase)/decrease in hire purchase receivables	450	652
(Increase)/decrease in factoring receivables	68,687	191,023
(Increase)/decrease in gold loan receivables	(577,828)	308,829
(Increase)/decrease in loan receivables	(410,200)	111,875
Increase/(decrease) in due to other customers	(121,363)	3,691,318
(Increase)/decrease in other assets	(1,934)	(401,136)
Increase/(decrease) in other payables	283,109	416,847
	(2,070,713)	1,672,808
Cash generated from operating activities	2,480,281	6,298,943
Interest expense paid	(2,406,285)	(2,999,572)
Gratuity paid	(3,614)	(2,973)
Income tax paid	(121,679)	(359,381)
Net cash inflow/(outflow) from operating activities	(51,297)	2,937,017
Cash flow from investing activities		
Net investments in government treasury bonds and government securities	(888,781)	528,289
Purchase of property, plant, equipment and intangible assets	(519,200)	(329,250)
Proceeds from sale of property, plant and equipment	1,761	1,280
Net cash inflow/(outflow) from investing activities	(1,406,220)	200,319
Net cash inflow/(outflow) before financing activities	(1,457,517)	3,137,336
Cash flow from financing activities		
Proceeds from long term loans/Securitizations	500,000	2,450,000
Repayments of long term loans/Securitizations	(3,675,776)	(4,466,115)
Proceeds from debentures	1,500,000	2,000,000
Debentures redeemed	(1,078,010)	-
Net proceeds from short term borrowings	3,050,000	(3,150,000)
Repayment of principal portion of lease liabilities	(115,452)	(102,552)
Net cash inflow/(outflow) from financing activities	180,762	(3,268,667)
Net increase/(decrease) in cash and cash equivalents	(1,276,755)	(131,331)
Cash & cash equivalents at the beginning of the year	1,041,631	(88,146)
Cash and cash equivalents at the end of the period	(235,124)	(219,477)
Analysis of the cash and cash equivalents at the end of the period		
Cash and bank balances	174,103	189,883
Securities purchased under repurchase agreements	30,375	-
Bank overdraft	(439,602)	(409,360)
	(235,124)	(219,477)

SIYAPATHA FINANCE PLC

SELECTED PERFORMANCE INDICATORS

	As at 30.09.2021	As at 31.12.2020
<u>Capital Adequacy</u>		
Core Capital Ratio (Minimum Requirement : Sep 2021-7.0% , Dec 2020 - 6.5%)	9.46%	9.77%
Total Risk Weighted Capital Ratio (Minimum Requirement: : Sep 2021-11.0% , Dec 2020 - 10.5%)	16.06%	14.18%
Capital Funds to Deposit Liabilities Ratio (Minimum Requirement-10%)*	53.89%	37.59%
<u>Profitability</u>		
Return on Average Assets (After Tax)	2.36%	0.96%
Return on Average Shareholders' Funds	17.82%	9.54%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation (Gross)	40,779,071	38,556,257
Non-Performing Accommodation	7,990,636	7,254,913
Net Total Accommodation (Net of allowance for expected credit losses/impairment)	36,780,427	35,801,573
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets	2,229,525	1,263,680
Required Minimum Amount of Government Securities**	2,698,732	1,701,063
Available Amount of Liquid Assets	2,860,356	1,928,684
Available Amount of Government Securities	2,734,347	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 7.5% (31.12.2020 -5.0%) 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 September								
Interest Income	4,068,634	4,041,434	694,998	895,759	230,672	243,403	4,994,304	5,180,596
Less: Interest expenses	(1,642,041)	(2,430,372)	(245,241)	(351,570)	(210,285)	(246,633)	(2,097,567)	(3,028,575)
Net interest income	2,426,593	1,611,062	449,757	544,189	20,387	(3,230)	2,896,737	2,152,021
Net fee and commission income	137,934	158,040	68,946	69,312	431	773	207,311	228,125
Other operating income	692,758	307,147	-	-	63,421	10,804	756,179	317,951
Total operating income	3,257,285	2,076,249	518,703	613,501	84,239	8,347	3,860,227	2,698,097
Less: Impairment (charges)/reversal on loans and losses	(913,010)	(812,231)	(13,592)	201	(398,318)	(199,671)	(1,324,920)	(1,011,701)
Net operating income	2,344,275	1,264,018	505,111	613,702	(314,079)	(191,324)	2,535,307	1,686,396
Less: Total operating expenses (Including VAT on financial services)	(1,230,025)	(859,999)	(230,601)	(182,902)	(118,783)	(221,641)	(1,579,409)	(1,264,542)
Operating profit before taxes	1,114,250	404,019	274,510	430,800	(432,862)	(412,965)	955,898	421,854
Less: Income tax expenses							(211,924)	(124,079)
Profit for the period							743,974	297,775
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							743,974	297,775
As at 30 September								
	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	29,985,596	31,620,794	5,333,953	4,702,640	7,308,200	5,624,001	42,627,749	41,947,435
Total assets	29,985,596	31,620,794	5,333,953	4,702,640	7,308,200	5,624,001	42,627,749	41,947,435
Segmental liabilities	25,854,357	28,369,118	4,599,072	4,219,051	6,301,319	5,045,666	36,754,748	37,633,835
Total liabilities	25,854,357	28,369,118	4,599,072	4,219,051	6,301,319	5,045,666	36,754,748	37,633,835

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 Ordinary shares after the Rights Issue is 89,937,562 .
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 is effective from 25 May 2021. The relevant provisions were made in the Financial Statements for the period ended 30 September 2021.
6. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements.
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 September 2020	Reclassified	As reported in 2020	Change
	LKR'000	LKR'000	LKR'000
Depreciation and amortisation expenses	144,657	64,540	80,117
Other operating expenses	314,383	394,500	(80,117)

Amortisation of right-of-use assets amounting to LKR.80.12 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 during the period under review. Further, the COVID-19 pandemic is still not fully under control, the Company has made adequate impairment provisions as at 30 September 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 an additional impairment provision as an allowance for overlay, for the period ended 30 September 2021. In addition, customers who operate in risk elevated industries such as tourism, manufacturing, construction (including condominiums), and transportation etc. were closely reviewed and have been considered for life-time expected credit loss under stage 2 and stage 3 where necessary.

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

The Company applied the revised rate of 24% to calculate the income tax and deferred tax liabilities as at 30 September 2021, in line with the Inland Revenue Amendment Act No. 10 of 2021. Income tax/deferred tax liabilities for the comparative period have been calculated using the tax rate of 28%.

10. The Company issued 15,000,000 listed, rated, unsecured, subordinated redeemable debentures at a par value of LKR.100/-. The debenture issue was opened on 26 August 2021 and closed on the same day as the issue was oversubscribed. The date of allotment of the said debenture issue was 01 September 2021.

11. The funds raised from debenture issues

11.1 The funds raised from debenture issue -2021

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 strengthen the Tier 2 capital base of the Company to maintain the capital adequacy requirements as stipulated by the CBSL	1,204.0 Million	30 Sep 2021	1,204.0 Million	80.27%	1,204.0 Million	100%	Fully Utilized
		296.0 Million	31 Mar 2022	296.0 Million	19.73%	-	-	Note A
2	To finance the budgeted lending portfolio within the next 12 months from the date of allotment	1.5 Billion	Within 12 months (Between 01 Sep 2021 to 31 Aug 2022)	1.5 Billion	100.00%	1.5Billion	100.00%	Fully Utilized

Note A

As per CBSL Capital Adequacy computation guidelines, the maximum eligible amount was limited to LKR.1,204.0 Million. However, the balance LKR.296.0 Million will be utilized by 31 March 2022.

11.2 The funds raised from previous 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 September 2021 was represented by the number of shares in issue as given below.

	As at 30 September 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 September 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 September 2021 was 0%.

Directors'/ CEO's Holding in Shares as at 30 September 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-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
Debentures-2021/2026	99.97	N/A	99.97	N/A	99.97	N/A

N/A – Not Applicable

(ii).Interest Rates

	2021		2020	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
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%
Debentures -2021/2026	9.46%	9.46%	N/A	N/A

N/A – Not Applicable

(iii).Interest rates of comparable Government Securities

	30-09-2021	31-12-2020
6 months treasury bill	6.34%	4.73%
1 year treasury bill	6.46%	4.97%
5 year treasury bond	9.33%	6.64%

(iv).Current Yield & Yield to maturity

	2021		2020	
	Current Yield (%)	Yield to Maturity (%)	Current Yield (%)	Yield to Maturity (%)
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
Debentures Issued-September 2021 5 year Fixed rated(9.46% p.a. payable annually)	9.46%	9.46%	N/A	N/A

N/A – Not Applicable

(v).Ratios

	30-09-2021	31-12-2020
Debt to Equity Ratio (Times)	2.16	2.62
Interest Cover(Times)	1.46	1.18
Quick Asset Ratio (%)	85.67%	63.50%