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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 2020**

## STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June		Change %	For the quarter ended 30 June		Change %
	2020 LKR'000	2019 LKR'000		2020 LKR.000	2019 LKR.000	
<b>Gross income</b>	3,815,161	3,766,805	1%	1,781,037	1,920,505	-7%
Interest income	3,526,476	3,460,080	2%	1,673,905	1,767,245	-5%
Less:Interest expenses	(2,090,254)	(2,143,462)	-2%	(1,046,487)	(1,096,531)	-5%
<b>Net interest income</b>	1,436,222	1,316,618	9%	627,418	670,714	-6%
Fee and commission income	138,303	148,298	-7%	59,035	71,802	-18%
Less:Fee and commission expenses	-	-	-	-	-	0%
<b>Net fee and commission income</b>	138,303	148,298	-7%	59,035	71,802	-18%
Other operating income	150,382	158,427	-5%	48,097	81,458	-41%
<b>Total operating income</b>	1,724,907	1,623,343	6%	734,550	823,974	-11%
Less:Credit loss expense on financial assets and other losses	(610,139)	(551,427)	11%	(259,797)	(327,074)	-21%
<b>Net operating income</b>	1,114,768	1,071,916	4%	474,753	496,900	-4%
<b>Less:Operating expenses</b>						
Personnel expenses	(419,363)	(366,451)	14%	(212,886)	(170,741)	25%
Depreciation of property,plant & equipment	(31,221)	(27,794)	12%	(15,792)	(14,286)	11%
Amortization of intangible assets	(11,613)	(11,667)	0%	(5,777)	(5,830)	-1%
Other operating expenses	(258,430)	(298,529)	-13%	(110,678)	(136,424)	-19%
<b>Total operating expenses</b>	(720,627)	(704,441)	2%	(345,133)	(327,281)	5%
<b>Operating profit before taxes on financial services</b>	394,141	367,475	7%	129,620	169,619	-24%
Less:Taxes on financial services						
VAT on financial services	(108,721)	(84,030)	29%	(45,472)	(41,150)	11%
NBT on financial services	-	(12,531)	-100%	-	(6,180)	-100%
Debt repayment levy	-	(49,647)	-100%	-	(24,472)	-100%
<b>Profit before income taxation</b>	285,420	221,267	29%	84,148	97,817	-14%
Less:Income tax expense	(84,156)	(89,403)	-6%	(9,735)	(35,636)	-73%
<b>Profit after taxation</b>	201,264	131,864	53%	74,413	62,181	20%
<b>Other comprehensive income,net of taxes</b>	-	-	-	-	-	-
<b>Total comprehensive income,net of taxes</b>	201,264	131,864	53%	74,413	62,181	20%
<b>Basic/Diluted earnings per share-(LKR.)</b>	2.73	1.82		1.00	0.86	

## SIYAPATHA FINANCE PLC

## STATEMENT OF FINANCIAL POSITION

As at	30-06-2020 LKR'000	Audited 31-12-2019 LKR'000
<b>Assets</b>		
Cash and bank balances	2,725,392	273,429
Securities purchased under repurchase agreements	1,710,946	2,304,392
Loans and receivables	37,649,948	36,226,753
Other assets	835,550	653,710
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	45,619	15,301
Property, plant and equipment	1,147,834	1,013,625
Right-of-use assets	406,390	403,653
Intangible assets	46,129	56,426
<b>Total Assets</b>	<b>44,567,864</b>	<b>40,947,345</b>
<b>Liabilities</b>		
Bank overdraft	383,438	361,586
Due to other customers	15,886,561	13,221,026
Debt issued and other borrowed funds	19,554,003	21,342,227
Other payables	3,891,541	1,301,543
Current tax liabilities	401,811	407,066
Deferred tax liabilities	153,662	230,107
Retirement benefit obligations	79,759	67,965
<b>Total Liabilities</b>	<b>40,350,775</b>	<b>36,931,520</b>
<b>Equity</b>		
Stated capital	1,522,881	1,379,922
Reserves		
Statutory reserve fund	164,000	164,000
Revaluation reserve	117,951	117,951
Retained earnings	2,412,257	2,353,952
<b>Total Equity</b>	<b>4,217,089</b>	<b>4,015,825</b>
<b>Total Liabilities and Equity</b>	<b>44,567,864</b>	<b>40,947,345</b>
Net asset value per share(LKR.)	55.33	54.78
Commitments & contingencies	712,169	728,983

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 2020 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)  
Chairman

(Sgd)  
Director

28 July 2020

## STATEMENT OF CHANGES IN EQUITY

						LKR'000
	Stated Capital	Share Application Money Pending Allotment	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	Total
<b>For the period ended 30 June 2019</b>						
<b>Balance as at 01 January 2019</b>	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)
<b>Balance as at 30 June 2019</b>	<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>
<b>For the period ended 30 June 2020</b>						
<b>Balance as at 01 January 2020</b>	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)	-
<b>Balance as at 30 June 2020</b>	<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>

**SIYAPATHA FINANCE PLC**  
**STATEMENT OF CASH FLOWS**

<b>For the period ended 30 June</b>	<b>2020</b>	<b>2019</b>
	<b>LKR'000</b>	<b>LKR'000</b>
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>	285,420	221,267
Interest expenses	2,090,254	2,143,462
Fee and commission expenses	-	-
Provision for credit losses	610,139	551,427
Provision for staff gratuity	13,752	12,500
Provision for depreciation	31,221	27,794
Amortization of software	11,613	11,667
(Profit)/Loss on sale of motor vehicle	(330)	-
	<b>2,756,649</b>	<b>2,746,850</b>
<b>Operating profit before working capital changes</b>	<b>3,042,069</b>	<b>2,968,117</b>
(Increase)/decrease in lease receivables	(1,913,235)	(2,519,040)
(Increase)/decrease in hire purchase receivables	(550)	38,291
(Increase)/decrease in factoring receivables	139,911	261,586
(Increase)/decrease in gold loan receivables	(225,604)	(947,499)
(Increase)/decrease in loan receivables	45,242	302,366
Increase/(decrease) in due to other customers	2,676,415	3,206,951
(Increase)/decrease in other assets	(263,406)	(199,588)
Increase/(decrease) in other payables	137,053	235,002
	<b>595,826</b>	<b>378,069</b>
<b>Cash generated from operating activities</b>	<b>3,637,895</b>	<b>3,346,186</b>
Interest expense paid	(1,885,265)	(1,752,037)
Gratuity paid	(1,957)	(3,011)
Income tax paid	(155,453)	(5,682)
Dividend tax paid	-	(5,088)
<b>Net cash inflow from operating activities</b>	<b>1,595,220</b>	<b>1,580,368</b>
<b>Cash flow from investing activities</b>		
Investments in government treasury bonds and government securities	563,128	(1,810,691)
Purchase of property, plant, equipment and intangible assets	(166,743)	(258,297)
Proceeds from sale of property, plant and equipment	330	-
<b>Net cash outflow from investing activities</b>	<b>396,715</b>	<b>(2,068,988)</b>
<b>Net cash inflow/(outflow) before financing activities</b>	<b>1,991,935</b>	<b>(488,620)</b>
<b>Cash flow from financing activities</b>		
Proceeds from long term loans/Securitizations	2,450,000	550,000
Repayments of long term loans	(2,854,094)	(2,554,736)
Debenture application money pending allotment	2,511,500	-
Net proceeds from short term borrowings	(1,600,000)	1,400,000
Repayment of principal portion of lease liabilities	(69,231)	-
<b>Net cash outflow from financing activities</b>	<b>438,175</b>	<b>(604,736)</b>
Net increase/(decrease) in cash and cash equivalents	2,430,110	(1,093,356)
Cash & cash equivalents at the beginning of the period	(88,146)	1,077,107
<b>Cash and cash equivalents as at end of the period</b>	<b>2,341,964</b>	<b>(16,249)</b>
<b>Analysis of the cash and cash equivalents at the end of the period</b>		
Cash and bank balances	2,725,402	352,918
Securities purchased under repurchase agreements less than three months	-	-
Bank overdraft	(383,438)	(369,167)
	<b>2,341,964</b>	<b>(16,249)</b>

**SIYAPATHA FINANCE PLC**  
**SELECTED PERFORMANCE INDICATORS**

	<b>As at 30.06.2020</b>	<b>As at 31.12.2019</b>
<b><u>Capital Adequacy</u></b>		
Core Capital Ratio(Minimum Requirement -6.5%)	8.71%	8.96%
Total Risk Weighted Capital Ratio (Minimum Requirement- 10.5%)	13.74%	14.16%
Capital Funds to Deposit Liabilities Ratio(Minimum Requirement-10%)*	43.70%	48.59%
<b><u>Profitability</u></b>		
Return on Average Assets (After Tax)	0.93%	1.22%
Return on Average Shareholders' Funds	9.74%	12.88%
<b><u>Asset Quality (LKR'000)</u></b>		
Total Accommodation(Gross)	39,816,559	37,878,257
Non-Performing Accommodation	4,538,110	3,811,971
Net Total Accommodation(Net of allowance for expected credit losses/impairment)	37,649,948	36,226,753
<b><u>Liquidity (LKR'000)</u></b>		
Required Minimum Amount of Liquid Assets	1,106,079	1,651,440
Required Minimum Amount of Government Securities**	1,701,063	2,254,033
Available Amount of Liquid Assets	1,909,009	2,445,214
Available Amount of Government Securities	1,709,699	2,304,392

**\* 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% (7.5% - 31.12.2019) 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	
	2020 LKR'000	2019 LKR'000	2020 LKR'000	2019 LKR'000	2020 LKR'000	2019 LKR'000	2020 LKR'000	2019 LKR'000
<b>For the period ended 30 June</b>								
Interest Income	2,746,543	2,659,527	623,690	477,645	156,243	322,908	3,526,476	3,460,080
Less: Interest expenses	(1,645,240)	(1,613,651)	(271,404)	(248,401)	(173,610)	(281,410)	(2,090,254)	(2,143,462)
Net interest income	1,101,303	1,045,876	352,286	229,244	(17,367)	41,498	1,436,222	1,316,618
Net fee and commission income	95,213	97,164	42,515	49,488	575	1,646	138,303	148,298
Other operating income	165,203	171,453	-	-	(14,821)	(13,026)	150,382	158,427
<b>Total operating income</b>	1,361,719	1,314,493	394,801	278,732	(31,613)	30,118	1,724,907	1,623,343
Less: Impairment (charges)/reversal on loans and losses	(466,657)	(239,627)	1,197	2,397	(144,679)	(314,197)	(610,139)	(551,427)
Net operating income	895,062	1,074,866	395,998	281,129	(176,292)	(284,079)	1,114,768	1,071,916
Less: Total operating expenses (Including taxes on financial services)	(563,801)	(652,358)	(124,308)	(111,738)	(141,239)	(86,553)	(829,348)	(850,649)
<b>Operating profit before taxes</b>	331,261	422,508	271,690	169,391	(317,531)	(370,632)	285,420	221,267
Less: Income tax expenses							(84,156)	(89,403)
<b>Profit for the period</b>							201,264	131,864
Non-controlling interest							-	-
<b>Profit attributable to equity holders of the Company</b>							201,264	131,864
<b>As at 30 June</b>								
	<b>2020 LKR'000</b>	<b>2019 LKR'000</b>	<b>2020 LKR'000</b>	<b>2019 LKR'000</b>	<b>2020 LKR'000</b>	<b>2019 LKR'000</b>	<b>2020 LKR'000</b>	<b>2019 LKR'000</b>
Segmental assets	30,551,100	28,001,886	5,238,069	4,498,561	8,778,695	7,161,855	44,567,864	39,662,302
<b>Total assets</b>	30,551,100	28,001,886	5,238,069	4,498,561	8,778,695	7,161,855	44,567,864	39,662,302
Segmental liabilities	27,660,302	25,412,415	4,742,434	4,082,557	7,948,039	6,499,564	40,350,775	35,994,536
<b>Total liabilities</b>	27,660,302	25,412,415	4,742,434	4,082,557	7,948,039	6,499,564	40,350,775	35,994,536

## 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 2019 .
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 issue -2019

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 expand and strengthen the capital base of the Company	716.61 Million	08 Aug 2019	716.61 Million	47.77%	716.61 Million	100%	Fully Utilized
		200.00 Million	31 Oct 2019	200.00 Million	13.33%	200.00 Million	100%	
		200.00 Million	31 Dec 2019	200.00 Million	13.33%	200.00 Million	100%	
		383.39 Million	31 Oct 2020	383.39 Million	25.57%	232.33 Million	60.60%	<b>Note A</b>
2	To expand future operations and the asset base of the Company	1.5 Billion	08 Sep 2019	1.5 Billion	100.00%	1.5 Billion	100.00%	Fully Utilized

#### **Note A**

As per CBSL Capital Adequacy computation guidelines, the maximum eligible amount was limited to LKR.232.33 Million. However, the balance LKR.151.06 Million will be utilized by 31 October 2020.



5. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements.
6. The dividend of LKR.1.95 per share on 73,312,409 Ordinary shares was approved at the Annual General Meeting held on 01 June 2020. This was paid in the form of a scrip dividend and relevant provisions were made in the Financial Statements for the period ended 30 June 2020.
7. The Company issued 20,000,000 listed, rated, unsecured, senior redeemable debentures at a par value of LKR.100/-. The debenture issue was opened on 30 June 2020 and closed on the same day as the issue was oversubscribed. The date of allotment of the said debenture issue was 07 July 2020.

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

Subsequent to the outbreak of COVID-19 in Sri Lanka, relief measures announced by the CBSL to provide relief to individuals and businesses affected by the COVID-19 lockdown which include deferment of repayment terms of credit facilities, offering concessionary rates of interest to eligible loan products and waiving off certain fees and charges caused a negative impact on the earnings, cash flows/liquidity position of the Company. However, the management is of the view that the aforementioned negative impact would not pose any additional stress on the Company's ability to maintain its regulatory capital margins.

When assessing ECL, the Company considered the potential impact of the COVID-19 outbreak on customers as well as the relief packages introduced in the form of tax reliefs and moratoriums by the government to protect the economy. Nevertheless, the Company has made an additional provision as management overlays by changing the probability weightage applied to different macro-economic scenarios.

9. **Amendments to the Income Tax Law announced by the Government**

As per the announcement dated 12 February 2020, issued by the Department of Inland Revenue on "implementation of proposed changes to the Inland Revenue Act No.24 of 2017" effective from 01 January 2020, income tax rate applicable for the Finance sector has been reduced to 24%. Accordingly, the income tax expense of the Company for the period ended 30 June 2020 has been computed at 24%. However, deferred tax has been determined based on the enacted tax rate of 28%.

## INFORMATION ON SHARES

Stated Capital as at 30 June 2020 was represented by the number of shares in issue as given below.

	As at 30 June 2020		As at 31 December 2019	
	Number	LKR.	Number	LKR.
Ordinary Shares	76,212,072	1,522,880,852/-	73,312,409	1,379,921,654/-
<b>Total</b>	<b>76,212,072</b>	<b>1,522,880,852/-</b>	<b>73,312,409</b>	<b>1,379,921,654/-</b>

## SHAREHOLDER INFORMATION

### Shareholders' list as at 30 June 2020

	Name	No: of Shares	%
(01).	Sampath Bank PLC	76,212,065	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.Soysa	01	0.00%
(05).	Mr.Y.S.H.R.S.Silva	01	0.00%
(06).	Mr. P.S.Cumaranatunga	01	0.00%
(07).	Mr.J.H.Gunawardena	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		<b>76,212,072</b>	<b>100.00%</b>

### Public Holdings

The percentage of ordinary shares held by the public as at 30 June 2020 was 0%.

### Directors'/ CEO's Holding in Shares as at 30 June 2020.

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

## INFORMATION ON LISTED DEBENTURES

### (i).Market Values

	Highest (LKR.)		Lowest (LKR.)		Period End (LKR.)	
	2020	2019	2020	2019	2020	2019
Debentures-2016/2021	100.00	103.00	100.00	100.00	100.00	100.00
Debentures-2017/2022	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2019/2024	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded

### (ii).Interest Rates

	2020		2019	
	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%

**(iii).Interest rates of comparable Government Securities**

	<b>30-06-2020</b>	<b>31-12-2019</b>
6 months treasury bill	5.73%	7.95%
1 year treasury bill	5.93%	8.47%
5 year treasury bond	7.12%	9.94%

**(iv).Current Yield & Yield to maturity**

	<b>2020</b>		<b>2019</b>	
	<b>Current Yield (%)</b>	<b>Yield to Maturity (%)</b>	<b>Current Yield (%)</b>	<b>Yield to Maturity (%)</b>
Debentures Issued-September 2016 5 year Fixed rated(13.50% p.a. payable annually)	13.50%	13.38%	13.50%	13.40%
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%	Not Traded

**(v).Ratios**

	<b>30-06-2020</b>	<b>31-12-2019</b>
Debt to Equity Ratio (Times)	3.24	3.33
Interest Cover(Times)	1.14	1.19
Quick Asset Ratio (%)	73.85%	78.11%