

INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

SIYAPATHA FINANCE PLC



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சியபத பிளான்ஸ்
Siyapatha Finance

(Finance company of Sampath Bank Group)

	For the 09 months ended		Change %	For the quarter ended		Change %
	30.09.2017	30.09.2016		30.09.2017	30.09.2016	
	LKR.000	LKR.000		LKR.000	LKR.000	
Income	3,583,191	2,224,115	61%	1,355,860	821,950	65%
Interest income	3,248,491	1,996,802	63%	1,227,885	734,923	67%
Interest expenses	(1,966,763)	(1,103,051)	78%	(737,886)	(440,585)	67%
Net interest income	1,281,728	893,751	43%	489,999	294,338	66%
Fee and commission income	172,442	97,238	77%	64,927	37,459	73%
Fee and commission expenses	(626)	(1,774)	-65%	(131)	(454)	-71%
Net fee and commission income	171,816	95,464	80%	64,796	37,005	75%
Net gain/(loss) from trading	-	-	-	-	-	-
Other operating income	162,258	130,075	25%	63,048	49,568	27%
Total operating income	1,615,802	1,119,290	44%	617,843	380,911	62%
Impairment (charge)/reversal for loans	(129,107)	(50,767)	154%	(56,602)	(12,302)	360%
Individual impairment (charge)/reversal	(21,053)	(16,195)	30%	(18,117)	2,564	807%
Collective impairment (charge)/reversal	(108,054)	(34,572)	213%	(38,485)	(14,866)	159%
Net operating income	1,486,695	1,068,523	39%	561,241	368,609	52%
Operating expenses	(801,263)	(629,448)	27%	(289,772)	(209,637)	38%
Personnel expenses	(447,329)	(340,388)	31%	(158,547)	(116,844)	36%
Depreciation of property, plant & equipment	(35,385)	(30,824)	15%	(12,288)	(12,683)	-3%
Amortization of intangible assets	(4,980)	(5,865)	-15%	(1,438)	(1,982)	-27%
Other operating expenses	(313,569)	(252,371)	24%	(117,499)	(78,128)	50%
Operating profit before VAT & NBT on financial services	685,432	439,075	56%	271,469	158,972	71%
VAT & NBT on financial services	(159,778)	(84,465)	89%	(60,888)	(30,424)	100%
Profit before taxation	525,654	354,609	48%	210,581	128,548	64%
Tax expenses	(197,589)	(123,142)	60%	(78,542)	(44,916)	75%
Profit after taxation	328,065	231,467	42%	132,039	83,632	58%
Other comprehensive income/(expenses)						
Other comprehensive income not to be reclassified to profit or loss						
Actuarial losses on defined benefit plan	-	-	-	-	-	-
Deferred tax effect on actuarial losses	-	-	-	-	-	-
Other comprehensive income, net of taxes	-	-	-	-	-	-
Total comprehensive income, net of taxes	328,065	231,467	42%	132,039	83,632	58%
Basic earnings per share-(LKR.)	5.94	4.36		2.37	1.55	

SIYAPATHA FINANCE PLC

STATEMENT OF FINANCIAL POSITION

As at	30-09-2017 LKR'000	Audited 31-12-2016 LKR'000
Assets		
Cash and bank balances	752,407	169,333
Securities purchased under repurchase agreements	1,194,195	777,438
Loans and receivables	25,886,376	19,181,355
Financial investments- Available for sale	56	56
Financial investments- Held to maturity	4,395	4,288
Other assets	451,981	291,648
Property, plant and equipment	376,979	358,131
Intangible assets	9,501	8,489
Total Assets	28,675,890	20,790,738
Liabilities		
Bank overdraft	309,320	460,494
Due to other customers	7,530,691	3,362,662
Debt issued and other borrowed funds	16,915,266	14,187,266
Other payables	1,279,472	595,597
Deferred tax liabilities	241,608	170,088
Current tax liabilities	114,423	61,257
Retirement benefit obligations	33,233	23,013
Total Liabilities	26,424,013	18,860,377
Shareholders' Funds		
Stated capital	635,917	576,975
Reserves		
Statutory reserve fund	91,026	86,422
Retained earnings	1,524,934	1,266,964
Total Shareholders' Funds	2,251,877	1,930,361
Non controlling interest	-	-
Total Equity	2,251,877	1,930,361
Total Liabilities and Shareholders' Funds	28,675,890	20,790,738
Net asset value per share(LKR.)	40.37	35.67
Commitments & contingencies	1,053,998	1,045,384

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 2017 and its profits for the period then ended 30 September 2017.

(Sgd)
Head of Finance

(Sgd)
Managing Director

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board of Directors by,

(Sgd)
Director

(Sgd)
Director

09 November 2017

STATEMENT OF CHANGES IN EQUITY

LKR.000

	Stated Capital	Statutory Reserve Fund	Retained Earnings	Total Shareholders' Funds
For the period ended 30 September 2016				
Balance as at 31 December 2015	525,000	70,059	1,016,073	1,611,132
Scrip dividend paid	51,975	-	(57,750)	(5,775)
Cash Dividend paid	-	-	-	-
Net profit for the period	-	-	231,467	231,467
Other comprehensive income, net of tax	-	-	-	-
Transfer to Statutory Reserve Fund	-	3,406	(3,406)	-
Balance as at 30 September 2016	576,975	73,465	1,186,384	1,836,824
For the period ended 30 September 2017				
Balance as at 31 December 2016	576,975	86,422	1,266,964	1,930,361
Scrip dividend paid	58,942	-	(65,491)	(6,549)
Net profit for the period	-	-	328,065	328,065
Other comprehensive income, net of tax	-	-	-	-
Transfer to Statutory Reserve Fund	-	4,604	(4,604)	-
Balance as at 30 September 2017	635,917	91,026	1,524,934	2,251,877

For the period ended 30 September	2017 LKR'000	2016 LKR'000
Cash flow from operating activities		
Profit before taxation	525,654	354,609
Interest expenses	1,966,763	1,103,051
Fee and commission expenses	626	1,774
Provision for impairment	129,107	50,767
Provision for /(Reversal of) staff gratuity	10,321	8,100
Provision for depreciation	35,385	30,824
Amortization of software	4,980	5,865
(Profit)/Loss on sale of motor vehicle	(691)	32
Write off of provisions	-	(14,775)
	2,146,491	1,185,638
Operating profit before working capital changes	2,672,145	1,540,247
(Increase)/decrease in Lease receivables	(4,695,660)	(3,443,456)
(Increase)/decrease in Hire purchase receivables	482,773	996,746
(Increase)/decrease in Factoring receivables	(128,111)	(515,798)
(Increase)/decrease in Pawning receivables	-	14,775
(Increase)/decrease in Gold loan receivables	(654,140)	(650,207)
(Increase)/decrease in Loan receivables	(1,835,372)	(167,374)
(Increase)/decrease in Other assets	(163,953)	(42,163)
Increase/(decrease) in Other payables	590,977	282,869
	(6,403,486)	(3,524,608)
Cash generated from operations	(3,731,341)	(1,984,361)
Interest paid	(1,922,033)	(1,239,243)
Gratuity paid	(101)	(4,325)
Income tax paid	(25,361)	(87,066)
Dividend tax paid	(6,549)	(5,775)
Net cash inflow/(outflow) from operating activities	(5,685,385)	(3,320,770)
Cash flow from investing activities		
Investments in government treasury bonds & government securities	(1,186,203)	(106)
Purchase of property, plant, equipment & intangible assets	(60,578)	(265,758)
Proceeds from sale of property, plant & equipment	1,046	725
Net cash inflow/(outflow) from investing activities	(1,245,735)	(265,139)
Net cash inflow/(outflow) before financing activities	(6,931,120)	(3,585,909)
Cash flow from financing activities		
Proceeds from long term loans/Securitizations	4,775,000	3,094,170
Repayments of long long term loans/ Securitizations	(2,697,000)	(2,425,246)
Net proceeds from Customer deposits	4,168,029	1,355,146
Proceeds from debentures	-	2,500,000
Debentures redeemed	-	-
Net proceeds from short term borrowings	650,000	(800,206)
Cash Dividend paid	-	-
Net cash inflow/(outflow) from financing activities	6,896,029	3,723,864
Net increase/(decrease) in cash and cash equivalents	(35,091)	137,953
Cash & cash equivalents at the beginning of the period	478,178	568,166
Cash and cash equivalents at end of the period	443,087	706,119
Analysis of the cash and cash equivalents at the end of the period		
Securities purchased under repurchase agreements	-	777,785
Cash and bank balances	752,407	136,695
Bank overdraft	(309,320)	(208,362)
	443,087	706,119

SIYAPATHA FINANCE PLC

SELECTED PERFORMANCE INDICATORS

	As at 30.09.2017	As at 31.12.2016
<u>Capital Adequacy</u>		
Core Capital Ratio(Minimum Requirement -5%)	8.31%	10.62%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10%)	10.78%	13.93%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	39.70%	86.74%
<u>Profitability</u>		
Return on Average Assets (After Tax)	1.75%	1.81%
Return on Average Shareholders' Funds	20.98%	18.35%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation(Gross)	26,305,011	19,475,509
Non-Performing Accommodation	644,862	538,312
Net Total Accommodation(Net of Allowance for Impairment Losses)	25,886,376	19,181,355
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets**	1,071,685	735,129
Required Minimum Amount of Government Securities***	1,153,393	762,830
Available Amount of Liquid Assets	1,241,181	817,852
Available Amount of Government Securities	1,185,503	769,234

*** 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 September 2017 & 31 December 2016 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. The Interim Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards that came into effect from 01 January 2012.

Further, these Interim Financial Statements have been prepared in compliance with the requirements of Sri Lanka Accounting Standards - LKAS 34 on 'Interim Financial Reporting'.

The accounting policies and methods of computation followed in preparing the above interim financial statements are same as those disclosed in our Audited Financial Statements for the year ended 31 December 2016 and they provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.

2. 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 prospectus as at 31 January 2017. The details of utilization of debenture proceeds are given in table below.

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)
"To expand the Company's loan book via diverse lending products in the ordinary course of business over a period of 6 to 9 months.	2.5 Billion	Within 6 to 9 months (Between 20 September 2016 to 19 June 2017)	2.5 Billion	100%	2.5 Billion	100%

3. The Interim Financial Statements for the period ended 30 September 2017 are drawn up from unaudited accounts of the Company unless indicated as audited.
4. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements other than those disclosed in Note 07, 08, 09, 10 and 11 below.
5. The dividend of LKR.1.21 per share on 54,124,726 Ordinary shares was approved at the Annual General Meeting held on 28 March 2017. This was paid in the form of scrip dividend and relevant provisions were made in the Financial Statements for the period ended 30 September 2017.
6. Mr. Ranjith Samaranayake retired from the office of Non Independent Non Executive Director of the Company upon reaching the age of 70 years on 08 August 2017.
7. Mr. Sunil Gamini Wijesinha, having served the Board for a period of 9 years has relinquished his duties from the Board of Directors with effect from 22 October 2017 in terms of clause 4(2) of the Finance Companies (Corporate Governance) Direction No 03 of 2008 of Central Bank of Sri Lanka.

8. Mr.Palavinnege Sumith Cumaranatunga has been appointed as a Non Executive, Independent Director to the Board of Directors of the Company with effect from 30 October 2017 as per Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No: 3 of 2011 of Central Bank of Sri Lanka and Section 8.1 of the Listing rules of the Colombo Stock Exchange. Mr.Cumaranatunga does not hold any shares in the Company as at the date of appointment.
9. Mrs.Aroshi Nanayakkara has been appointed as a Non Executive, Independent Director to the Board of Directors of the Company with effect from 06 November 2017 as per Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No: 3 of 2011 of Central Bank of Sri Lanka and Section 8.1 of the Listing rules of the Colombo Stock Exchange. Mrs. Nanayakkara does not hold any shares in the Company as at the date of appointment.
10. Mr.M.A. Abeynaike (Deputy Chairman),Non Executive, Non Independent Director has rendered his resignation on 17 October 2017 and the approval of the Central Bank of Sri Lanka has been obtained in terms of Clause No: 5 of Finance Companies (Structural Changes) Direction No: 1 of 2013 on 27 October 2017 for the said resignation. Mr.Abeynaike, resigned due to the fact that he needed to retain his independent status as a Director of another Listed Company of which he is the Chairman of the Board Audit Committee.
11. The Company issued 10,000,000 listed, rated, unsecured, subordinated redeemable debentures at a par value of LKR.100/-. The debenture issue was opened on 25 September 2017 and closed on 29 September 2017 as the issue was oversubscribed. The date of allotment of the said debenture issue was 04 October 2017.

INFORMATION ON SHARES

Stated Capital as at 30 September 2017 was represented by the number of shares in issue as given below.

	As at 30 September 2017		As at 30 September 2016	
	Number	LKR.	Number	LKR.
Ordinary Shares	55,777,146	635,916,827	54,124,726	576,975,000/-
Total	55,777,146	635,916,827	54,124,726	576,975,000/-

SHAREHOLDER INFORMATION

Shareholders' list as at 30 September 2017

	Name	No: of Shares	%
(01).	Sampath Bank PLC	55,777,139	100.00%
(02).	Mr. M.A.Abeynaike	01	0.00%
(03).	Mr. S.G. Wijesinha	01	0.00%
(04).	Dr.H.S.D.Soyasa	01	0.00%
(05).	Mr. W.M.P.L. De Alwis	01	0.00%
(06).	Mr. M.Y.A.Perera	01	0.00%
(07).	Mr. Ranjith Samaranayake	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		55,777,146	100.00%

Public Holdings

The percentage of ordinary shares held by the public as at 30 September 2017 was 0%.

Directors'/ CEO's Holding in Shares as at 30 September 2017

Name	Position	No: of Shares
Mr. M.Y.A. Perera	Chairman	01
Mr. M.A.Abeynaike	Deputy Chairman	01
Mr. S.G. Wijesinha	Director	01
Dr.H.S.D.Soyasa	Director	01
Mr. W.M.P.L. De Alwis	Director	01

INFORMATION ON LISTED DEBENTURES

(i).Market Values

	Highest (LKR.)		Lowest (LKR.)		Period End (LKR.)	
	2017	2016	2017	2016	2017	2016
Debentures -2014/2019	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2016/2019	98.00	100.00	98.00	100.00	98.00	100.00
Debentures-2016/2021	100.00	100.00	100.00	100.00	100.00	100.00

N/A-Not Applicable

(ii).Interest Rates

	2017		2016	
	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%

N/A-Not Applicable

(iii).Interest rate of comparable Government Securities

	30-09-2017	31-12-2016
6 months treasury bill	10.01%	10.70%
1 year treasury bill	10.11%	11.30%
5 year treasury bond	11.59%	13.07%

(iv).Current Yield & Yield to maturity

	2017		2016	
	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)	13.00%	14.22%	13.00%	12.93%
Debentures Issued-September 2016 5 year Fixed rated(13.50% p.a. payable annually)	13.50%	13.43%	13.50%	13.49%

N/A-Not Applicable

(v).Ratios

	30-09-2017	31-12-2016
Debt to Equity Ratio (Times)	5.03	4.92
Interest Cover(Times)	1.27	1.32
Quick Asset Ratio (%)	96.07%	105.95%