



**UNAUDITED ACCOUNTS**  
**For the Period ended 30 June 2012**

Merchant Bank of Sri Lanka PLC  
Unaudited Income Statement

	Company					Group				
	Quarter ended		Six Months Period ended			Quarter ended		Six Months Period ended		
	30-06-2012 LKR ' 000	30-06-2011 LKR ' 000	30-06-2012 LKR ' 000	30-06-2011 LKR ' 000	Variance %	30-06-2012 LKR ' 000	30-06-2011 LKR ' 000	30-06-2012 LKR ' 000	30-06-2011 LKR ' 000	Variance %
	Re-presented*									
<b>INCOME</b>	470,839	360,837	883,078	759,295	16.30	852,587	648,136	1,623,750	1,335,884	21.5
Interest income	454,760	330,810	845,338	636,083	32.90	757,657	562,895	1,405,966	1,092,211	28.7
Less: Interest expense	255,797	138,078	452,636	252,141	-79.52	426,127	252,194	773,983	475,151	-62.9
<b>Net interest income</b>	198,963	192,732	392,702	383,942	2.28	331,530	310,701	631,983	617,060	2.4
Capital gain on quoted investments	22	16,615	975	80,724	-98.79	(5,115)	19,531	(11,588)	96,193	-112.0
Insurance premium income	-	-	-	-	0.00	65,243	38,739	157,194	75,175	109.1
Professional fees and consultancy charges	9,194	6,642	19,665	29,736	-33.87	11,234	8,444	23,863	33,011	-27.7
Dividend income	1,522	1,687	2,062	1,896	8.76	2,102	2,465	2,703	2,774	-2.6
Other income	5,341	5,083	15,038	10,856	38.52	21,466	16,062	45,612	36,520	24.9
<b>Operating Income</b>	215,042	222,759	430,442	507,154	-15.13	426,460	395,942	849,767	860,733	-1.3
Less:										
<b>OPERATING EXPENSES</b>										
Personnel costs	70,423	58,314	133,964	108,358	-23.63	154,058	119,122	295,229	224,121	-31.7
Premises, equipment and establishment expenses	16,686	11,701	29,521	24,117	-22.41	28,555	21,783	52,644	43,723	-20.4
Fee and commission expenses	2,072	5,212	6,249	7,680	18.63	5,085	7,770	12,015	13,691	12.2
Provision for staff retirement benefits	7,000	6,000	13,000	11,000	-18.18	12,887	9,020	19,861	16,420	-21.0
Provision for loan losses	22,795	13,923	42,496	37,857	-12.25	14,951	37,066	45,674	62,956	27.5
Provision for loss on disposal of Leased assets	1,319	6,328	1,144	10,308	88.90	1,879	9,965	1,737	17,623	90.1
Provision for fall in value of investments	33,331	33,067	78,022	33,067	0.00	34,640	37,833	80,306	41,148	-95.2
Value Added Tax on financial services	6,004	9,063	11,128	25,801	56.87	12,777	14,630	21,670	43,003	49.6
Other overhead expenses	33,007	21,313	64,579	48,810	-32.31	101,034	65,436	207,741	145,984	-42.3
	192,637	164,921	380,103	306,998	-23.81	365,866	322,625	736,877	608,669	-21.1
<b>PROFIT FROM OPERATIONS</b>	22,405	57,838	50,339	200,156	-74.85	60,594	73,317	112,890	252,064	-55.2
Share of profit of associate company	(7,275)	11,832	(12,247)	30,709	-139.88	(7,275)	11,832	(12,247)	30,709	-139.9
<b>PROFIT BEFORE TAXATION</b>	15,130	69,670	38,092	230,865	-83.50	53,319	85,149	100,643	282,773	-64.4
Less: Income tax expense	7,000	20,451	15,000	60,883	75.36	15,719	25,777	32,278	70,982	54.5
<b>PROFIT AFTER TAXATION</b>	8,130	49,219	23,092	169,982	-86.42	37,600	59,372	68,365	211,791	-67.7
<b>DISCONTINUED OPERATIONS</b>										
Profit / (Loss) from discontinued operations (net of income tax)	-	-	-	-		(22,529)	1,445	(35,150)	(9,781)	259.4
<b>PROFIT FOR THE PERIOD</b>	8,130	49,219	23,092	169,982		15,071	60,817	33,215	202,010	
Attributable to:										
<b>Equity Holders of the parent</b>	8,130	49,219	23,092	169,982	-86.42	6,673	48,226	23,195	174,780	-86.7
<b>Minority interest</b>						8,398	12,591	10,020	27,230	-63.2
<b>PROFIT FOR THE PERIOD</b>	8,130	49,219	23,092	169,982	-86.42	15,071	60,817	33,215	202,010	-83.6
<b>BASIC EARNINGS PER SHARE (LKR.)</b>	0.06	0.36	0.17	1.26	-86.51	0.05	0.36	0.17	1.29	-86.8

\*Comparative figures are re-presented to reflect the result of the discontinued operation as explained in Note 7.

Merchant Bank of Sri Lanka PLC

Unaudited Balance Sheet

As at	Company				Group			
	30-Jun-12	30-Jun-11	31-Dec-11	Change	30-Jun-12	30-Jun-11	31-Dec-11	Change
	LKR ' 000	LKR ' 000	LKR ' 000	%	LKR ' 000	LKR ' 000	LKR ' 000	%
<b>ASSETS</b>								
Cash in hand and at bank	149,540	119,219	97,260	25.4	218,317	196,356	238,050	11.2
Other Investments	-	-	-	0.0	374,191	-	250,000	0.0
Government treasury bills / bonds	573,033	469,753	871,088	22.0	1,466,504	1,196,139	1,670,391	22.6
Dealing securities	228,115	352,256	277,766	-35.2	284,984	467,463	378,096	-39.0
Investment securities	10,024	66,549	10,024	-84.9	10,034	66,559	10,034	-84.9
Bills receivable	639,364	646,704	632,128	-1.1	639,365	646,933	632,357	-1.2
Loans	1,573,786	1,329,175	1,539,704	18.4	3,321,528	3,040,231	3,253,646	9.3
Lease / hire purchase receivable	6,592,213	4,455,939	5,467,127	47.9	10,336,702	7,136,929	8,781,037	44.8
Assets classified as held for sale	237,186	237,186	237,186	0.0	2,590,608	2,520,255	2,708,371	0.0
Investment in real estate	-	-	-	0.0	24,467	28,193	28,157	-13.2
Other assets	386,579	242,993	311,402	59.1	879,392	611,269	744,053	43.9
Investment in associate	114,006	123,078	132,774	-7.4	114,006	123,078	132,774	-7.4
Investments in subsidiaries	259,524	259,524	259,524	0.0	-	-	-	0.0
Investment properties	47,420	280,757	47,654	-83.1	223,168	385,392	165,876	-42.1
Property, plant and equipment	65,154	51,304	50,757	27.0	172,322	123,048	132,589	40.0
Intangible assets	2,344	1,567	2,443	49.6	110,236	109,554	110,603	0.6
<b>Total Assets</b>	<b>10,878,288</b>	<b>8,636,004</b>	<b>9,936,837</b>	<b>26.0</b>	<b>20,765,824</b>	<b>16,651,399</b>	<b>19,236,035</b>	<b>24.7</b>
<b>LIABILITIES</b>								
Deposits from customers	-	-	-	0.0	5,222,560	4,066,929	4,724,433	28.4
Borrowings	5,874,205	4,556,916	5,014,069	28.9	6,469,144	4,895,049	5,465,161	32.2
Insurance provision - Life	-	-	-	0.0	129,439	72,295	106,682	79.0
Insurance provision - Non Life	-	-	-	0.0	397,556	246,765	328,252	61.1
Current tax liability	131,748	202,566	125,871	-35.0	131,748	202,566	125,871	-35.0
Debentures	1,286,800	666,800	1,311,800	93.0	1,286,800	666,800	1,311,800	93.0
Deferred tax liability	74,834	20,993	74,834	256.5	74,834	20,993	74,834	256.5
Retirement benefit obligation	123,552	85,396	114,073	44.7	168,777	117,389	153,133	43.8
Other liabilities	690,009	422,908	453,392	63.2	930,639	825,854	793,869	12.7
Liabilities directly associated with assets classified as held for sale	-	-	-	0.0	2,461,188	2,302,244	2,544,050	6.9
<b>Total Liabilities</b>	<b>8,181,148</b>	<b>5,955,579</b>	<b>7,094,039</b>	<b>37.4</b>	<b>17,272,685</b>	<b>13,416,884</b>	<b>15,628,085</b>	<b>28.7</b>
<b>EQUITY</b>								
Stated capital	1,607,000	1,607,000	1,607,000	0.0	1,607,000	1,607,000	1,607,000	0.0
Statutory reserves	114,526	91,261	114,526	25.5	184,784	149,239	184,784	23.8
Investment Fund	63,397	18,202	55,978	-	75,582	18,202	68,163	315.2
Retained earnings	912,217	963,962	1,065,294	-5.4	1,080,439	1,139,950	1,222,843	-5.2
<b>Total equity attributable to equity holders of the company</b>	<b>2,697,140</b>	<b>2,680,425</b>	<b>2,842,798</b>	<b>0.6</b>	<b>2,947,805</b>	<b>2,914,391</b>	<b>3,082,790</b>	<b>1.1</b>
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>545,334</b>	<b>320,124</b>	<b>525,160</b>	<b>70.4</b>
<b>Total equity</b>	<b>2,697,140</b>	<b>2,680,425</b>	<b>2,842,798</b>	<b>-</b>	<b>3,493,139</b>	<b>3,234,515</b>	<b>3,607,950</b>	<b>-</b>
<b>Total liabilities &amp; equity</b>	<b>10,878,288</b>	<b>8,636,004</b>	<b>9,936,837</b>	<b>26.0</b>	<b>20,765,824</b>	<b>16,651,399</b>	<b>19,236,035</b>	<b>24.7</b>

These Financial Statements are in compliance with the requirements of the Companies Act, No. 7 of 2007.

Priyantha Herath

Asst. General Manager - Finance & Treasury Management

Lakshman Kaluarachchi

Acting Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board

M R Shah

Chairman

Mr. V. Kanagasabapathy

Director

25 July 2012  
Colombo, Sri Lanka

**Merchant Bank of Sri Lanka PLC**

**Unaudited Statement of Changes in Equity**

For the period ended 30 June 2012

	Stated Capital LKR ' 000	Statutory Reserves LKR ' 000	Investment Fund LKR ' 000	Retained Earnings LKR ' 000	Total LKR ' 000
<b>Company</b>					
Balance as at 01.01.2011	1,607,000	91,261	-	980,932	2,679,193
Net Profit for the period	-	-	-	169,982	169,982
Transfers to reserve fund	-	-	18,202	(18,202)	-
Dividend Paid	-	-	-	(168,750)	(168,750)
<b>Balance as at 30.06.2011</b>	<b>1,607,000</b>	<b>91,261</b>	<b>18,202</b>	<b>963,962</b>	<b>2,680,425</b>
Balance as at 01.01.2012	1,607,000	114,526	55,978	1,065,294	2,842,798
Profit for the period	-	-	-	23,092	23,092
Transfers to reserve fund	-	-	7,419	(7,419)	-
Dividend Paid	-	-	-	(168,750)	(168,750)
<b>Balance as at 30.06.2012</b>	<b>1,607,000</b>	<b>114,526</b>	<b>63,397</b>	<b>912,217</b>	<b>2,697,140</b>

	Stated Capital LKR ' 000	Statutory Reserves LKR ' 000	Investment Fund LKR ' 000	Retained Earnings LKR ' 000	Minority Interest LKR ' 000	Total LKR ' 000
<b>Group</b>						
Balance as at 01.01.2011	1,607,000	149,239	-	1,152,122	292,894	3,201,255
Net Profit for the period	-	-	-	174,780	27,230	202,010
Transfers to reserve fund	-	-	18,202	(18,202)	-	-
Dividend Paid	-	-	-	(168,750)	-	(168,750)
Right issue	-	-	-	-	-	-
<b>Balance as at 30.06.2011</b>	<b>1,607,000</b>	<b>149,239</b>	<b>18,202</b>	<b>1,139,950</b>	<b>320,124</b>	<b>3,234,515</b>
Balance as at 01.01.2012	1,607,000	184,784	68,163	1,222,843	525,160	3,607,950
Net profit for the period	-	-	-	23,195	10,020	33,215
Prior year adjustment	-	-	-	10,570	10,154	20,724
Transfers to reserve fund	-	-	7,419	(7,419)	-	-
Dividend Paid	-	-	-	(168,750)	-	(168,750)
<b>Balance as at 30.06.2012</b>	<b>1,607,000</b>	<b>184,784</b>	<b>75,582</b>	<b>1,080,439</b>	<b>545,334</b>	<b>3,493,139</b>

Statutory reserves represent the reserve fund of the company in terms of Direction No.05 of 2006 issued by the Central Bank of Sri Lanka under Section No.34 of the Finance Leasing Act No.56 of 2000 and the statutory reserve of the subsidiary, Merchant Credit of Sri Lanka represents its reserve fund in terms of Direction No.01 of 2003 issued by the Central Bank of Sri Lanka under Section No.46 of the Finance Companies Act No. 23 of 1991.

Investment fund account consists of the 8% of the profit calculated for the payment of Value Added Tax on financial services and 5% of the profit before tax calculated for payment of Income Tax purpose during the year.

Merchant Bank of Sri Lanka PLC

Unaudited Cash Flow Statement

For the period ended 30 June	Company		Group	
	2012 LKR ' 000	2011 LKR ' 000	2012 LKR ' 000	2011 LKR ' 000
<b>Cash Flow from Operating Activities</b>				
Interest and commission receipts	633,521	549,663	1,262,241	991,610
Interest payments	(365,613)	(257,664)	(626,577)	(359,244)
Receipts from other operating activities	18,077	93,476	195,282	161,106
Cash payments to employees and suppliers	(187,907)	(154,265)	(381,255)	(303,840)
Payments on other operating activities	43,237	(63,194)	(135,811)	(164,205)
<b>Operating profit before changes in operating assets</b>	<b>141,315</b>	<b>168,016</b>	<b>313,880</b>	<b>325,427</b>
<b>(Increase)/Decrease in operating assets:</b>				
Operating assets	(62,455)	(19,895)	(234,744)	(134,293)
Funds advanced to customers	(1,166,403)	(1,048,280)	(1,601,794)	(1,611,261)
<b>Increase/(Decrease) in operating liabilities</b>				
Operating liabilities	67,867	(84,380)	368,557	(65,366)
Deposits from customers	-	-	455,591	260,803
Net cash from operating activities before income tax	(1,019,676)	(984,539)	(698,510)	(1,224,690)
Income tax paid	(21,842)	(30,560)	(29,265)	(35,163)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(1,041,518)</b>	<b>(1,015,099)</b>	<b>(727,775)</b>	<b>(1,259,853)</b>
<b>Cash flows from investing activities</b>				
Purchase of Property, Plant & Equipment	(20,626)	(13,575)	(58,790)	(36,283)
Dividend income	8,584	18,862	8,880	19,409
Purchase of investments	(72,189)	(540,245)	(299,967)	(573,821)
Proceeds from Sale of Property, Plant & Equipment	46	91	46	228
Proceeds from sale of investments	44,792	460,873	100,191	509,467
	-	-	-	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(39,393)</b>	<b>(73,994)</b>	<b>(249,640)</b>	<b>(81,000)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	-	-	-	-
Dividend paid	-	-	-	-
Cash inflow from long term borrowings	76,000	1,247,048	76,000	1,247,048
Repayment of long term borrowings	(275,642)	(331,989)	(275,916)	(331,989)
Proceeds from short term borrowings	11,681,334	3,901,965	11,716,334	4,133,215
Repayment of short term borrowings	(10,710,282)	(3,560,012)	(10,710,282)	(3,560,012)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>771,410</b>	<b>1,257,012</b>	<b>806,136</b>	<b>1,488,262</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(309,501)</b>	<b>167,919</b>	<b>(171,279)</b>	<b>147,409</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>784,630</b>	<b>286,082</b>	<b>1,987,172</b>	<b>1,677,375</b>
<b>Cash and cash equivalents at the end of the period (Note. 1 )</b>	<b>475,129</b>	<b>454,001</b>	<b>1,815,893</b>	<b>1,824,784</b>
<b>Note 1 Reconciliation of cash and cash equivalents</b>				
Government treasury bills	573,033	469,753	1,466,504	1,196,139
Cash in hand and at bank	149,540	119,219	218,317	196,356
Bank overdrafts	(247,444)	(134,971)	(305,591)	(191,854)
Cash at banks and short-term deposits attributable to discontinued operatio	-	-	436,663	624,143
	475,129	454,001	1,815,893	1,824,784

Merchant Bank of Sri Lanka PLC

Unaudited Segment reporting

Company

For the period ended 30 June	Leasing		Trade Finance		Corporate advisory & Capital Markets		Money Market		Eliminations / Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
<b>Revenue from external customers</b>												
Interest	72,055	45,553	157,897	116,689	18,463	16,351	41,890	22,035	1,758	968	292,063	201,596
Lease income	553,275	434,487	-	-	-	-	-	-	-	-	553,275	434,487
Commissions	9,008	6,639	1,383	244	-	-	-	-	-	-	10,391	6,883
Others	13,035	10,851	1,240	(432)	10,948	101,640	1,090	-	1,036	4,270	27,349	116,329
Total revenue from external customers	647,373	497,530	160,520	116,501	29,411	117,991	42,980	22,035	2,794	5,238	883,078	759,295
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Segment results	96,234	132,445	25,065	6,567	(98,108)	33,951	125,695	17,314	(110,794)	40,588	38,092	230,865
Profit before interest, tax and associate company's profit											502,975	452,297
Interest expense											(452,636)	(252,141)
Income from Associate company											(12,247)	30,709
Income tax expense											(15,000)	(60,883)
Net profit for the period											23,092	169,982
<b>Other Information</b>												
Segment assets	6,931,324	4,751,220	1,743,068	1,921,709	424,528	724,253	738,658	633,936	429,994	(14,902)	10,267,572	8,016,216
Investment in Associate/Subsidiaries	-	-	-	-	-	-	-	-	373,530	382,602	373,530	382,602
Assets classified as held for sale	-	-	-	-	-	-	-	-	237,186	237,186	237,186	237,186
Total assets	6,931,324	4,751,220	1,743,068	1,921,709	424,528	724,253	738,658	633,936	1,040,710	604,886	10,878,288	8,636,004
Segment liabilities	89,998	88,847	69,278	46,198	(193)	-	7,399,713	5,314,059	622,352	506,475	8,181,148	5,955,579
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	89,998	88,847	69,278	46,198	(193)	-	7,399,713	5,314,059	622,352	506,475	8,181,148	5,955,579

Merchant Bank of Sri Lanka PLC

Unaudited Segment reporting

Group	Leasing		Trade Finance		Corporate advisory & Capital Markets		Money Market		Insurance		Eliminations / Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
For the period ended 30 June														
<b>Revenue from external customers</b>														
Interest	72,055	45,553	324,288	263,709	18,463	16,351	55,370	37,053	39,038	17,206	9,869	3,815	519,083	383,687
Lease income	886,883	708,523	-	-	-	-	-	-	-	-	-	-	886,883	708,523
Commissions	9,008	6,639	1,383	244	-	-	-	-	-	-	-	-	10,391	6,883
Premium revenue	-	-	-	-	-	-	-	-	157,194	75,175	-	-	157,194	75,175
Others	31,950	29,836	2,762	1,929	10,948	101,639	1,090	-	17,310	11,722	(13,861)	16,490	50,199	161,616
Total revenue from external customers	999,896	790,551	328,433	265,882	29,411	117,990	56,460	37,053	213,542	104,103	(3,992)	20,305	1,623,750	1,335,884
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment results	143,170	190,692	71,254	24,808	(98,108)	33,951	112,959	9,230	6,366	(19,688)	(134,998)	43,780	100,643	282,773
Profit before interest, tax and associate company's profit													886,873	727,215
Interest expense													(773,983)	(475,151)
Income from Associate company													(12,247)	30,709
Loss from discontinued operations													(35,150)	(9,781)
Income tax expense													(32,278)	(70,982)
Minority interest													(10,020)	(27,230)
Net profit for the period													23,195	174,780
<b>Other Information</b>														
Segment assets	10,675,813	7,432,207	3,429,045	3,464,590	424,528	724,253	1,195,736	1,038,421	1,119,341	682,913	1,216,747	665,682	18,061,210	14,008,066
Investment in Associate	-	-	-	-	-	-	-	-	-	-	114,006	123,078	114,006	123,078
Assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	2,590,608	2,520,255	2,590,608	2,520,255
Total assets	10,675,813	7,432,207	3,429,045	3,464,590	424,528	724,253	1,195,736	1,038,421	1,119,341	682,913	3,921,361	3,309,015	20,765,824	16,651,399
Segment liabilities	3,445,127	2,459,031	1,571,233	1,410,214	(193)	-	7,809,263	5,671,653	719,586	514,116	1,266,481	1,059,626	14,811,497	11,114,640
Liabilities directly associated with assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	2,461,188	2,302,244	2,461,188	2,302,244
Total liabilities	3,445,127	2,459,031	1,571,233	1,410,214	(193)	-	7,809,263	5,671,653	719,586	514,116	3,727,669	3,361,870	17,272,685	13,416,884

## Notes to the Financial Statements

### 1. Basis of Preparation

The Balance Sheet as at 30 June 2012, the Income Statements, Cash Flow Statements and statements of changes in equity of the company and the group for the six months ended 30 June 2012 are drawn up from unaudited financial statements of the company, its subsidiaries, associate companies and provide information as required by Colombo Stock Exchange and SLAS 35 - Interim Financial Reporting. Further, provisions of the Companies Act No. 07 of 2007 has been considered in preparing the interim financial statements of the company and of the group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2011.

The Institute of Chartered Accountants of Sri Lanka had issued a new volume of Sri Lanka Accounting Standards which have become applicable for financial periods beginning on or after January 01, 2012. These Sri Lanka Accounting Standards comprise of Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS).

The Institute of Chartered Accountant of Sri Lanka issued a ruling addressing the comparative figures in the interim financial statements. As per the ruling an entity is able to follow one of the following options in presenting its interim financial statements.

- i. To present the interim financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) effective from 01 January 2012.
- ii. Prepare interim financial statements in accordance with Sri Lanka Accounting standards existed immediately prior to 01 January 2012, with a disclosure on the impact to the Statement of Comprehensive Income.
- iii. To present the interim financial statements in accordance with Sri Lanka Accounting Standards effective from 01 January 2012 and the comparative information in accordance with the Sri Lanka Accounting Standards existed immediately prior to 01 January 2012.

The group adopts the second option in presenting these financial statements for the six months ended 30 June 2012.

The Group has quantified the impact to the Statement of Comprehensive Income for the period (before taxes) and a Net asset based on the new Sri Lanka Accounting Standards and as the impact is shown below.

Area of Impact	Description	Impact to the Statement of Comprehensive Income for six months ended June 30, 2012	Impact to Net Assets as at June 30, 2012	Impact to Net Assets as at December 31, 2011
Recognition of interest income at Effective Interest Rate	Interest income is recognised based on EIR method and not based on sum of digits method as done previously.	Decreased by Rs. 1,819,000	Decreased by Rs. 1,819,000	Decreased by Rs. 55,357,162
Recognition of interest expense at Effective Interest Rate	Interest expense is recognised based on EIR method and not based on straight line method as done previously.	Decreased by 1,870,146	Decreased by Rs. 1,870,146	Decreased by Rs. 48,836
Measurement of staff loans at fair value (Day 1 Difference)	All staff loans are recognised initially at fair value. Subsequent interest recognition is based on EIR method. Day 1 difference (ie. the difference between the transaction amount and the fair value determined based on market interest rate) is treated as pre-paid staff cost and is amortised.	No impact	No impact	N/A
Financial assets	Financial assets with objective evidences are tested for impairment and impairment loss, if any impairment loss is recognised in Profit or Loss	No significant impact	No significant impact	No significant impact
Available for Sale Financial Assets	Subsequent measurement of Investments classified as Available for Sale (AFS) is at fair value and the corresponding changes in fair value is recognised in Equity through the Statement of Other Comprehensive Income.	No significant impact	No significant impact	No significant impact
Loans and receivable	Subsequent measurement of Investments classified as Loans and receivable (L&R) are at amortised cost based on EIR method.	No significant impact	No significant impact	No significant impact
Financial Assets at Fair Value through Profit or Loss	Subsequent measurement of Investments classified as Fair Value through Profit or Loss (FVTPL) is at fair value and the corresponding changes in fair value is recognised in Profit or Loss.	No significant impact	No significant impact	No significant impact



**2. Accounting policies**

There were no material changes in the accounting policies and methods of computation since the annual financial statements for the year ended 31 December 2011.  
During the quarter there were no material changes in the composition of assets, liabilities and use of funds raised through debentures.

**3. Events after the Balance Sheet date**

There were no material events that took place since June 30, 2012, that require disclosure in these financial statements.

**4. Commitments and contingencies**

There have not been a significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31 December 2011.

<b>Share Information</b>	As at 30.06.2012	As at 31.12.2011
Net Asset per share	LKR	LKR
- Company	19.98	21.06
- Group	21.84	22.84

Market price per share recorded during the quarter ended 30 June	LKR	LKR
-High	30.40 (02.04.2012)	52.50 (20.05.2011)
-Low	18.00 (07.06.2012)	42.60 (27.06.2011)
-Last Transaction	21.00 (29.06.2012)	44.90 (30.06.2011)

	As at 30.06.2012	As at 31.12.2011
Number of shares issued	135,000,000	135,000,000
Stated capital (LKR)	1,607,000,000	1,607,000,000

<b>Ratios</b>	As at 30.06.2012	As at 31.12.2011
Debt/Equity Ratio	2.66	2.33
Liquidity Ratio	0.8	1.72
Interest Cover	1.09	1.81

**7. Discontinued Operation**

In October 2011, the company accepted an offer made by a consortium of investors led by M/s Navara Capital (Pvt) Ltd to purchase the company's 68% holding in MBSL Savings Bank Limited comprising 87,185,520 ordinary voting shares and 100,000,000 ordinary non-voting shares at a price of Rs. 3.75 per voting share and Rs. 2.35 per non voting share, subject to the approval of Central Bank of Sri Lanka. In January 2012, the Monetary Board granted approval to the consortium of investors led by Navara Capital (Pvt) Ltd to purchase the company's holding in MBSL Savings Bank Limited for a consideration of Rs. 562 Mn, out of which Rs. 100 Mn was paid in October 2011. The Company executed the Share Transfer Agreement in March 2012 for this transaction.

**8. Twenty largest share holders**

	Name of the share holder	No. of Shares	Holding %
01.	Bank of Ceylon No. 1 Account	97,392,136	72.14%
02.	Bank of Ceylon A/C Ceybank Unit Trust	7,083,471	5.06%
03.	Environmental Resources Investment PLC	1,090,700	0.81%
04.	Dr. S Yaddhegige	1,215,250	0.54%
05.	Mr. C R D Fernando	739,400	0.42%
06.	Mr. M. M. Udeshi	574,420	0.39%
07.	Merrill J Fernando & Sons (Private) Limited	570,876	0.37%
08.	Mr. M.Premajayanth	526,165	0.28%
09.	Mr. N. Balasingam	500,001	0.28%
10.	Mr. C P De Silva	381,400	0.25%
11.	Mr. A. Chelliah	335,000	0.25%
12.	Waldock Mackenzie Limited / Mr. Lalith Prabash Hapangama	333,800	0.24%
13.	Bartleet Produce Marketing (Pvt) Limited	300,000	0.22%
14.	Thurston Investments Limited	300,000	0.22%
15.	Chemnex PLC A/C No 1	300,000	0.22%
16.	Seylan Bank Limited / Mr. Dinesh Nagendra Sellamuttu	286,301	0.21%
17.	Gnanam Imports (Private) Limited	266,967	0.19%
18.	Commercial Bank Ceylon PLC / W L T Anandawansa	255,010	0.19%
19.	Mr. R.P.K.A.H. Wickremaratne	240,100	0.18%
20.	Seylan Bank Limited / Priyani Dharshini Ratnagopal	238,100	0.17%

9. The percentage of shares held by the public as at 30 June 2012 was 27.86%

10. **Directors' share holding**

Name of the Director	No. of Shares
Mr. M R Shah (Chairman)	Nil
Mr. K. Dharmasiri	Nil
Prof. Ranjith Bandara	Nil
Mr. M.S.S. Paramananda	Nil
Mr. Lakshman Perera	Nil
Mr. P.G. Rupasinghe	Nil
Mr. V. Kanagasabapathy	Nil
Mr. Lalith De Silva	Nil

11. **Acting CEO's share holding**

Mr.Lakshman Kaluarachchi

Nil