



UNAUDITED ACCOUNTS

For the Period ended 31 December 2015

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Comprehensive Income

	Company					Group					
	Quarter ended		Twelve months ended			Quarter ended		Twelve months ended			
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2014	31.12.2015	31.12.2014	31.12.2014	31.12.2014		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		
	Unaudited	Restated *	Unaudited	Restated *	Audited **	Unaudited	Restated *	Unaudited	Restated *	Audited **	
Income	1,108,574	1,095,967	4,199,057	4,734,641	2,539,185	1,415,967	1,353,061	5,411,561	6,023,040	4,244,244	
Interest and similar income	1,074,374	1,001,171	4,055,225	4,384,629	2,339,084	1,099,220	1,019,215	4,146,125	4,484,729	2,849,003	
Interest and similar expenses	549,350	584,378	2,133,325	2,579,431	1,227,296	549,602	584,643	2,134,351	2,583,660	1,463,005	
Net interest income	525,024	416,793	1,921,900	1,805,198	1,111,788	549,618	434,572	2,011,774	1,901,069	1,385,998	
Fee and commission income	10,940	48,967	42,640	92,792	43,893	49,092	49,545	197,659	129,718	89,792	
Fee and commission expenses	-	1,607	-	2,654	-	22,522	8,201	99,898	95,511	95,511	
Net fee and commission income	10,940	47,360	42,640	90,138	43,893	26,570	41,344	97,761	34,207	(5,719)	
Insurance premium income	-	-	-	-	-	210,787	234,534	903,910	1,128,785	1,128,785	
Net claims and benefits	-	-	-	-	-	(151,045)	(131,621)	(616,128)	(742,843)	(742,843)	
Net trading income	11,278	20,532	41,288	21,218	(1,361)	11,868	20,836	42,957	19,543	(994)	
Net gain / (loss) on financial assets - held for trading	(26,048)	(13,202)	(54,137)	132,900	97,525	(26,098)	(13,067)	(55,336)	137,172	102,384	
Other operating income	38,030	38,499	114,041	103,102	60,044	71,098	41,998	176,246	123,093	75,274	
Total operating income	559,224	509,982	2,065,732	2,152,556	1,311,889	692,798	628,596	2,561,184	2,601,026	1,942,885	
Impairment charges from loans and other losses	46,073	187,203	462,151	720,395	238,078	58,540	187,203	474,618	720,395	276,244	
Net operating income	513,151	322,779	1,603,581	1,432,161	1,073,811	634,258	441,393	2,086,566	1,880,631	1,666,641	
Personnel expenses	180,577	158,463	670,740	637,932	362,301	234,301	180,550	857,116	804,443	600,609	
Provision for employee benefit	6,648	9,134	42,648	41,289	30,759	9,599	10,475	47,751	45,780	37,163	
Depreciation of property & equipment	16,553	12,258	59,022	54,171	17,966	19,517	13,115	79,897	73,666	51,900	
Amortization of intangible assets	3,018	2,581	11,148	7,130	3,534	7,340	10,750	20,269	15,299	12,717	
Other operating expenses	157,733	162,925	610,267	595,231	293,953	265,220	235,780	975,134	900,047	700,689	
Total operating expense	364,529	345,361	1,393,825	1,335,753	708,513	535,977	450,670	1,980,167	1,839,235	1,403,078	
Profit / (loss) from operations before VAT on FS and impairment from subsidiary investments	148,622	(22,582)	209,756	96,408	365,298	98,281	(9,277)	106,399	41,396	263,563	
Impairment from investment in Group companies	205,899	-	205,899	-	-	18,193	-	18,193	-	-	
Profit / (loss) from operations after impairment from subsidiary investments	(57,277)	(22,582)	3,857	96,408	365,298	80,088	(9,277)	88,206	41,396	263,563	
Value added tax (VAT) on financial services	17,893	12,536	57,219	43,121	38,468	17,893	12,536	57,219	43,121	40,900	
Share of associate companies profit before tax	-	-	-	-	-	204	4,691	7,079	17,208	(77,869)	
Profit before income tax	(75,170)	(35,118)	(53,362)	53,287	326,830	62,399	(17,122)	38,066	15,483	144,794	
Income tax expense	31,750	20,157	37,857	83,957	83,957	50,713	20,964	57,645	86,016	86,016	
Profit/(loss) for the period	(106,920)	(55,275)	(91,219)	(30,670)	242,873	11,686	(38,086)	(19,579)	(70,533)	58,778	
Other comprehensive income											
Actuarial gains/(losses) on defined benefit plans	32,603	(5,244)	32,603	(5,244)	(6,938)	31,215	(970)	31,215	(970)	(1,548)	
Fair value reserves (Available for Sale Financial Assets):											
Net change in fair value	(12,179)	(14,384)	(47,835)	52,526	51,108	(18,177)	(14,489)	(53,833)	46,182	46,182	
Share of associates companies' other comprehensive income	-	-	-	-	-	(726)	(928)	(726)	(928)	(688)	
Other comprehensive income before tax	20,424	(19,628)	(15,232)	47,282	44,170	12,312	(16,387)	(23,344)	44,284	43,946	
Income tax (charge)/credit relating to components of other comprehensive income	(11,072)	2,231	(11,072)	2,231	2,231	(11,072)	2,231	(11,072)	2,231	2,231	
Other comprehensive income for the period, net of tax	9,352	(17,397)	(26,304)	49,513	46,401	1,240	(14,156)	(34,416)	46,515	46,177	
Total comprehensive income for the period, net of tax	(97,568)	(72,672)	(117,523)	18,843	289,274	12,926	(52,242)	(53,995)	(24,018)	104,955	
Profit for the period attributable to:											
Equity holders of the parent	(106,920)	(55,275)	(91,219)	(30,670)	242,873	22,136	(43,716)	(710)	(61,147)	79,327	
Non controlling interests	-	-	-	-	-	(10,450)	5,630	(18,869)	(9,386)	(20,549)	
Profit/(loss) for the period	(106,920)	(55,275)	(91,219)	(30,670)	242,873	11,686	(38,086)	(19,579)	(70,533)	58,778	
Total comprehensive income attributable to:											
Equity holders of the parent	(97,568)	(72,672)	(117,523)	18,843	289,274	24,549	(58,789)	(33,953)	(14,178)	125,328	
Non controlling interests	-	-	-	-	-	(11,623)	6,547	(20,042)	(9,840)	(20,373)	
	(97,568)	(72,672)	(117,523)	18,843	289,274	12,926	(52,242)	(53,995)	(24,018)	104,955	
Earnings per share:											
-Basic / diluted earnings per share	LKR	(0.64)	(0.33)	(0.55)	(0.18)	1.80	0.13	(0.26)	(0.00)	(0.37)	0.59

* Since Merchant Bank of Sri Lanka & Finance PLC merged with its subsidiary MBSL Savings Bank Limited and its associate company MCSL Financial Services Ltd on 1st January 2015, comparative figures are shown after amalgamating the financial statements of three entities.

** Audited figures include the amounts stated in the audited financial statements of Merchant Bank of Sri Lanka & Finance PLC before the amalgamation.

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Financial Position

as at	Company			Group		
	31-12-2015	31-12-2014	31-12-2014	31-12-2015	31-12-2014	31-12-2014
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
	Unaudited	Restated *	Audited **	Unaudited	Restated *	Audited **
Assets						
Cash and cash equivalents	380,830	351,903	171,537	432,947	406,132	281,324
Placements with banks & financial institutions	440,093	1,674,998	519,282	571,672	1,796,986	1,342,986
Securities purchased under resale agreements	785,965	465,211	465,211	1,609,702	1,313,486	1,313,486
Financial investments - held for trading	541,970	882,176	367,530	552,741	896,629	419,224
Bills receivable	595,888	646,124	644,625	595,888	646,124	644,625
Loans & advances to customers	8,406,632	7,954,469	3,764,328	8,505,054	8,097,427	4,644,587
Lease and hire purchase rental receivable	14,223,259	12,168,389	7,333,505	14,223,259	12,168,389	7,921,146
Financial investments - available for sale	1,754,206	1,178,814	737,610	1,994,857	1,221,417	1,220,632
Financial investments - held to maturity	56,507	653,338	-	56,507	653,338	70,090
Real Estate Stock	62,545	102,895	-	62,545	102,895	-
Investments in associate companies	81,084	81,084	102,002	96,484	94,454	341,295
Investments in subsidiaries	310,197	516,096	1,104,311	-	-	-
Investment properties	145,840	148,877	52,011	145,840	148,877	52,011
Property and equipment	219,260	193,769	85,124	273,122	260,191	197,127
Intangible assets	38,816	30,549	12,356	67,141	82,724	169,437
Other assets	213,521	265,232	167,903	694,398	702,730	650,923
Total assets	28,256,613	27,313,924	15,527,335	29,882,157	28,591,799	19,268,893
Liabilities						
Due to banks	258,062	200,002	181,110	273,968	210,011	198,583
Securities sold under repurchase agreements	416,472	442,170	442,170	416,472	442,170	442,170
Due to customers	15,846,306	11,092,643	-	15,846,306	11,092,643	2,453,539
Debt issued and borrowed funds	7,883,323	11,141,793	11,032,268	7,883,323	11,141,793	11,034,267
Insurance provision - life	-	-	-	444,257	349,901	349,901
Insurance provision - non life	-	-	-	512,333	607,307	607,307
Current tax liabilities	141,263	208,001	208,001	141,263	208,001	208,001
Deferred tax liabilities	113,669	91,403	91,403	113,669	91,403	91,403
Other liabilities	356,840	739,439	376,580	956,610	1,064,799	724,196
Employee benefit liability	245,532	247,051	193,153	262,040	259,107	213,468
Total liabilities	25,261,467	24,162,502	12,524,685	26,850,241	25,467,135	16,322,835
Equity						
Stated capital	2,124,457	2,124,457	1,607,000	2,124,457	2,124,457	1,607,000
Retained profits	734,495	842,936	1,211,621	723,168	742,994	1,076,386
Available-for-sale reserve	(4,350)	43,485	43,485	(8,957)	43,923	52,219
Statutory reserves	140,544	140,544	140,544	140,544	140,544	142,058
Total equity attributable to the parent	2,995,146	3,151,422	3,002,650	2,979,212	3,051,918	2,877,663
Non controlling interests	-	-	-	52,704	72,746	68,395
Total equity	2,995,146	3,151,422	3,002,650	3,031,916	3,124,664	2,946,058
Total liabilities and equity	28,256,613	27,313,924	15,527,335	29,882,157	28,591,799	19,268,893
Commitments and contingencies	123,536	187,266	48,711	546,079	421,440	83,125
Net assets value per share (LKR)	18.06	19.00	22.24	17.96	18.40	21.32

* Since Merchant Bank of Sri Lanka & Finance PLC merged with its subsidiary MBSL Savings Bank Limited and its associate company MCSL Financial Services Ltd on 1st January 2015, figures as at 31st December 2014 are shown after amalgamating the separately audited financial statements of three entities.

** Audited figures include the amounts stated in the audited financial statements of Merchant Bank of Sri Lanka & Finance PLC before the amalgamation.

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

(sgd.)

H. M. P. B. Herath

Deputy General Manager - Finance & Strategic Planning

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

Approved and signed for and on behalf of the Board

(sgd.)

Director

Colombo, Sri Lanka
23 March 2016

(sgd.)

T. Mutugala

Chief Executive Officer

(sgd.)

Director

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Changes in Equity

Company	Stated Capital LKR ' 000	Investment fund LKR ' 000	Statutory reserves LKR ' 000	Available for sale reserve LKR ' 000	Retained profits LKR ' 000	Total equity LKR ' 000
Balance as at 01 January 2014	1,607,000	100,115	128,400	(7,623)	952,984	2,780,876
Net profit for the year	-	-	-	-	242,873	242,873
Other comprehensive income	-	-	-	51,108	(4,707)	46,401
Transfers to Statutory Reserve	-	-	12,144	-	(12,144)	-
Transfers to investment fund	-	(100,115)	-	-	100,115	-
Dividend paid	-	-	-	-	(67,500)	(67,500)
Balance as at 31 December 2014	1,607,000	-	140,544	43,485	1,211,621	3,002,650
Adjustment due to amalgamation	-	-	-	-	(368,685)	(368,685)
Issue of shares	517,457	-	-	-	-	517,457
Balance as at 31 December 2014 - Restated	2,124,457	-	140,544	43,485	842,936	3,151,422
Super gain tax adjustment	-	-	-	-	(38,753)	(38,753)
Net profit for the year	-	-	-	-	(91,219)	(91,219)
Other comprehensive income	-	-	-	(47,835)	21,531	(26,304)
Transfers to statutory reserve fund	-	-	-	-	-	-
Balance as at 31 December 2015	2,124,457	-	140,544	(4,350)	734,495	2,995,146

Group	Stated Capital LKR ' 000	Investment fund LKR ' 000	Statutory reserves LKR ' 000	Available for sale reserve LKR ' 000	Retained profits LKR ' 000	Non controlling interest LKR ' 000	Total equity LKR ' 000
Balance as at 01 January 2014	1,607,000	101,336	129,914	5,000	924,458	139,805	2,907,513
Effect of change in holding percentage	-	-	-	-	52,127	(52,127)	-
Net profit for the year	-	-	-	-	79,327	(20,549)	58,778
Other comprehensive income	-	-	-	47,219	(1,218)	176	46,177
Transfers to statutory reserve fund	-	-	12,144	-	(12,144)	-	-
Transfers to investment fund	-	(101,336)	-	-	101,336	-	-
Rights issue	-	-	-	-	-	1,090	1,090
Dividends paid	-	-	-	-	(67,500)	-	(67,500)
Balance as at 31 December 2014	1,607,000	-	142,058	52,219	1,076,386	68,395	2,946,058
Adjustment due to amalgamation	-	-	(1,514)	(8,296)	(333,392)	4,351	(338,851)
Issue of shares	517,457	-	-	-	-	-	517,457
Balance as at 31 December 2014 - Restated	2,124,457	-	140,544	43,923	742,994	72,746	3,124,664
Super gain tax adjustment	-	-	-	-	(38,753)	-	(38,753)
Net profit for the year	-	-	-	-	(710)	(18,869)	(19,579)
Other comprehensive income	-	-	-	(52,880)	19,637	(1,173)	(34,416)
Transfers to statutory reserve fund	-	-	-	-	-	-	-
Balance as at 31 December 2015	2,124,457	-	140,544	(8,957)	723,168	52,704	3,031,916

Statutory reserve represents the reserve fund of the company created in terms of the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued by the Central Bank of Sri Lanka.

According to the guidelines on the operations of the Investment Fund Account (IFA) issued by CBSL, operations of IFA was ceased with effect from 1st October 2014. Accordingly the group transferred the remaining balance in IFA to retained earnings through the Statement of Changes in Equity in the 2014 year end.

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30 October 2015, the Company is liable for Super Gain Tax of Rs. 38.75 Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Cash Flows

For the year ended 31 December,

	Company		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Cash flows from operating activities				
Profit before income tax	(53,362)	53,287	38,066	15,483
Adjustments for :				
Change in operating assets	(2,971,585)	(1,374,797)	(2,898,456)	(1,311,274)
Change in operating liabilities	4,416,593	773,163	4,671,855	823,018
Share of associate companies' (profit)/loss before tax	-	-	(7,079)	(17,208)
Contribution to defined benefit plans	42,648	41,289	47,751	45,780
Other non-cash items included in profit before tax	553,745	522,730	394,112	521,964
Provision for VAT on financial services	57,219	43,121	57,219	43,121
Dividend income	(14,008)	(27,315)	(12,559)	(16,053)
	2,031,250	31,478	2,290,907	104,831
Gratuity paid	(11,564)	(10,823)	(13,602)	(13,758)
Net cash generated from/(used in) operating activities before tax	2,019,686	20,655	2,277,305	91,073
Tax paid	(89,317)	(4,490)	(89,317)	(4,490)
Net cash generated from/ (used in) operating activities	1,930,369	16,165	2,187,988	86,583
Cash flows from investing activities				
Purchase of financial assets designated at fair value through profit or loss	(563,386)	(1,785,803)	(563,595)	(1,809,050)
Proceeds from disposal of financial assets designated at fair value through profit or loss	879,520	1,390,633	882,543	1,410,081
Purchase of financial investments-AFS & HTM	(2,639,079)	(1,472,838)	(2,843,193)	(1,791,727)
Sale of financial investments-AFS & HTM	2,704,596	1,850,464	2,719,096	2,470,230
Net increase/ (decrease) in other investment	1,274,323	(362,081)	1,281,409	(343,919)
Purchase of property & equipment & Investment properties	(81,488)	(35,131)	(89,802)	(42,218)
Purchase of intangible assets	(19,417)	(20,219)	(22,880)	(24,483)
Proceeds from sale of property & equipments	3,329	634	3,329	634
Dividend received	14,008	27,315	15,346	28,215
Net investment in subsidiary	-	(198,207)	-	-
Net cash generated from/ (used in) investing activities	1,572,406	(605,233)	1,382,253	(102,237)
Cash flows from financing activities				
Net increase / (decrease) reverse repo and repo agreements	(246,439)	(172,464)	(321,914)	(691,549)
Net increase/ (decrease) in other borrowings	(3,017,389)	(494,436)	(3,017,389)	(494,436)
Proceeds from issue of shares	-	-	-	1,090
Proceeds from issue of debentures	-	2,000,000	-	2,000,000
Payments on redemption of debentures	(268,080)	(763,720)	(268,080)	(763,720)
Dividend paid	-	(67,500)	-	(67,500)
Net cash generated from/ (used in) financing activities	(3,531,908)	501,880	(3,607,383)	(16,115)
Net increase/ (decrease) in cash and cash equivalents during the period	(29,133)	(87,188)	(37,142)	(31,769)
Cash and cash equivalents at the beginning of the period	151,901	80,986	196,121	69,787
Cash and cash equivalents from the merger	-	158,103	-	158,103
Cash and cash equivalents at the end of the period	122,768	151,901	158,979	196,121

Note

Analysis of Cash and Cash Equivalents

Cash and short term funds	380,830	351,903	432,947	406,132
Dues to banks with original maturity less than three months	(258,062)	(200,002)	(273,968)	(210,011)
	122,768	151,901	158,979	196,121

1 Reporting entity

Merchant Bank of Sri Lanka & Finance PLC is a public quoted company incorporated and domiciled in Sri Lanka on 04 March 1982. The registered office and principal place of business of the Company is located at the Bank of Ceylon Merchant Tower, No. 28, St Michael's Road, Colombo 03. The shares of the Company are listed in the Colombo Stock Exchange.

In the opinion of the Directors, the Company's parent enterprise and its ultimate parent enterprise is Bank of Ceylon.

The consolidated financial statements comprises of the company, it's subsidiary: MBSL Insurance Company Ltd and it's interest in associate; Lanka Securities Ltd.

The consolidated financial statements for the year ended 31 December 2015 were authorized for issue on 23 March 2016, in accordance with the resolution of the directors passed on 23 March 2016.

2 Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the period ended 31 December 2015 have been prepared in accordance with LKAS 34 Interim Financial Reporting. 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.

Significant accounting policies

The accounting policies adopted in the preparation of interim condensed consolidated financial statements are consistent with those followed in the preparation of Group's annual financial statements for the year ended 31 December 2014. As the company merged with its subsidiary MBSL Savings Bank Ltd and its associate company MCSL Financial Services Ltd on 1st January 2015 the comparative figures have been merged with the financials of MBSL Savings Bank Ltd and MCSL Financial Services Ltd to confirm to the current presentation.

All known expenses including management fees and similar expenses have been provided in this financial statements.

3 Measurement of Financial Instruments

Company	Held for trading		Loans and receivables		Held to maturity		Available for sale		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
As at 31 December										
Financial assets										
Cash and cash equivalents	-	-	380,830	351,903	-	-	-	-	380,830	351,903
Placements with banks & financial institutions	-	-	440,093	1,674,998	-	-	-	-	440,093	1,674,998
Securities purchased under resale agreements	-	-	785,965	465,211	-	-	-	-	785,965	465,211
Financial investments - held for trading	541,970	882,176	-	-	-	-	-	-	541,970	882,176
Bills receivable	-	-	595,888	646,124	-	-	-	-	595,888	646,124
Loans & advances to customers	-	-	8,406,632	7,954,469	-	-	-	-	8,406,632	7,954,469
Lease and hire purchase rental receivable	-	-	14,223,259	12,168,389	-	-	-	-	14,223,259	12,168,389
Financial investments - available for sale	-	-	-	-	-	-	1,754,206	1,178,814	1,754,206	1,178,814
Financial investments - held to maturity	-	-	-	-	56,507	653,338	-	-	56,507	653,338
Other assets	-	-	61,137	55,305	-	-	-	-	61,137	55,305
Total	541,970	882,176	24,893,804	23,316,399	56,507	653,338	1,754,206	1,178,814	27,246,487	26,030,727

	Other Financial Liabilities		Total	
	2015	2014	2015	2014
Financial liabilities				
Due to banks	258,062	200,002	258,062	200,002
Securities sold under repurchase agreements	416,472	442,170	416,472	442,170
Due to customers	15,846,306	11,092,643	15,846,306	11,092,643
Debt issued and borrowed funds	7,883,323	11,141,793	7,883,323	11,141,793
Other liabilities	162,203	154,115	162,203	154,115
Total	24,566,366	23,030,723	24,566,366	23,030,723

Group	Held for trading		Loans and receivable		Held to maturity		Available for sale		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
As at 31 December										
Financial assets										
Cash and cash equivalents	-	-	432,947	406,132	-	-	-	-	432,947	406,132
Placements with banks & financial institutions	-	-	571,672	1,796,986	-	-	-	-	571,672	1,796,986
Securities purchased under resale agreements	-	-	1,609,702	1,313,486	-	-	-	-	1,609,702	1,313,486
Financial investments - held for trading	552,741	896,629	-	-	-	-	-	-	552,741	896,629
Bills receivable	-	-	595,888	646,124	-	-	-	-	595,888	646,124
Loans & advances to customers	-	-	8,505,054	8,097,427	-	-	-	-	8,505,054	8,097,427
Lease and hire purchase rental receivable	-	-	14,223,259	12,168,389	-	-	-	-	14,223,259	12,168,389
Financial investments - available for sale	-	-	-	-	-	-	1,994,857	1,221,417	1,994,857	1,221,417
Financial investments - held to maturity	-	-	-	-	56,507	653,338	-	-	56,507	653,338
Other assets	-	-	61,137	55,305	-	-	-	-	61,137	55,305
Total	552,741	896,629	25,999,659	24,483,849	56,507	653,338	1,994,857	1,221,417	28,603,764	27,255,233

	Other Financial Liabilities		Total	
	2015	2014	2015	2014
Financial liabilities				
Due to banks	273,968	210,011	273,968	210,011
Securities sold under repurchase agreements	416,472	442,170	416,472	442,170
Due to customers	15,846,306	11,092,643	15,846,306	11,092,643
Debt issued and borrowed funds	7,883,323	11,141,793	7,883,323	11,141,793
Other liabilities	162,203	154,115	162,203	154,115
Total	24,582,272	23,040,732	24,582,272	23,040,732

	LKR. '000			
	Company		Group	
	2015	2014	2015	2014
4 Impairment charges from loans and other losses				
Impairment from Loans and advances_individual impairment (Note 4.1)	300,376	631,775	312,843	631,775
Impairment from Loans and advances_collective impairment (Note 4.2)	161,775	84,060	161,775	84,060
Impairment from available for sale assets	-	3,600	-	3,600
Net written off during the year	-	960	-	960
	462,151	720,395	474,618	720,395

Movement in individual and collective impairment during the period

4.1 Individual impairment charges

As at 01 January	931,118	578,550	931,118	578,550
Charge to income statement from loans and advances	300,376	631,775	312,843	631,775
Write off	(183,532)	(279,207)	(183,532)	(279,207)
As at 31 December	1,047,962	931,118	1,060,429	931,118

4.2 Collective impairment charges

As at 01 January	288,259	282,935	288,259	282,935
Charge to income statement from loans and advances	161,775	84,060	161,775	84,060
Write off	-	(78,736)	-	(78,736)
As at 31 December	450,034	288,259	450,034	288,259
Loans and advances impairment	1,497,996	1,219,377	1,510,463	1,219,377

5 Merchant Bank of Sri Lanka & Finance PLC (MBSL) amalgamated with MBSL Savings Bank Limited (MSB) and MCSL Financial Services Limited (MCSL) with effect from 01st January 2015. The amalgamation was effective by way of a Share Swap, whereby the shareholders of MSB and MCSL offered ordinary voting shares in MBSL in the following manner.

- 1) One ordinary voting share in MBSL for every 280.25 ordinary shares and one ordinary voting share in MBSL for every 389.10 ordinary non-voting shares held in MSB.
- 2) One ordinary voting share in MBSL for every 2.35 ordinary voting shares held in MCSL.

Accordingly, MBSL issued up to maximum of 30,874,541 (Thirty Million Eight Hundred and Seventy Four Thousand Five Hundred and Forty One) ordinary voting shares to the shareholders of MSB and MCSL (other than MBSL) and that ordinary voting shares shall rank equal and pari passu in all respect with the existing ordinary voting shares issued by MBSL.

6 Investments in subsidiaries

Impairment losses recognised in the year

At the end of the reporting period, the Group and Company assessed the recoverable amount of goodwill of LKR. 18.2 Mn and carrying value of investment in subsidiary, MBSL Insurance Company Limited of LKR. 516 Mn respectively.

Based on the assessment the Group determined that the goodwill associated with its investment in subsidiary is fully impaired by LKR. 18.2 Mn (2014: nil). The recoverable amount of the investment in subsidiary was determined as LKR. 310.2 Mn and an impairment allowance of LKR. 205.9 Mn (2014: nil) was recognised in the income statement.

The main indicator that was considered for the assessment of impairment of the investment in subsidiary was the continuous losses in the current and previous years resulting in the carrying value of the investment in the company's financial statements exceeding the subsidiary's net assets.

7 Segment Information

For management purposes, the group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- ❖ The Leasing segment includes providing Finance Leases and Hire Purchase facilities.
- ❖ The Loan segment includes providing personal loans, term loans, bill discounting, cheque discounting, micro finance and bank guarantees.
- ❖ Corporate advisory includes corporate advisory services and capital market activities.
- ❖ The insurance includes general and life insurance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects.

The following table presents income, profit and asset information regarding the group's operating segments for the period ended December 31, 2015 and comparative figures for the period ended December 31, 2014.

Group	Lease & HP		Loans		Corporate Advisory		Insurance		Unallocated		Total	
	2015 LKR.'000	2014 LKR.'000	2015 LKR.'000	2014 LKR.'000	2015 LKR.'000	2014 LKR.'000	2015 LKR.'000	2014 LKR.'000	2015 LKR.'000	2014 LKR.'000	2015 LKR.'000	2014 LKR.'000
For the year ended 31 December												
External Revenue												
Interest and similar income	2,327,757	2,731,257	1,437,745	1,216,849	17,524	41,762	90,900	100,136	272,199	394,725	4,146,125	4,484,729
Fee and other income	46,901	64,042	8,320	69,162	48,571	22,035	1,124,391	1,211,216	92,589	34,684	1,320,772	1,401,139
Net gain / (loss) on financial assets - held for trading	-	-	-	-	(55,336)	137,172	-	-	-	-	(55,336)	137,172
	2,374,658	2,795,299	1,446,065	1,286,011	10,759	200,969	1,215,291	1,311,352	364,788	429,409	5,411,561	6,023,040
Inter - segment Revenue	-	-	-	-	900	10,900	-	-	(900)	(10,900)	-	-
Total Income	2,374,658	2,795,299	1,446,065	1,286,011	11,659	211,869	1,215,291	1,311,352	363,888	418,509	5,411,561	6,023,040
Segment result	385,227	287,629	106,829	(187,909)	(86,080)	47,801	(100,570)	(42,850)	(217,200)	(63,275)	88,206	41,396
Total assets	14,235,402	13,015,623	8,863,004	7,740,204	750,144	525,121	1,920,341	1,762,406	4,113,266	5,548,445	29,882,157	28,591,799

8 Information on Debentures

Debenture Categories	CSE Listing	Interest Payable Frequency	Face Value as at 31-12-2015 LKR' 000	Market Values			Interest Rates		Interest rate of comparable Government Security %	Interest yield			Yield to Maturity		
				Highest LKR.	Lowest LKR.	Period end LKR.	Coupon Rate	Effective Annual Yield		Highest	Lowest	Last traded	Highest	Lowest	Last traded
Fixed Rate															
Mar 2013 - Mar 2018	Listed	Annually	625,110	115.18	115.18	115.18	17.50%	17.50%	8.82%	15.19%	15.19%	15.19%	9.91%	9.91%	9.91%
Mar 2013 - Mar 2017	Listed	Annually	485,240	Not traded during the quarter			17.25%	17.25%	7.87%	Not traded during the quarter			Not traded during the quarter		
Mar 2013 - Mar 2018	Listed	Quarterly	723,190	Not traded during the quarter			16.70%	17.78%	8.82%	Not traded during the quarter			Not traded during the quarter		
Mar 2013 - Mar 2018	Listed	Monthly	166,460	Not traded during the quarter			16.50%	17.81%	8.82%	Not traded during the quarter			Not traded during the quarter		
Dec 2013 - Dec 2017	Listed	Annually	674,770	Not traded during the quarter			14.25%	14.25%	8.36%	Not traded during the quarter			Not traded during the quarter		
Dec 2013 - Dec 2016	Listed	Annually	296,220	Not traded during the quarter			13.50%	13.50%	7.74%	Not traded during the quarter			Not traded during the quarter		
Dec 2013 - Dec 2017	Listed	Quarterly	17,540	Not traded during the quarter			13.50%	14.20%	8.36%	Not traded during the quarter			Not traded during the quarter		
Dec 2013 - Dec 2017	Listed	Monthly	11,470	Not traded during the quarter			13.25%	14.09%	8.36%	Not traded during the quarter			Not traded during the quarter		
Nov 2014 - Nov 2019	Listed	Annually	909,770	Not traded during the quarter			9.00%	9.00%	9.46%	Not traded during the quarter			Not traded during the quarter		
Nov 2014 - Nov 2019	Listed	Bi Annually	1,090,230	Not traded during the quarter			8.75%	8.94%	9.46%	Not traded during the quarter			Not traded during the quarter		
Total Debentures			5,000,000												

All debentures are unsecured. Company has not repurchased any of its own debts and has not had any default of principle, interest or other breaches with regard to all liabilities during the period.

9 Events after the statement of financial position date

There were no material events that took place since December 31, 2015, that require disclosure in these financial statements.

10 Information on ordinary shares

As at		31.12.2015	31.12.2014
Net asset per share (LKR)	- Company	18.06	19.00
	- Group	17.96	18.40

Market price per share recorded during the quarter ended 30 December (LKR)		2015	2014
	-High	17.00 (23.10.2015)	19.90 (10.10.2014)
	-Low	14.20 (15.12.2015)	15.90 (27.11.2014)
	-Last Transaction	15.00 (31.12.2015)	17.50 (31.12.2014)

As at		31.12.2015	31.12.2014
Number of shares issued		165,874,541	165,874,541
Stated capital (LKR)		2,124,457,307	2,124,457,307

Ratios as at		31.12.2015	31.12.2014
Debt / Equity Ratio		2.9	3.7
Statutory Liquid Asset Ratio		11.25%	10.13%

Ratios for the period ended		31.12.2015	31.12.2014
Interest Cover		0.975	1.021

11 Twenty largest share holders as at 31 December 2015

	Name of the share holder	No. of Shares	Holding %
01.	Bank of Ceylon No. 1 Account	123,562,267	74.49%
02.	Bank of Ceylon A/C Ceybank Unit Trust	10,757,541	6.49%
03.	Phoenix Ventures Private Limited	2,632,493	1.59%
04.	Prime Lands (Pvt) Ltd	1,665,406	1.00%
05.	Merrill J Fernando & Sons (Pvt) Limited	526,165	0.32%
06	People's Leasing & Finance PLC / Mr. D. M. P. Disanayake	425,450	0.26%
07	Mr. N. Balasingam	381,400	0.23%
08	Mr. B.T. Prathapasinghe	345,000	0.21%
09	Mr. A. Chelliah (Deceased)	333,800	0.20%
10	Elgin Investments Limited	319,770	0.19%
11	Mr. A. M. Weerasinghe	305,583	0.18%
12	Chemane PLC A/C No 1	300,000	0.18%
13	People's Leasing & Finance PLC / L. P. Hapangama	300,000	0.18%
14	Bartleet Produce Marketing (Pvt) Limited	300,000	0.18%
15	Hatton National Bank PLC / Dinesh Nagendra Sellamuttu	286,301	0.17%
16	Mrs. N. H. Abdul Husein	284,000	0.17%
17	D. S. L. Investments (Private) Ltd	269,603	0.16%
18	Asha Financial Services Limited / Mr. C. N. Pakianathan	264,250	0.16%
19	Mr. K. C. Vignarajah	263,296	0.16%
20	Seylan Bank PLC/ Spice of Life (Pvt) Ltd	251,895	0.15%

The percentage of shares held by the public as at 31 December 2015 was 25.51% and the number of public shareholders as at 31 December 2015 were 11,685

12 Directors' share holding as at 31 December, 2015

Name of the Director	No. of Shares
Mr. R. P. K. Gallage	Nil
Mr. D. M. Gunasekara	Nil
Mr. B. J. Sinniah	Nil
Mr. S. S. Gamage	Nil
Mr. A. H. Samarasundera	Nil
Mr. S. L. Rahaman	Nil
Mr. L. C. De Silva	Nil
Mr. W. P. R. P. H. Fonseka (Alternate Director to Mr. D.M. Gunasekara)	Nil

13 CEO's share holding as at 31 December, 2015

Mr.T.Mutugala

Nil