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Siyapatha Finance

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2022

	For the quarter ended 31 March		Change %
	2022 LKR'000	2021 LKR'000	
Gross income	2,280,466	2,083,960	9%
Interest income	1,808,592	1,735,468	4%
Less:Interest expenses	(782,925)	(727,775)	8%
Net interest income	1,025,667	1,007,693	2%
Fee and commission income	103,468	87,826	18%
Less:Fee and commission expenses	(316)	-	100%
Net fee and commission income	103,152	87,826	17%
Other operating income	368,406	260,666	41%
Total operating income	1,497,225	1,356,185	10%
Less:Credit loss expense on financial assets and other losses	(221,131)	(393,871)	-44%
Net operating income	1,276,094	962,314	33%
Less:Operating expenses			
Personnel expenses	(305,339)	(277,869)	10%
Depreciation and amortisation expenses	(63,756)	(47,140)	35%
Other operating expenses	(140,921)	(142,245)	-1%
Total operating expenses	(510,016)	(467,254)	9%
Operating profit before VAT on financial services	766,078	495,060	55%
Less:VAT on financial services	(158,058)	(99,135)	59%
Profit before income taxation	608,020	395,925	54%
Less:Income tax expense	(191,422)	(22,648)	745%
Profit after taxation	416,598	373,277	12%
Other comprehensive income/(expenses)			
Other comprehensive income not to be reclassified to profit or loss			
Deferred tax rate change effect on actuarial loss on defined benefit plans	-	(3,490)	-100%
Deferred tax rate change effect on surplus from revaluation of property,plant & equipment	-	6,553	-100%
Other comprehensive income,net of taxes	-	3,063	-100%
Total comprehensive income,net of taxes	416,598	376,340	11%
Basic/Diluted earnings per share-(LKR.)	4.52	4.05	12%

SIYAPATHA FINANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	31-03-2022	Audited
	LKR'000	31-12-2021
	LKR'000	LKR'000
Assets		
Cash and bank balances	336,725	250,277
Securities purchased under repurchase agreements	2,100,869	1,839,911
Loans and receivables	38,688,330	36,668,212
Other assets	701,164	637,127
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	1,002,384	900,241
Property, plant and equipment	2,233,849	1,992,215
Right-of-use assets	345,364	362,870
Deferred tax assets	169,446	78,492
Intangible assets	25,465	20,847
Total Assets	45,603,652	42,750,248
Liabilities		
Bank overdraft	415,483	191,266
Due to other customers	16,574,684	17,114,923
Debt issued and other borrowed funds	18,756,053	17,077,514
Other payables	2,159,121	1,267,671
Current tax liabilities	946,252	768,927
Deferred tax liabilities	-	-
Retirement benefit obligations	109,367	103,853
Total Liabilities	38,960,960	36,524,154
Equity		
Stated capital	2,674,439	2,346,095
Reserves		
Statutory reserve fund	240,000	240,000
Revaluation reserve	124,504	124,504
Retained earnings	3,603,749	3,515,495
Total Equity	6,642,692	6,226,094
Total Liabilities and Equity	45,603,652	42,750,248
Net asset value per share(LKR.)	68.36	67.69
Commitments & contingencies	339,567	432,361

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 31 March 2022 and its profits for the period then ended.

(Sgd)
Managing Director

(Sgd)
Chief Financial Officer

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

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 2021	1,522,881	700,000	185,000	117,951	2,600,132	5,125,964
Profit for the period	-	-	-	-	373,277	373,277
Other comprehensive income, net of tax	-	-	-	6,553	(3,490)	3,063
Rights issue of shares	700,000	(700,000)	-	-	-	-
Balance as at 31 March 2021	<u>2,222,881</u>	<u>-</u>	<u>185,000</u>	<u>124,504</u>	<u>2,969,919</u>	<u>5,502,304</u>
Balance as at 01 January 2022	2,346,095	-	240,000	124,504	3,515,495	6,226,094
Profit for the period	-	-	-	-	416,598	416,598
Other comprehensive income, net of tax	-	-	-	-	-	-
Scrip dividend paid	328,344	-	-	-	(328,344)	-
Balance as at 31 March 2022	<u>2,674,439</u>	<u>-</u>	<u>240,000</u>	<u>124,504</u>	<u>3,603,749</u>	<u>6,642,692</u>

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

For the period ended 31 March	2022 LKR'000	2021 LKR'000
Cash flows from operating activities		
Profit before taxation	608,020	395,925
Interest expenses	782,925	727,775
Fee and commission expenses	316	-
Provision for credit losses	221,131	393,871
Provision for staff gratuity	7,500	7,563
Provision for depreciation	37,316	15,063
Amortization of software	6,890	5,780
Amortisation of right-of-use assets	19,550	26,297
(Profit)/Loss on sale of motor vehicle	633	(1,448)
	1,076,261	1,174,901
Operating profit before working capital changes	1,684,281	1,570,826
(Increase)/decrease in lease receivables	(1,801,846)	(821,445)
(Increase)/decrease in hire purchase receivables	87	290
(Increase)/decrease in factoring receivables	37,047	23,745
(Increase)/decrease in gold loan receivables	(668,250)	(205,850)
(Increase)/decrease in loan receivables	199,376	(688,785)
Increase/(decrease) in due to other customers	(476,608)	114,097
(Increase)/decrease in other assets	19,392	(2,885)
Increase/(decrease) in other payables	830,077	523,195
	(1,860,725)	(1,057,638)
Cash generated from operating activities	(176,444)	513,188
Interest expense paid	(668,391)	(739,451)
Gratuity paid	(1,987)	(209)
Income tax paid	(105,050)	(30,737)
Net cash inflow/(outflow) from operating activities	(951,872)	(257,209)
Cash flow from investing activities		
Net investments in government treasury bonds and government securities	248,370	(21,331)
Purchase of property, plant, equipment and intangible assets	(291,511)	(97,509)
Proceeds from sale of property, plant and equipment	420	1,755
Net cash inflow/(outflow) from investing activities	(42,721)	(117,085)
Net cash inflow/(outflow) before financing activities	(994,593)	(374,294)
Cash flow from financing activities		
Proceeds from long term loans/Securitizations	1,000,000	-
Repayments of long term loans/Securitizations	(799,943)	(1,572,242)
Net proceeds from short term borrowings	1,300,000	800,000
Repayment of principal portion of lease liabilities	(31,762)	(38,511)
Net cash inflow/(outflow) from financing activities	1,468,295	(810,753)
Net increase/(decrease) in cash and cash equivalents	473,702	(1,185,047)
Cash & cash equivalents at the beginning of the year	59,031	1,041,631
Cash and cash equivalents at the end of the period	532,733	(143,416)
Analysis of the cash and cash equivalents at the end of the period		
Cash and bank balances	336,745	183,121
Securities purchased under repurchase agreements	611,471	-
Bank overdraft	(415,483)	(326,537)
	532,733	(143,416)

SELECTED PERFORMANCE INDICATORS

	As at 31.03.2022	As at 31.12.2021
<u>Capital Adequacy</u>		
Core Capital Ratio (Minimum Requirement -7.0%)	14.10%	14.74%
Total Risk Weighted Capital Ratio (Minimum Requirement: -11.0%)	20.43%	21.36%
Capital Funds to Deposit Liabilities Ratio (Minimum Requirement-10%)*	59.07%	58.88%
<u>Profitability</u>		
Return on Average Assets (After Tax)	3.81%	2.59%
Return on Average Shareholders' Funds	26.07%	19.16%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation (Gross)	43,165,106	40,931,551
Non-Performing Accommodation	6,100,624	6,928,654
Net Total Accommodation (Net of allowance for expected credit losses/impairment)	38,688,330	36,668,212
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets	2,148,908	2,116,090
Required Minimum Amount of Government Securities**	2,568,665	2,698,732
Available Amount of Liquid Assets	3,242,006	2,833,121
Available Amount of Government Securities	3,103,253	2,740,152

* **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% 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	
	2022 LKR'000	2021 LKR'000	2022 LKR'000	2021 LKR'000	2022 LKR'000	2021 LKR'000	2022 LKR'000	2021 LKR'000
For the period ended 31 March								
Interest Income	1,254,897	1,432,925	284,781	222,575	268,914	79,968	1,808,592	1,735,468
Less: Interest expenses	(603,855)	(571,242)	(108,392)	(84,607)	(70,678)	(71,926)	(782,925)	(727,775)
Net interest income	651,042	861,683	176,389	137,968	198,236	8,042	1,025,667	1,007,693
Net fee and commission income	69,823	59,844	33,561	27,832	(232)	150	103,152	87,826
Other operating income	360,015	242,323	-	-	8,391	18,343	368,406	260,666
Total operating income	1,080,880	1,163,850	209,950	165,800	206,395	26,535	1,497,225	1,356,185
Less: Impairment (charges)/reversal on loans and losses	(206,802)	(159,120)	(2,935)	(33)	(11,394)	(234,718)	(221,131)	(393,871)
Net operating income	874,078	1,004,730	207,015	165,767	195,001	(208,183)	1,276,094	962,314
Less: Total operating expenses (Including VAT on financial services)	(522,391)	(437,557)	(97,892)	(80,536)	(47,791)	(48,296)	(668,074)	(566,389)
Operating profit before taxes	351,687	567,173	109,123	85,231	147,210	(256,479)	608,020	395,925
Less: Income tax expenses							(191,422)	(22,648)
Profit for the period							416,598	373,277
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							416,598	373,277
As at 31 March								
	2022 LKR'000	2021 LKR'000	2022 LKR'000	2021 LKR'000	2022 LKR'000	2021 LKR'000	2022 LKR'000	2021 LKR'000
Segmental assets	30,687,432	29,728,789	6,447,094	4,975,533	8,469,126	7,109,906	45,603,652	41,814,228
Total assets	30,687,432	29,728,789	6,447,094	4,975,533	8,469,126	7,109,906	45,603,652	41,814,228
Segmental liabilities	26,217,457	25,816,799	5,508,001	4,320,806	7,235,502	6,174,319	38,960,960	36,311,924
Total liabilities	26,217,457	25,816,799	5,508,001	4,320,806	7,235,502	6,174,319	38,960,960	36,311,924

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 2021.
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**
The funds raised through debenture issues in the previous years were fully utilised for the objectives stated in the relevant prospectuses.
5. The dividend of LKR.3.57 per share on 91,973,156 Ordinary shares was approved at the Annual General Meeting held on 29 March 2022. This was paid in the form of scrip dividend and relevant provisions were made in the Financial Statements for the period ended 31 March 2022.
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 9.
7. **Comparative Information**
The Company re-classified comparative information wherever necessary to conform to the current year's presentation.

7.1 Statement of Comprehensive Income

For the period ended 31 March 2021	Reclassified	As reported in 2021	Change
	LKR'000	LKR'000	LKR'000
Depreciation and amortisation expenses	47,140	20,843	26,297
Other operating expenses	142,245	168,542	(26,297)

Amortisation of right-of-use assets amounting to LKR.26.29 Million has been re-classified under Depreciation and amortization expenses.

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

The Company evaluated the long-term impact of COVID -19 on the economy when calculating the impairment provisions as at 31 March 2022. Accordingly, all individually significant unimpaired customers who were under moratorium for a prolonged period of time have been classified at least under Stage 2 on a prudent basis. Adequate provisions were also made under the Collective Impairment segment to capture the impact of current unprecedented economic conditions.

Further, an additional provision has been recognised in the Financial Statements as at 31 March 2022 as an allowance for overlay on account of all customers eligible for the CBSL moratorium, assuming some of these customers would subsequently move to Stage 2 and Stage 3 upon completion of the moratorium. This is over and above the impairment provisions derived from the Company's impairment model, after classifying these loans into stages as per the Company's classification criteria for moratorium loans. 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. **Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022**

As per the Surcharge Tax Act, No.14 of 2022, a tax of 25% has been imposed on the taxable income of groups that have earned in excess of LKR. 2,000 Million for the year of assessment 2020/2021.

Sampath Group has earned a taxable income in excess of such amount for respective year and accordingly, the Company is liable to pay the Surcharge tax liability of LKR.452.06 Million.

No provision has been made in the Financial Statements as at 31 March 2022, since the law had not then been enacted.

INFORMATION ON SHARES

Stated Capital as at 31 March 2022 was represented by the number of shares in issue as given below.

	As at 31 March 2022		As at 31 December 2021	
	Number	LKR.	Number	LKR.
Ordinary Shares	97,166,011	2,674,439,468	91,973,156	2,346,095,301/-
Total	97,166,011	2,674,439,468/-	91,973,156	2,346,095,301/-

SHAREHOLDER INFORMATION

Shareholders' list as at 31 March 2022

	Name	No: of Shares	%
(01).	Sampath Bank PLC	97,166,004	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%
		97,166,011	100.00%

Public Holdings

The percentage of ordinary shares held by the public as at 31 March 2022 was 0%.

Directors'/ CEO's Holding in Shares as at 31 March 2022.

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.)	
	2022	2021	2022	2021	2022	2021
Debentures-2017/2022	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2019/2024	Not Traded	108.75	Not Traded	108.75	Not Traded	108.75
Debentures-2020/2023	Not Traded	99.85	Not Traded	99.85	Not Traded	99.85
Debentures-2021/2026	75.69	99.97	75.69	99.97	75.69	99.97

N/A – Not Applicable

(ii).Interest Rates

	2022		2021	
	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%	12.50%	9.46%	9.46%

N/A – Not Applicable

(iii).Interest rates of comparable Government Securities

	31-03-2022	31-12-2021
6 months treasury bill	11.84%	8.00%
1 year treasury bill	12.17%	8.18%
5 year treasury bond	14.83%	10.70%

(iv).Current Yield & Yield to maturity

	2022		2021	
	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%	Not Traded	13.33%	9.91%
Debentures Issued-July 2020 3 year Fixed rated(11.25% p.a. payable annually)	11.25%	Not Traded	11.25%	11.25%
Debentures Issued-September 2021 5 year Fixed rated(9.46% p.a. payable annually)	9.46%	17.78%	9.46%	9.46%

N/A – Not Applicable

(v).Ratios

	31-03-2022	31-12-2021
Debt to Equity Ratio (Times)	1.69	1.73
Interest Cover(Times)	1.78	1.54
Quick Asset Ratio (%)	83.50%	83.32%