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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 2022

SIYAPATHA FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December		Change %	For the quarter ended 31 December		Change %
	2022 Audited LKR'000	2021 Audited LKR'000		2022 LKR.000	2021 LKR.000	
Gross income	9,299,046	8,147,331	14%	2,541,265	2,189,537	16%
Interest income	8,269,789	6,786,436	22%	2,401,751	1,792,132	34%
Less: Interest expenses	(5,788,151)	(2,813,728)	106%	(1,915,707)	(716,161)	167%
Net interest income	2,481,638	3,972,708	-38%	486,044	1,075,971	-55%
Fee and commission income	313,898	281,024	12%	63,532	73,713	-14%
Less: Fee and commission expenses	(3,713)	-	100%	(1,007)	-	100%
Net fee and commission income	310,185	281,024	10%	62,525	73,713	-15%
Other operating income	715,359	1,079,871	-34%	75,982	323,692	-77%
Total operating income	3,507,182	5,333,603	-34%	624,551	1,473,376	-58%
Less: Credit loss expense on financial assets and other losses	(131,671)	(1,618,176)	-92%	118,081	(293,256)	-140%
Net operating income	3,375,511	3,715,427	-9%	742,632	1,180,120	-37%
Less: Operating expenses						
Personnel expenses	(1,192,451)	(1,172,942)	2%	(303,127)	(317,913)	-5%
Depreciation and amortisation expenses	(254,411)	(203,258)	25%	(60,067)	(51,886)	16%
Other operating expenses	(464,104)	(413,798)	12%	(108,230)	(109,717)	-1%
Total operating expenses	(1,910,966)	(1,789,998)	7%	(471,424)	(479,516)	-2%
Operating profit before taxes on financial services	1,464,545	1,925,429	-24%	271,208	700,604	-61%
Less: Taxes on financial services	(400,808)	(399,355)	0%	(95,003)	(130,428)	-27%
Profit before income taxation	1,063,737	1,526,074	-30%	176,205	570,176	-69%
Less: Income tax expense	(308,768)	(431,531)	-28%	(6,278)	(219,607)	-97%
Profit after taxation	754,969	1,094,543	-31%	169,927	350,569	-52%
Other comprehensive income/(expenses)						
Other comprehensive income not to be reclassified to profit or loss						
Actuarial gain/(loss) on defined benefit plan	10,374	(123)	8534%	10,374	(123)	-8534%
Deferred tax effect including the effect of tax rate change on the opening balance	(1,989)	(843)	136%	(1,989)	2,647	-175%
Surplus from revaluation of property, plant & equipment	56,600	-	100%	56,600	-	100%
Deferred tax effect including the effect of tax rate change on the opening balance	(26,809)	6,553	-509%	(26,809)	-	-100%
Other comprehensive income, net of taxes	38,176	5,587	583%	38,176	2,524	1413%
Total comprehensive income, net of taxes	793,145	1,100,130	-28%	208,103	353,093	-41%
Basic/Diluted earnings per share-(LKR.)	7.77	11.67	-33%	1.75	3.81	-54%

SIYAPATHA FINANCE PLC

STATEMENT OF FINANCIAL POSITION

As at	31-12-2022 Audited LKR'000	31-12-2021 Audited LKR'000
Assets		
Cash and bank balances	221,187	250,277
Securities purchased under repurchase agreements	-	1,839,911
Loans and receivables	34,636,114	36,668,212
Other assets	624,838	637,127
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	5,461,866	900,241
Property, plant and equipment	2,537,582	1,992,215
Right-of-use assets	371,844	362,870
Deferred tax assets	225,785	78,492
Intangible assets	15,291	20,847
Total Assets	44,094,563	42,750,248
Liabilities		
Bank overdraft	826,180	191,266
Due to other customers	19,342,046	17,114,923
Debt issued and other borrowed funds	15,585,788	17,077,514
Other payables	1,304,342	1,267,671
Current tax liabilities	352,180	768,927
Retirement benefit obligations	116,852	103,853
Total Liabilities	37,527,388	36,524,154
Equity		
Stated capital	2,674,439	2,346,095
Reserves		
Statutory reserve fund	278,000	240,000
Revaluation reserve	154,295	124,504
Retained earnings	3,460,441	3,515,495
Total Equity	6,567,175	6,226,094
Total Liabilities and Equity	44,094,563	42,750,248
Net asset value per share(LKR.)	67.59	67.69
Commitments & contingencies	15,187	432,361

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 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

08 February 2023

SIYAPATHA FINANCE PLC
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 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	2,346,095	-	240,000	124,504	3,515,495	6,226,094
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	-	-	(452,063)	(452,063)
Adjusted balance as at 01 January 2022	2,346,095	-	240,000	124,504	3,063,432	5,774,031
Profit for the year	-	-	-	-	754,969	754,969
Other comprehensive income, net of tax	-	-	-	29,791	8,385	38,176
Transfer to Statutory Reserve Fund	-	-	38,000	-	(38,000)	-
Scrip dividend paid	328,344	-	-	-	(328,344)	-
Balance as at 31 December 2022	2,674,439	-	278,000	154,295	3,460,442	6,567,176

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

For the year ended 31 December	2022 Audited LKR'000	2021 Audited LKR'000
Cash flows from operating activities		
Profit before taxation from operations	1,063,737	1,526,074
Interest expenses	5,788,151	2,813,728
Fee and commission expenses	3,713	-
Credit loss expense on financial assets	131,671	1,618,176
Provision for staff gratuity	31,978	22,247
Provision for depreciation	156,651	62,182
Amortization of software	17,064	23,993
Amortisation of right-of-use assets	80,696	117,083
(Profit)/Loss on sale of motor vehicle	633	(1,452)
	6,210,557	4,655,957
Operating profit before working capital changes	7,274,294	6,182,031
(Increase)/decrease in lease receivables	4,067,869	(1,137,250)
(Increase)/decrease in hire purchase receivables	(68)	1,045
(Increase)/decrease in factoring receivables	137,488	86,682
(Increase)/decrease in gold loan receivables	(2,899,391)	(1,026,590)
(Increase)/decrease in loan receivables	641,634	(310,483)
Increase/(decrease) in due to other customers	1,790,458	62,776
(Increase)/decrease in other assets	(127,079)	(35,220)
Increase/(decrease) in other payables	155,564	184,022
	3,766,475	(2,175,018)
Cash generated from operating activities	11,040,769	4,007,013
Interest expense paid	(5,112,623)	(3,026,325)
Gratuity paid	(8,605)	(5,777)
Income tax paid	(901,606)	(181,885)
Surcharge tax paid	(452,063)	-
Net cash inflow/(outflow) from operating activities	4,565,872	793,026
Cash flow from investing activities		
Net investments in government treasury bills and repurchase agreements	46,016	(924,961)
Purchase of property, plant, equipment and intangible assets	(657,979)	(711,109)
Proceeds from sale of property, plant and equipment	420	1,761
Net cash inflow/(outflow) from investing activities	(611,543)	(1,634,309)
Net cash inflow/(outflow) before financing activities	3,954,329	(841,283)
Cash flow from financing activities		
Proceeds from long term loans/securitizations	3,173,000	1,000,000
Repayments of long term loans/securitizations	(2,557,303)	(4,459,052)
Proceeds from debentures	-	1,500,000
Debentures redeemed	(1,000,000)	(1,078,010)
Net proceeds from short term borrowings	(1,350,000)	3,050,000
Repayment of principal portion of lease liabilities	(116,279)	(154,255)
Net cash inflow/(outflow) from financing activities	(1,850,582)	(141,317)
Net increase/(decrease) in cash and cash equivalents	2,103,747	(982,600)
Cash & cash equivalents at the beginning of the year	59,031	1,041,631
Cash and cash equivalents at the end of the year	2,162,778	59,031
Analysis of the cash and cash equivalents at the end of the year		
Cash and bank balances	221,228	250,297
Government securities maturing less than three months	2,767,730	-
Bank overdraft	(826,180)	(191,266)
	2,162,778	59,031

SELECTED PERFORMANCE INDICATORS

	As at 31.12.2022	As at 31.12.2021
<u>Capital Adequacy</u>		
Core Capital Ratio (Minimum Requirement : Dec 2022-8.5% , Dec 2021 - 7.0%)	16.11%	14.74%
Total Risk Weighted Capital Ratio (Minimum Requirement: : Dec 2022-12.5% , Dec 2021 - 11.0%)	20.95%	21.36%
Capital Funds to Deposit Liabilities Ratio (Minimum Requirement-10%)*	49.45%	58.88%
<u>Profitability</u>		
Return on Average Assets (After Tax)	1.68%	2.59%
Return on Average Shareholders' Funds	11.82%	19.16%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation (Gross)	38,808,303	40,931,551
Non-Performing Accommodation	9,262,845	6,928,654
Net Total Accommodation (Net of allowance for expected credit losses/impairment)	34,636,114	36,668,212
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets	2,300,761	2,116,090
Required Minimum Amount of Government Securities**	2,568,665	2,698,732
Available Amount of Liquid Assets	5,547,541	2,833,121
Available Amount of Government Securities	5,461,866	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.

							Audited	
	Leasing and Hire Purchase		Gold Loan		Others		Total	
For the year ended 31 December	2022	2021	2022	2021	2022	2021	2022	2021
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Interest Income	6,079,385	5,503,942	1,891,860	963,655	298,544	318,839	8,269,789	6,786,436
Less: Interest expenses	(4,338,968)	(2,193,075)	(965,703)	(339,936)	(483,480)	(280,717)	(5,788,151)	(2,813,728)
Net interest income	1,740,417	3,310,867	926,157	623,719	(184,936)	38,122	2,481,638	3,972,708
Net fee and commission income	168,085	180,867	141,575	99,656	525	501	310,185	281,024
Other operating income	678,064	1,000,141	-	-	37,295	79,730	715,359	1,079,871
Total operating income	2,586,566	4,491,875	1,067,732	723,375	(147,116)	118,353	3,507,182	5,333,603
Less: Impairment (charges)/reversal on loans and losses	(203,352)	(1,135,639)	(15,094)	(14,529)	86,775	(468,008)	(131,671)	(1,618,176)
Net operating income	2,383,214	3,356,236	1,052,638	708,846	(60,341)	(349,655)	3,375,511	3,715,427
Less: Total operating expenses (Including Taxes on financial services)	(1,759,434)	(1,694,030)	(385,570)	(316,560)	(166,770)	(178,763)	(2,311,774)	(2,189,353)
Operating profit before taxes	623,780	1,662,206	667,068	392,286	(227,111)	(528,418)	1,063,737	1,526,074
Less: Income tax expenses							(308,768)	(431,531)
Profit for the year							754,969	1,094,543
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							754,969	1,094,543
As at 31 December	2022	2021	2022	2021	2022	2021	2022	2021
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Segmental assets	24,863,784	29,089,143	8,666,076	5,781,780	10,564,703	7,879,325	44,094,563	42,750,248
Total assets	24,863,784	29,089,143	8,666,076	5,781,780	10,564,703	7,879,325	44,094,563	42,750,248
Segmental liabilities	21,156,092	24,852,636	7,373,790	4,939,728	8,997,506	6,731,790	37,527,388	36,524,154
Total liabilities	21,156,092	24,852,636	7,373,790	4,939,728	8,997,506	6,731,790	37,527,388	36,524,154

EXPLANATORY NOTES

1. The Interim Financial Statements are presented in accordance with the requirements of the Sri Lanka Accounting Standard - LKAS 34 on 'Interim Financial Reporting' and by providing 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 year ended 31 December 2022.
6. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements.

7. **Impairment of loans and receivables**

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures during the year 2022. High and rising energy prices are having a negative impact on the cost of other goods and services, resulting in significant consumer-price increases in the country. Inflation is increasingly weighing on real incomes, resulting in demand deterioration and a reduction in the ability of entities to protect their margins. In addition, high inflation and rising interest rates are major concerns affecting individuals and businesses, thereby posing a challenge on the recovery of loans in the short to medium term. Amidst this backdrop, Siyapatha Finance PLC continued to increase its impairment coverage ratios on loans and advances for the year ended 31 December 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 December 2022 as an overlay on account of all customers who enjoyed the moratorium until 31 March 2022, especially as such customers appear to be demanding further concessions. 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.

The aforementioned management action anticipated worsening of economic conditions, and thus provisioning was parallelly increased during the prior financial year on a forward-looking basis. Consequently, the Company was not required to effect a significant further increase in the impairment provision during the current period. As a result, a 92% drop is observed in the current year's impairment charge in comparison to the previous year.

8. The year-end 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 08 February 2023.

9. **Surcharge Tax**

As per the Surcharge Tax Act No. 14 of 2022, the Company is liable for a surcharge tax of LKR.452.06 Million out of the taxable income of LKR.1,808.25 Million pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements commenced on 01 January 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense has been accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka. Accordingly, during the year ended 31 December 2022, the Company has recognised the total impact of the Surcharge Tax as an adjustment to the opening retained earnings as at 01 January 2022.

10. **Major Tax reforms / new taxes announced by the Government**

- The Company computed the income tax liability for the first six months of the financial year 2022 by applying the income tax rate of 24%. The revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 were considered in calculating the income tax liability of the Company for the second six-month period starting from 01 July 2022. The deferred tax assets/liabilities of the Company as at 31 December 2022 were computed using the revised income tax rate of 30%.
- As per the Extraordinary Gazette Notification No. 2295/08 dated August 31, 2022, published under section 2A of the Value Added Tax Act, No. 14 of 2002, VAT rate has been revised to 15 per cent from 12 per cent with effect from September 01, 2022.
- As per the Social Security Contribution (SSC) Levy Act, No. 25 of 2022, the Company is liable for 2.5 per cent on 100% of the value addition attributable to financial services (Value addition attributable to financial services, calculated by applying the attributable method specified in the Gazette Notification issued under section 25C of the Value Added Tax Act, No. 14 of 2002) with effect from 01 October 2022.

INFORMATION ON SHARES

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

	As at 31 December 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 December 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.J.H.Gunawardena	01	0.00%
(05).	Mr.J.Selvaratnam	01	0.00%
(06).	Ms.H.S.R.Ranatunga	01	0.00%
(07).	Mr.D. Sooriyaarachchi	01	0.00%
(08).	Mr.W. S. C. Perera	01	0.00%
		97,166,011	100.00%

Public Holdings

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

Directors'/ CEO's Holding in Shares as at 31 December 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
Mr. D Sooriyaarachchi	Director	01
Mr.W. S. C. Perera	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	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2020/2023	95.00	99.85	95.00	99.85	95.00	99.85
Debentures-2021/2026	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded

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%	9.46%	9.46%	9.46%

N/A – Not Applicable

(iii) Interest rates of comparable Government Securities

	31-12-2022	31-12-2021
6 months treasury bill	29.50%	8.00%
1 year treasury bill	28.50%	8.18%
5 year treasury bond	26.76%	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)	Not Traded	Not Traded	Not Traded	Not Traded
Debentures Issued-August 2019 5 year Fixed rated(13.33% p.a. payable annually)	Not Traded	Not Traded	Not Traded	Not Traded
Debentures Issued-July 2020 3 year Fixed rated(11.25% p.a. payable annually)	11.84%	18.73%	11.27%	11.25%
Debentures Issued-September 2021 5 year Fixed rated(9.46% p.a. payable annually)	Not Traded	Not Traded	Not Traded	Not Traded

N/A – Not Applicable

(v) Ratios

	31-12-2022	31-12-2021
Debt to Equity Ratio (Times)	1.53	1.73
Interest Cover(Times)	1.18	1.54
Quick Asset Ratio (%)	89.51%	83.32%