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Siyapatha Finance

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2023

SIYAPATHA FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME

	For the quarter ended 31 March		Change %
	2023 LKR'000	2022 LKR'000	
Gross income	2,619,024	2,280,466	15%
Interest income	2,450,313	1,808,592	35%
Less: Interest expenses	(1,841,352)	(782,925)	135%
Net interest income	608,961	1,025,667	-41%
Fee and commission income	82,925	103,468	-20%
Less: Fee and commission expenses	(1,644)	(316)	420%
Net fee and commission income	81,281	103,152	-21%
Other operating income	85,786	368,406	-77%
Total operating income	776,028	1,497,225	-48%
Less: Credit loss expense on financial assets and other losses	79,646	(221,131)	-136%
Net operating income	855,674	1,276,094	-33%
Less: Operating expenses			
Personnel expenses	(309,830)	(305,339)	1%
Depreciation and amortisation expenses	(59,436)	(63,756)	-7%
Other operating expenses	(168,429)	(140,921)	20%
Total operating expenses	(537,695)	(510,016)	5%
Operating profit before taxes on financial services	317,979	766,078	-58%
Less: Taxes on financial services	(101,333)	(158,058)	-36%
Profit before income taxation	216,646	608,020	-64%
Less: Income tax expense	(92,764)	(191,422)	-52%
Profit after taxation	123,882	416,598	-70%
Other comprehensive income, net of taxes	-	-	-
Total comprehensive income, net of taxes	123,882	416,598	-70%
Basic/Diluted earnings per share-(LKR.)	1.27	4.52	-72%

SIYAPATHA FINANCE PLC
STATEMENT OF FINANCIAL POSITION

As at	31-03-2023	31-12-2022
	LKR'000	Audited LKR'000
Assets		
Cash and bank balances	271,550	221,187
Securities purchased under repurchase agreements	1,534,981	-
Loans and receivables	34,802,656	34,636,114
Assets held for sale	114,042	-
Other assets	867,502	624,838
Equity instruments at fair value through other comprehensive income	56	56
Debt instruments at amortised cost	4,940,660	5,461,866
Property, plant and equipment	2,505,987	2,537,582
Right-of-use assets	352,849	371,844
Deferred tax assets	280,398	225,785
Intangible assets	20,212	15,291
Total Assets	45,690,893	44,094,563
Liabilities		
Bank overdraft	73,252	826,180
Due to other customers	20,790,406	19,342,046
Debt issued and other borrowed funds	15,913,981	15,585,788
Other payables	1,730,881	1,304,342
Current tax liabilities	371,551	352,180
Retirement benefit obligations	119,765	116,852
Total Liabilities	38,999,836	37,527,388
Equity		
Stated capital	2,674,439	2,674,439
Reserves		
Statutory reserve fund	278,000	278,000
Revaluation reserve	154,294	154,295
Retained earnings	3,584,324	3,460,441
Total Equity	6,691,057	6,567,175
Total Liabilities and Equity	45,690,893	44,094,563
Net asset value per share(LKR.)	68.86	67.59
Commitments & contingencies	22,825	15,187

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 2023 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	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	Total
Balance as at 01 January 2022 (Audited)	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	2,674,439	240,000	124,504	3,603,749	6,642,692
Balance as at 01 January 2023 (Audited)	2,674,439	278,000	154,295	3,460,442	6,567,176
Profit for the period	-	-	-	123,882	123,882
Other comprehensive income, net of tax	-	-	-	-	-
Balance as at 31 March 2023	2,674,439	278,000	154,295	3,584,324	6,691,058

SIYAPATHA FINANCE PLC
STATEMENT OF CASH FLOWS

For the period ended 31 March	2023 LKR'000	2022 LKR'000
Cash flows from operating activities		
Profit before taxation from operations	216,646	608,020
Interest expenses	1,841,352	782,925
Fee and commission expenses	1,644	316
Credit loss expense on financial assets	(79,646)	221,131
Provision for staff gratuity	7,500	7,500
Provision for depreciation	38,498	37,316
Amortization of software	1,942	6,890
Amortisation of right-of-use assets	18,996	19,550
(Profit)/Loss on sale of motor vehicle	(2)	633
	1,830,284	1,076,261
Operating profit before working capital changes	2,046,930	1,684,281
(Increase)/decrease in lease receivables	(515,197)	(1,801,846)
(Increase)/decrease in hire purchase receivables	55	87
(Increase)/decrease in factoring receivables	16,298	37,047
(Increase)/decrease in gold loan receivables	288,371	(668,250)
(Increase)/decrease in loan receivables	137,660	199,376
Increase/(decrease) in due to other customers	985,850	(476,608)
(Increase)/decrease in other assets	(368,509)	19,392
Increase/(decrease) in other payables	453,728	830,077
	998,256	(1,860,725)
Cash generated from operating activities	3,045,186	(176,444)
Interest expense paid	(1,175,967)	(668,391)
Gratuity paid	(4,588)	(1,987)
Income tax paid	(128,005)	(105,050)
Net cash inflow/(outflow) from operating activities	1,736,626	(951,872)
Cash flow from investing activities		
Net investments in government treasury bills and repurchase agreements	(475,100)	248,370
Purchase of property, plant, equipment and intangible assets	(13,765)	(291,511)
Proceeds from sale of property, plant and equipment	4	420
Net cash inflow/(outflow) from investing activities	(488,861)	(42,721)
Net cash inflow/(outflow) before financing activities	1,247,765	(994,593)
Cash flow from financing activities		
Proceeds from long term loans/securitizations	1,000,000	1,000,000
Repayments of long term loans/securitizations	(776,325)	(799,943)
Net proceeds from short term borrowings	(100,000)	1,300,000
Repayment of principal portion of lease liabilities	(29,475)	(31,762)
Net cash inflow/(outflow) from financing activities	94,200	1,468,295
Net increase/(decrease) in cash and cash equivalents	1,341,965	473,702
Cash & cash equivalents at the beginning of the year	2,162,777	59,031
Cash and cash equivalents at the end of the period	3,504,742	532,733
Analysis of the cash and cash equivalents at the end of the period		
Cash and bank balances	271,590	336,745
Securities purchased under repurchase agreements	1,534,981	611,471
Government securities maturing less than three months	1,771,423	-
Bank overdraft	(73,252)	(415,483)
	3,504,742	532,733

SELECTED PERFORMANCE INDICATORS

	As at 31.03.2023	As at 31.12.2022
<u>Capital Adequacy</u>		
Core Capital Ratio (Minimum Requirement : 8.5%)	15.69%	16.11%
Total Risk Weighted Capital Ratio (Minimum Requirement: : 12.5%)	20.54%	20.95%
Capital Funds to Deposit Liabilities Ratio (Minimum Requirement-10%)*	46.69%	49.45%
<u>Profitability</u>		
Return on Average Assets (After Tax)	1.13%	1.68%
Return on Average Shareholders' Funds	7.57%	11.82%
<u>Asset Quality (LKR'000)</u>		
Total Accommodation (Gross)	38,845,258	38,808,303
Non-Performing Accommodation	8,793,483	9,262,845
Net Total Accommodation (Net of allowance for expected credit losses/impairment)	34,802,656	34,636,114
<u>Liquidity (LKR'000)</u>		
Required Minimum Amount of Liquid Assets	2,471,211	2,300,761
Required Minimum Amount of Government Securities**	2,706,804	2,568,665
Available Amount of Liquid Assets	6,573,314	5,547,541
Available Amount of Government Securities	6,475,641	5,461,866

* **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	
	2023 LKR'000	2022 LKR'000	2023 LKR'000	2022 LKR'000	2023 LKR'000	2022 LKR'000	2023 LKR'000	2022 LKR'000
For the period ended 31 March								
Interest Income	1,567,965	1,254,897	797,614	284,781	84,734	268,914	2,450,313	1,808,592
Less: Interest expenses	(1,314,558)	(603,855)	(376,536)	(108,392)	(150,258)	(70,678)	(1,841,352)	(782,925)
Net interest income	253,407	651,042	421,078	176,389	(65,524)	198,236	608,961	1,025,667
Net fee and commission income	48,323	69,823	33,865	33,561	(907)	(232)	81,281	103,152
Other operating income	84,781	360,015	-	-	1,005	8,391	85,786	368,406
Total operating income	386,511	1,080,880	454,943	209,950	(65,426)	206,395	776,028	1,497,225
Less: Impairment (charges)/reversal on loans and losses	82,135	(206,802)	1,253	(2,935)	(3,742)	(11,394)	79,646	(221,131)
Net operating income	468,646	874,078	456,196	207,015	(69,168)	195,001	855,674	1,276,094
Less: Total operating expenses (Including Taxes on financial services)	(471,465)	(522,391)	(122,038)	(97,892)	(45,525)	(47,791)	(639,028)	(668,074)
Operating profit before taxes	(2,819)	351,687	334,158	109,123	(114,693)	147,210	216,646	608,020
Less: Income tax expenses							(92,764)	(191,422)
Profit for the period							123,882	416,598
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							123,882	416,598
As at 31 March								
	2023 LKR'000	2022 LKR'000	2023 LKR'000	2022 LKR'000	2023 LKR'000	2022 LKR'000	2023 LKR'000	2022 LKR'000
Segmental assets	34,802,656	30,687,432	8,379,068	6,447,094	2,509,169	8,469,126	45,690,893	45,603,652
Total assets	34,802,656	30,687,432	8,379,068	6,447,094	2,509,169	8,469,126	45,690,893	45,603,652
Segmental liabilities	29,706,092	26,217,457	7,152,022	5,508,001	2,141,722	7,235,502	38,999,836	38,960,960
Total liabilities	29,706,092	26,217,457	7,152,022	5,508,001	2,141,722	7,235,502	38,999,836	38,960,960

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 2022 other than the following.

Assets held for sale

The Company classified two properties as assets held for sale during the period and those were accounted for in accordance with SLFRS 05 (Non-Current Assets Held for Sale and Discontinued Operations). Additionally, they have been presented separately on the Statement of Financial Position in accordance with Sri Lanka Accounting Standards. The Company expects to sell these assets in the near future.

3. There are no material changes during the period in the composition of assets, liabilities and contingent liabilities, except for the item disclosed in Note 2. 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. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements.

6. **Proposed dividend**

The Board of Directors has recommended a scrip dividend of LKR. 2.33 per share for the financial year ended 31 December 2022 subject to the approval of the shareholders at the Annual General Meeting to be held on 25 April 2023. In accordance with Sri Lanka Accounting Standard - LKAS 10 (Events after the Reporting Period), this proposed scrip dividend has not been recognised as a liability as at 31 March 2023. As required by section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed that the Company has satisfied the 'solvency test' in accordance with Section 57 of the Companies Act No. 7 of 2007, having obtained a certificate from the External Auditors, prior to recommending the scrip dividend for the year 2022.

7. **Impairment of loans and receivables**

The Company evaluated, all individually significant customers showing signs of default and adequate provisioning made in the Financial Statements. When assessing the impairment provision for large exposures, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value etc. were also applied. Furthermore, it was determined that rising inflation, high interest rates and income tax rates were some of the other key concerns likely to impact the repayment capacity of individuals and businesses in the medium to short term. Accordingly, the Company also revisited its collective impairment models to ensure that they sufficiently capture the increased risk. The Company prudently classified some exposures under Stage 2 with additional provisions recognised as an allowance for overlays.

8. **Change of the Income Tax Rate from 24% to 30%**

The Company has calculated the income tax and deferred tax assets/liabilities for the first quarter of the year of assessment 2023/2024 using the revised income tax rate of 30% in line with the Inland Revenue (Amendment) Act No. 45 of 2022. For the comparative period, income tax and deferred tax assets/liabilities were computed using the tax rate of 24%.

INFORMATION ON SHARES

Stated Capital as at 31 March 2023 was represented by the number of shares in issue as given below.

	As at 31 March 2023		As at 31 December 2022	
	Number	LKR.	Number	LKR.
Ordinary Shares	97,166,011	2,674,439,468	97,166,011	2,674,439,468
Total	97,166,011	2,674,439,468/-	97,166,011	2,674,439,468/-

SHAREHOLDER INFORMATION

Shareholders' list as at 31 March 2023

	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 March 2023 was 0%.

Directors'/ CEO's Holding in Shares as at 31 March 2023

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.)	
	2023	2022	2023	2022	2023	2022
Debentures-2019/2024	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2020/2023	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2021/2026	Not Traded	75.69	Not Traded	75.69	Not Traded	75.69

N/A – Not Applicable

(ii) Interest Rates

	2023		2022	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
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

	31-03-2023	31-12-2022
6 months treasury bill	25.45%	29.50%
1 year treasury bill	23.98%	28.50%
5 year treasury bond	25.86%	26.76%

(iv) Current Yield & Yield to maturity

	2023		2022	
	Current Yield (%)	Yield to Maturity (%)	Current Yield (%)	Yield to Maturity (%)
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)	Not Traded	Not Traded	Not Traded	Not Traded
Debentures Issued-September 2021 5 year Fixed rated(9.46% p.a. payable annually)	Not Traded	Not Traded	12.50%	17.78%

N/A – Not Applicable

(v) Ratios

	31-03-2023	31-12-2022
Debt to Equity Ratio (Times)	1.51	1.53
Interest Cover(Times)	1.12	1.18
Quick Asset Ratio (%)	92.17%	89.51%