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சியபத பிணான்ஸ்
Siyapatha Finance

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

SIYAPATHA FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

	Audited		Change %	Audited		Change %
	For the year ended 31 December			For the quarter ended 31 December		
	2021 LKR'000	2020 LKR'000		2021 LKR.000	2020 LKR.000	
Gross income	8,147,331	7,579,695	7%	2,189,537	1,853,023	18%
Interest income	6,786,436	6,814,216	0%	1,792,132	1,633,620	10%
Less:Interest expenses	(2,813,728)	(3,856,315)	-27%	(716,161)	(827,740)	-13%
Net interest income	3,972,708	2,957,901	34%	1,075,971	805,880	34%
Fee and commission income	281,024	278,704	1%	73,713	50,579	46%
Less:Fee and commission expenses	-	-	-	-	-	-
Net fee and commission income	281,024	278,704	1%	73,713	50,579	46%
Other operating income	1,079,871	486,775	122%	323,692	168,824	92%
Total operating income	5,333,603	3,723,380	43%	1,473,376	1,025,283	44%
Less:Credit loss expense on financial assets and other losses	(1,618,176)	(1,356,264)	19%	(293,256)	(344,563)	-15%
Net operating income	3,715,427	2,367,116	57%	1,180,120	680,720	73%
Less:Operating expenses						
Personnel expenses	(1,172,942)	(873,311)	34%	(317,913)	(227,060)	40%
Depreciation and amortisation expenses	(203,258)	(193,607)	5%	(51,886)	(48,950)	6%
Other operating expenses	(413,798)	(395,628)	5%	(109,717)	(81,245)	35%
Total operating expenses	(1,789,998)	(1,462,546)	22%	(479,516)	(357,255)	34%
Operating profit before VAT on financial services	1,925,429	904,570	113%	700,604	323,465	117%
Less:VAT on financial services	(399,355)	(226,551)	76%	(130,428)	(67,300)	94%
Profit before income taxation	1,526,074	678,019	125%	570,176	256,165	123%
Less:Income tax expense	(431,531)	(268,528)	61%	(219,607)	(144,449)	52%
Profit after taxation	1,094,543	409,491	167%	350,569	111,716	214%
Other comprehensive income/(expenses)						
Other comprehensive income not to be reclassified to profit or loss						
Actuarial gain/(loss) on defined benefit plan	(123)	901	-114%	(123)	901	-114%
Deferred tax effect including the effect of tax rate change on the opening balance	(843)	(252)	235%	2,647	(252)	1150%
Deferred tax effect of tax rate change on the opening balance of revaluation surplus on property, plant & equipment	6,553	-	100%	-	-	-
Other comprehensive income,net of taxes	5,587	649	761%	2,524	649	289%
Total comprehensive income,net of taxes	1,100,130	410,140	168%	353,093	112,365	214%
Basic/Diluted earnings per share-(LKR.)	12.35	5.23	136%	3.81	1.47	160%

STATEMENT OF FINANCIAL POSITION

As at	Audited 31-12-2021 LKR'000	Audited 31-12-2020 LKR'000
Assets		
Cash and bank balances	250,277	292,036
Securities purchased under repurchase agreements	1,839,911	2,781,162
Loans and receivables	36,668,212	35,801,573
Other assets	637,127	851,671
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	900,241	34,145
Property, plant and equipment	1,992,215	1,353,815
Right-of-use assets	362,870	402,579
Deferred tax assets	78,492	-
Intangible assets	20,847	34,623
Total Assets	42,750,248	41,551,660
Liabilities		
Bank overdraft	191,266	250,536
Due to other customers	17,114,923	17,279,614
Debt issued and other borrowed funds	17,077,514	17,049,706
Other payables	1,267,671	1,312,080
Current tax liabilities	768,927	118,150
Deferred tax liabilities	-	328,349
Retirement benefit obligations	103,853	87,260
Total Liabilities	36,524,154	36,425,695
Equity		
Stated capital	2,346,095	1,522,881
Share application money pending allotment	-	700,000
Reserves		
Statutory reserve fund	240,000	185,000
Revaluation reserve	124,504	117,951
Retained earnings	3,515,495	2,600,133
Total Equity	6,226,094	5,125,965
Total Liabilities and Equity	42,750,248	41,551,660
Net asset value per share(LKR.)	67.69	67.26
Commitments & contingencies	432,361	731,739

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 December 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

STATEMENT OF CHANGES IN EQUITY

Audited
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 year	-	-	-	-	409,491	409,491
Other comprehensive income, net of tax	-	-	-	-	649	649
Transfer to Statutory Reserve Fund	-	-	21,000	-	(21,000)	-
Share application money pending allotment	-	700,000	-	-	-	700,000
Scrip dividend paid	142,959	-	-	-	(142,959)	-
Balance as at 31 December 2020	<u>1,522,881</u>	<u>700,000</u>	<u>185,000</u>	<u>117,951</u>	<u>2,600,132</u>	<u>5,125,964</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 year	-	-	-	-	1,094,543	1,094,543
Other comprehensive income, net of tax	-	-	-	6,553	(966)	5,587
Rights issue of shares	700,000	(700,000)	-	-	-	-
Transfer to Statutory Reserve Fund	-	-	55,000	-	(55,000)	-
Scrip dividend paid	123,214	-	-	-	(123,214)	-
Balance as at 31 December 2021	<u>2,346,095</u>	<u>-</u>	<u>240,000</u>	<u>124,504</u>	<u>3,515,495</u>	<u>6,226,094</u>

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

	Audited	Audited
For the year ended 31 December	2021	2020
	LKR'000	LKR'000
Cash flows from operating activities		
Profit before taxation	1,526,074	678,019
Interest expenses	2,813,728	3,856,315
Fee and commission expenses	-	-
Provision for credit losses	1,618,176	1,356,264
Provision for staff gratuity	22,247	23,726
Provision for depreciation	62,182	62,899
Amortization of software	23,993	23,119
Amortisation of right-of-use assets	117,083	107,589
(Profit)/Loss on sale of motor vehicle	(1,452)	(1,280)
	4,655,957	5,428,632
Operating profit before working capital changes	6,182,031	6,106,651
(Increase)/decrease in lease receivables	(1,137,250)	(915,686)
(Increase)/decrease in hire purchase receivables	1,045	664
(Increase)/decrease in factoring receivables	86,682	392,026
(Increase)/decrease in gold loan receivables	(1,026,590)	240,304
(Increase)/decrease in loan receivables	(310,483)	(497,150)
Increase/(decrease) in due to other customers	62,776	4,018,841
(Increase)/decrease in other assets	(35,220)	(466,116)
Increase/(decrease) in other payables	184,022	150,361
	(2,175,018)	2,923,244
Cash generated from operating activities	4,007,013	9,029,895
Interest expense paid	(3,026,325)	(3,739,845)
Gratuity paid	(5,777)	(3,530)
Income tax paid	(181,885)	(449,053)
Net cash inflow from operating activities	793,026	4,837,467
Cash flow from investing activities		
Net investments in government treasury bonds and government securities	(924,961)	504,502
Purchase of property, plant, equipment and intangible assets	(711,109)	(404,405)
Proceeds from sale of property, plant and equipment	1,761	1,280
Net cash inflow/(outflow) from investing activities	(1,634,309)	101,377
Net cash inflow/(outflow) before financing activities	(841,283)	4,938,844
Cash flow from financing activities		
Proceeds from long term loans/Securitized	1,000,000	2,450,000
Repayments of long term loans/Securitized	(4,459,052)	(5,719,243)
Proceeds from debentures	1,500,000	2,000,000
Debentures redeemed	(1,078,010)	-
Share application money pending allotment	-	700,000
Net proceeds from short term borrowings	3,050,000	(3,100,000)
Repayment of principal portion of lease liabilities	(154,255)	(139,824)
Net cash outflow from financing activities	(141,317)	(3,809,067)
Net increase/(decrease) in cash and cash equivalents	(982,600)	1,129,777
Cash & cash equivalents at the beginning of the year	1,041,631	(88,146)
Cash and cash equivalents at the end of the year	59,031	1,041,631
Analysis of the cash and cash equivalents at the end of the year		
Cash and bank balances	250,297	292,051
Securities purchased under repurchase agreements	-	1,000,116
Bank overdraft	(191,266)	(250,536)
	59,031	1,041,631

SELECTED PERFORMANCE INDICATORS

	As at 31.12.2021	As at 31.12.2020
<u>Capital Adequacy</u>		
Core Capital Ratio (Minimum Requirement : 2021-7.0% , 2020 - 6.5%)	14.74%	9.77%
Total Risk Weighted Capital Ratio (Minimum Requirement: : 2021-11.0% , 2020 - 10.5%)	21.36%	14.18%
Capital Funds to Deposit Liabilities Ratio (Minimum Requirement-10%)*	58.88%	37.59%
<u>Profitability</u>		
Return on Average Assets (After Tax)	2.59%	0.96%
Return on Average Shareholders' Funds	19.16%	9.54%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation (Gross)	40,931,551	38,556,257
Non-Performing Accommodation	6,928,654	7,254,913
Net Total Accommodation (Net of allowance for expected credit losses/impairment)	36,668,212	35,801,573
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets	2,116,090	1,263,680
Required Minimum Amount of Government Securities**	2,698,732	1,701,063
Available Amount of Liquid Assets	2,833,121	1,928,684
Available Amount of Government Securities	2,740,152	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		Audited
	2021	2020	2021	2020	2021	2020	2021	2020	
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	
For the year ended 31 December									
Interest Income	5,503,942	5,414,925	963,655	1,125,558	318,839	273,733	6,786,436	6,814,216	
Less: Interest expenses	(2,193,075)	(3,017,256)	(339,936)	(468,710)	(280,717)	(370,349)	(2,813,728)	(3,856,315)	
Net interest income	3,310,867	2,397,669	623,719	656,848	38,122	(96,616)	3,972,708	2,957,901	
Net fee and commission income	180,867	184,667	99,656	93,638	501	399	281,024	278,704	
Other operating income	1,000,141	469,757	-	-	79,730	17,018	1,079,871	486,775	
Total operating income	4,491,875	3,052,093	723,375	750,486	118,353	(79,199)	5,333,603	3,723,380	
Less: Impairment (charges)/reversal on loans and losses	(1,135,639)	(1,072,252)	(14,529)	(1,247)	(468,008)	(282,765)	(1,618,176)	(1,356,264)	
Net operating income	3,356,236	1,979,841	708,846	749,239	(349,655)	(361,964)	3,715,427	2,367,116	
Less: Total operating expenses (Including VAT on financial services)*	(1,694,030)	(1,170,427)	(316,560)	(241,329)	(178,763)	(277,341)	(2,189,353)	(1,689,097)	
Operating profit before taxes	1,662,206	809,414	392,286	507,910	(528,418)	(639,305)	1,526,074	678,019	
Less: Income tax expenses							(431,531)	(268,528)	
Profit for the year							1,094,543	409,491	
Non-controlling interest							-	-	
Profit attributable to equity holders of the Company							1,094,543	409,491	
As at 31 December									
	2021	2020	2021	2020	2021	2020	2021	2020	
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	
Segmental assets	29,089,143	29,019,797	5,781,780	4,769,716	7,879,325	7,762,147	42,750,248	41,551,660	
Total assets	29,089,143	29,019,797	5,781,780	4,769,716	7,879,325	7,762,147	42,750,248	41,551,660	
Segmental liabilities	24,852,636	25,442,444	4,939,728	4,181,514	6,731,790	6,801,737	36,524,154	36,425,695	
Total liabilities	24,852,636	25,442,444	4,939,728	4,181,514	6,731,790	6,801,737	36,524,154	36,425,695	

*The Comparative information is re-classified wherever necessary to comply with the current year presentation. However, this re-classification did not have any impact on Income Statement and operating cash flows for the year ended 31 December 2020.

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 year ended 31 December 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 11.
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 year ended 31 December 2021	Reclassified	As reported in 2020	Change
	LKR'000	LKR'000	LKR'000
Depreciation and amortisation expenses	193,607	86,018	107,589
Other operating expenses	395,628	503,217	(107,589)

Amortisation of right-of-use assets amounting to LKR.107.58 Million has been re-classified under Depreciation and amortization expenses.

8. **Impact due to 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 not yet completely suppressed, the Company has made adequate impairment provisions as at 31 December 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, during the year ended 31 December 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. The yearend financial information set out on pages 1 to 4 and page 6 are derived from the Audited Financial Statements which was approved by the Board of Directors on 11 February 2022.

10. 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 31 December 2021, in line with the Inland Revenue Amendment Act No. 10 of 2021. Income tax/deferred tax liabilities for the previous year have been calculated using the tax rate of 28%.

11. Imposition of a Surcharge Tax at the rate of 25%

In the Budget Proposals 2022, the Government has proposed to impose a surcharge tax at the rate of 25%, on individuals or companies with a taxable income over Rs.2,000 Million for the year of assessment 2020/2021. However, this proposal has not yet been substantively enacted. As such, the Company has not recognized any liability in 2021 financial statements against the proposed surcharge tax.

12. 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.

13. The funds raised from debenture issues

13.1 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%	296.0 Million	100%	Fully Utilized
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

13.2 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 31 December 2021 was represented by the number of shares in issue as given below.

	As at 31 December 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 31 December 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 31 December 2021 was 0%.

Directors'/ CEO's Holding in Shares as at 31 December 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	99.85	Not Traded	99.85	Not Traded	99.85	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

	31-12-2021	31-12-2020
6 months treasury bill	8.00%	4.73%
1 year treasury bill	8.18%	4.97%
5 year treasury bond	10.70%	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%	11.25%	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

	31-12-2021	31-12-2020
Debt to Equity Ratio (Times)	1.73	2.62
Interest Cover(Times)	1.54	1.18
Quick Asset Ratio (%)	83.32%	63.50%