

UNAUDITED FINANCIAL STATEMENTS

For the Period ended 31st December 2018



Merchant Bank of Sri Lanka & Finance PLC

Rating ICRA " [SL] A "
Co.Reg.No. PQ10

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Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Profit or Loss

	Company						Group					
	Quarter ended			Twelve months ended			Quarter ended			Twelve months ended		
	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Audited)* LKR '000	Change %	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Audited)* LKR '000	Change %	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Audited)* LKR '000	Change %	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Audited)* LKR '000	Change %
Income	1,728,833	1,719,089	0.6	6,549,905	6,402,825	2.3	1,756,629	1,766,496	(0.6)	6,730,715	7,079,110	(4.9)
Interest and similar income	1,589,340	1,663,578	(4.5)	6,194,937	6,157,286	0.6	1,611,906	1,683,178	(4.2)	6,280,638	6,256,612	0.4
Interest and similar expenses	992,568	1,001,031	(0.8)	3,752,471	3,708,808	1.2	1,002,886	1,000,205	0.3	3,786,694	3,708,625	2.1
Net interest income	596,773	662,547	(9.9)	2,442,466	2,448,478	(0.2)	609,019	682,973	(10.8)	2,493,944	2,547,987	(2.1)
Fee and commission income	46,760	49,457	(5.5)	210,175	179,687	17.0	46,680	(10,869)	529.5	210,048	140,151	49.9
Fee and commission expenses	154	9,595	(98.4)	2,033	59,964	(96.6)	439	(3,488)	112.6	7,637	77,707	(90.2)
Net fee and commission income	46,605	39,862	16.9	208,142	119,723	73.9	46,241	(7,381)	726.5	202,411	62,444	224.1
Insurance premium income	-	-	-	-	-	-	(2,869)	48,933	(105.9)	69,960	562,170	(87.6)
Net claims and benefits	-	-	-	-	-	-	18,532	17,890	3.6	(76,587)	(348,999)	78.1
Net trading income	(471)	630	(174.7)	6,855	(16,018)	142.8	(169)	893	(119.0)	9,042	(13,769)	165.7
Net gain/(loss) on financial instruments at fair value through profit or loss	11,712	(8,922)	231.3	(29,999)	5,624	(633.4)	12,206	(10,423)	217.1	(29,394)	4,771	(716.1)
Other operating income	81,493	14,346	468.0	167,937	76,246	120.3	88,875	54,784	62.2	190,422	129,175	47.4
Total operating income	736,111	708,463	3.9	2,795,401	2,634,053	6.1	771,835	787,669	(2.0)	2,859,798	2,943,779	(2.9)
Impairment charges from loans and other losses	(393,321)	45,949	(956.0)	132,697	244,231	(45.7)	(393,197)	43,204	(1,010.1)	133,796	245,206	(45.4)
Net operating income	1,129,432	662,514	70.5	2,662,704	2,389,822	11.4	1,165,033	744,465	56.5	2,726,002	2,698,573	1.0
Personnel expenses	196,401	270,786	(27.5)	1,096,230	1,073,525	2.1	212,444	304,688	(30.3)	1,180,570	1,229,523	(4.0)
Depreciation and amortisation	29,933	47,750	(37.3)	119,806	109,025	9.9	32,719	72,342	(54.8)	132,776	128,186	3.6
Other operating expenses	254,582	178,484	42.6	835,777	743,029	12.5	276,793	194,956	42.0	950,997	923,058	3.0
Total operating expense	480,916	446,506	7.7	2,051,813	1,925,578	6.6	521,956	497,098	5.0	2,264,343	2,280,768	(0.7)
Profit / (loss) from operations	648,516	216,007	200.2	610,891	464,243	31.6	643,076	247,367	160.0	461,658	417,805	10.5
Impairment from investment in Group companies	-	56,189	(100.0)	21,117	56,189	(62.4)	-	-	-	-	-	-
Profit / (loss) from operations after impairment from subsidiary investments	648,516	159,818	305.8	589,773	408,054	44.5	643,076	247,367	160.0	461,658	417,805	10.5
Value added tax (VAT) on financial services	99,777	49,094	103.2	202,380	179,403	12.8	99,777	49,094	103.2	202,380	179,403	12.8
Share of associate companies profit before tax	-	-	-	-	-	-	(2,390)	3,785	(163.1)	(8,879)	1,059	(938.7)
Profit before income tax	548,739	110,724	395.6	387,394	228,651	69.4	540,910	202,058	167.7	250,399	239,461	4.6
Income tax expense / (Reversal)	208,201	103,343	101.5	231,003	127,799	80.8	208,201	111,656	86.5	231,003	136,112	69.7
Profit/(loss) for the period	340,538	7,380	4,514.2	156,391	100,851	55.1	332,709	90,402	268.0	19,397	103,349	(81.2)
Profit for the period attributable to:												
Equity holders of the parent	340,538	(737)	46,310.3	156,391	100,851	55.1	333,573	86,556	285.4	43,095	111,858	(61.5)
Non controlling interests	-	-	-	-	-	-	(864)	3,846	(122.5)	(23,698)	(8,509)	(178.5)
Profit/(loss) for the period	340,538	(737)	46,310.3	156,391	100,851	55.1	332,709	90,402	268.0	19,397	103,349	(81.2)
Earnings per share:												
Basic / diluted earnings per share (LKR)	2.05	0.04	4,514.2	0.94	0.61	55.1	2.01	0.52	285.4	0.26	0.67	(61.5)

* The amounts reported for the year ended December 31, 2018 have been computed in accordance with Sri Lanka Accounting Standard - SLFRS 9 - "Financial Instruments",
The additional impairment provision that arose from application of SLFRS 9 - "Financial Instruments" relevant to the financial year 2018 has been charged to the quarter ended December 31, 2018.

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Comprehensive Income

	Company						Group					
	Quarter ended			Twelve months ended			Quarter ended			Twelve months ended		
	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Unaudited)* LKR '000	Change %	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Unaudited)* LKR '000	Change %	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Unaudited)* LKR '000	Change %	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Unaudited)* LKR '000	Change %
Profit/(loss) for the period	340,538	7,380	4,514.2	156,391	100,851	55.1	332,709	90,402	268.0	19,397	103,349	(81.2)
Other comprehensive income for the period												
Actuarial gains/(losses) on defined benefit plans	27,670	(17,867)	254.9	27,670	(17,867)	254.9	36,330	(20,448)	277.7	36,329	(20,448)	277.7
Fair value reserves (Available for Sale Financial Assets):												
Gains/(Losses) on re-measuring available for sale financial assets	(12,027)	11,887	(201.2)	(14,038)	28,379	(149.5)	(19,533)	22,724	(186.0)	(21,542)	39,216	(154.9)
Share of associates companies' other comprehensive income	-	-	-	-	-	-	-	1,239	-	-	1,239	(100.0)
Other comprehensive income before tax	15,642	(5,980)	361.6	13,632	10,512	29.7	16,797	3,516	377.8	14,787	20,008	(26.1)
Deferred tax (charge)/credit relating to components of other comprehensive income	(12,751)	15,942	(180.0)	(12,751)	15,942	(180.0)	(12,751)	15,942	(180.0)	(12,751)	15,942	(180.0)
Other comprehensive income for the period, net of tax	2,892	9,962	(71.0)	881	26,454	(96.7)	4,046	19,457	(79.2)	2,037	35,949	(94.3)
Total comprehensive income for the period, net of tax	343,430	17,343	1,880.3	157,272	127,306	23.5	336,756	109,859	206.5	21,433	139,298	(84.6)
Total comprehensive income attributable to:												
Equity holders of the parent	343,430	9,225	3,622.7	157,272	119,188	32.0	337,434	96,584	249.4	44,947	146,496	(69.3)
Non controlling interests	-	-	-	-	-	-	(680)	5,157	(113.2)	(23,514)	(7,198)	(226.7)
	343,430	9,225	3,622.7	157,272	119,188	32.0	336,755	101,741	231.0	21,433	139,298	(84.6)

* The amounts reported for the year ended December 31, 2018 have been computed in accordance with Sri Lanka Accounting Standard - SLFRS 9 - "Financial Instruments"
The additional impairment provision that arose from application of SLFRS 9 - "Financial Instruments" relevant to the financial year 2018 has been charged to the quarter ended December 31, 2018.

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Financial Position

as at	Company			Group		
	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Audited) LKR '000	Change %	31/12/2018 (Unaudited)* LKR '000	31/12/2017 (Audited) LKR '000	Change %
Assets						
Cash and cash equivalents	291,511	418,885	(30.4)	388,781	466,139	(16.6)
Placements with banks & financial institutions	672,887	1,509,597	(55.4)	786,381	1,597,785	(50.8)
Securities purchased under resale agreements	1,292,670	1,302,748	(0.8)	1,440,819	1,651,927	(12.8)
Financial investments at fair value through profit or loss	267,106	231,264	15.5	274,700	238,252	15.3
Loans & receivables at amortised cost	30,704,950	28,753,661	6.8	30,711,244	28,748,484	6.8
Financial investments at fair value through other comprehensive income	888,772	1,815,181	(51.0)	1,558,095	2,191,842	(28.9)
Financial investments at amortised cost	353,053	479,362	(26.3)	353,053	479,362	(26.3)
Real Estate Stock	78,503	42,603	84.3	78,503	42,603	84.3
Investment in associate company	81,084	81,084	-	83,574	92,453	(9.60)
Investment in subsidiary	-	21,117	(100.0)	-	-	-
Investment properties	120,182	123,773	(2.9)	120,182	123,773	(2.9)
Property, plant and equipment	320,113	321,660	(0.5)	347,054	347,393	(0.1)
Intangible assets	193,121	226,293	(14.7)	193,121	244,526	(21.0)
Other assets	375,022	317,979	17.9	578,290	692,427	(16.5)
Total assets	35,638,974	35,645,207	(0.0)	36,913,797	36,916,966	(0.0)
Liabilities						
Due to banks	5,869,555	1,616,980	263.0	5,872,710	1,623,007	261.8
Due to customers at amortised cost	20,831,022	21,918,869	(5.0)	20,831,022	21,910,383	(4.9)
Debt issued and borrowed funds at amortised cost	5,331,077	7,763,404	(31.3)	5,331,077	7,763,404	(31.3)
Insurance provision - life	-	-	-	574,434	547,026	5.0
Insurance provision - non life	-	-	-	336,825	430,093	(21.7)
Current tax liabilities	63,984	7,473	756.2	63,984	7,473	756.2
Deferred tax liabilities	458,684	373,711	22.7	458,684	373,711	22.7
Other liabilities	529,435	467,964	13.1	991,410	719,713	37.8
Retirement benefits obligations	247,708	262,986	(5.8)	256,645	283,000	(9.3)
Total liabilities	33,331,466	32,411,387	2.8	34,716,791	33,657,810	3.1
Equity						
Stated capital	2,124,457	2,124,457	-	2,124,457	2,124,457	0.0
Retained earnings	(18,605)	924,947	(102.0)	(101,147)	948,415	(110.7)
Available-for-sale reserve	(7,461)	6,577	(213.4)	(19,051)	1,300	(1,565.4)
Statutory reserves	209,117	177,839	17.6	209,117	177,839	17.6
Total equity attributable to the parent	2,307,508	3,233,820	(28.6)	2,213,376	3,252,011	(31.9)
Non controlling interests	-	-	-	(16,370)	7,145	(329.1)
Total equity	2,307,509	3,233,820	(28.6)	2,197,006	3,259,156	(32.6)
Total liabilities and equity	35,638,974	35,645,207	(0.0)	36,913,797	36,916,966	(0.0)
Commitments and contingencies	124,250	167,712	(25.9)	124,250	183,166	(32.2)
Net assets value per share (LKR)	13.91	19.50	(28.6)	13.34	19.61	(31.9)

* The amounts reported for the year ended December 31, 2018 have been computed in accordance with Sri Lanka Accounting Standard - SLFRS 9 - "Financial Instruments"

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

(sgd.)

P. I. Kandanaarachchi
Head of Finance

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.)

Dr. S. Lokuhewa
Chairman

(sgd.)

G. M. J. A. R. Gamalath
Acting Chief Executive Officer

(sgd.)

W. P. R. P. H. Fonseka
Director

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Changes in Equity

Company	Stated capital LKR ' 000	Statutory reserves LKR ' 000	Available for sale reserve LKR ' 000	Retained profits LKR ' 000	Total equity LKR ' 000
Balance as at 01st January 2017	2,124,457	157,669	(21,802)	846,191	3,106,515
Net profit for the year	-	-	-	100,851	100,851
Other comprehensive income	-	-	28,379	(1,925)	26,454
Transfers to statutory reserve fund	-	20,170	-	(20,170)	-
Balance as at 31st December 2017	2,124,457	177,839	6,577	924,948	3,233,820
Impairment adjustment as per SLFRS 9	-	-	-	(1,083,584)	(1,083,584)
Balance as at 1st January 2018 - restated *	2,124,457	177,839	6,577	(158,636)	2,150,236
Net profit for the year	-	-	-	156,391	156,391
Other comprehensive income	-	-	(14,038)	14,919	881
Transfers to statutory reserve fund	-	31,278	-	(31,278)	-
Balance as at 31st December 2018 *	2,124,457	209,117	(7,461)	(18,605)	2,307,508

Group	Stated Capital 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 01st January 2017	2,124,457	157,669	(36,195)	859,584	14,343	3,119,858
Net profit for the year	-	-	-	111,858	(8,509)	103,349
Other comprehensive income	-	-	37,495	(2,857)	1,311	35,949
Transfers to statutory reserve fund	-	20,170	-	(20,170)	-	-
Balance as at 31st December 2017	2,124,457	177,839	1,300	948,415	7,145	3,259,156
Impairment adjustment as per SLFRS 9	-	-	-	(1,083,584)	-	(1,083,584)
Balance as at 1st January 2018 - restated *	2,124,457	177,839	1,300	(135,169)	7,145	2,175,572
Net profit for the year	-	-	-	43,095	(23,698)	19,396
Other comprehensive income	-	-	(20,350)	22,203	185	2,038
Transfers to statutory reserve fund	-	31,278	-	(31,278)	-	-
Balance as at 31st December 2018 *	2,124,457	209,117	(19,051)	(101,150)	(16,368)	2,197,006

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.

* The amounts reported for the year ended December 31, 2018 have been computed in accordance with Sri Lanka Accounting Standard - SLFRS 9 on Financial Instruments.

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Cash Flows

	Company		Group	
	2018	2017	2018	2017
	(Unaudited)* LKR '000	(Audited)* LKR '000	(Unaudited)* LKR '000	(Audited)* LKR '000
For the period ended 31st December				
Cash flows from operating activities				
Profit before income tax	387,394	228,650	250,399	239,461
Adjustments for :				
Change in operating assets	(3,259,383)	(2,041,934)	(3,100,772)	(1,765,033)
Change in operating liabilities	(1,128,644)	3,464,241	(1,048,017)	3,041,470
Share of 'associate companies' (profit)/loss before tax	-	-	8,879	(1,059)
Contribution to defined benefit plans	45,862	46,434	49,424	49,864
Other non-cash items included in profit before tax	162,162	382,542	228,257	345,191
Dividend income	(9,192)	(8,278)	(11,379)	(9,440)
	(3,801,801)	2,071,655	(3,623,208)	1,900,454
Gratuity paid	(33,470)	(14,703)	(39,450)	(20,014)
Net cash generated from/(used in) operating activities before tax	(3,835,271)	2,056,952	(3,662,659)	1,880,440
Income tax paid	-	(10,590)	-	(10,590)
Net cash generated from / (used in) operating activities	(3,835,271)	2,046,362	(3,662,659)	1,869,850
Cash flows from investing activities				
Purchase of financial assets designated at FVTPL	(218,384)	(66,490)	(218,385)	(66,400)
Proceeds from disposal of financial assets designated at FVTPL	154,880	140,209	154,880	141,296
Purchase of financial investments	(183,933)	(610,846)	(484,099)	(584,261)
Proceeds from sale and maturity of financial investments	1,278,534	1,180,014	1,278,534	1,180,014
Net increase/(decrease) in other investment	836,710	(1,390,664)	811,404	(1,335,466)
Purchase of property & equipment	(87,650)	(82,538)	(99,842)	(82,689)
Purchase of intangible assets	(4,469)	(226,617)	8,091	(229,377)
Proceeds from sale of property & equipment	93,822	2,796	95,986	6,722
Dividend received	9,192	8,278	11,379	9,440
Net cash generated from / (used in) investing activities	1,878,702	(1,045,858)	1,557,948	(960,721)
Cash flows from financing activities				
Net increase/(decrease) in reverse repo and repo agreements	(260,700)	(1,001,209)	(59,670)	(885,302)
Net increase/(decrease) in other borrowings at amortised cost	3,364,722	1,466,798	3,364,722	1,466,798
Payments on redemption of debentures	(1,658,309)	(1,370,723)	(1,658,309)	(1,370,723)
Net cash generated from / (used in) financing activities	1,445,714	(905,134)	1,646,743	(789,227)
Net increase / (decrease) in cash and cash equivalents during the period	(510,856)	95,370	(457,968)	119,902
Cash and cash equivalents at the beginning of the period	295,036	199,666	336,263	216,360
Impairment charges of cash and cash equivalents	(1,132)	-	(1,132)	-
Cash and cash equivalents at the end of the period	(216,952)	295,036	(122,837)	336,262
Note				
Analysis of Cash and Cash Equivalents				
Cash and short term funds	291,511	418,885	388,781	466,139
Dues to banks	(508,463)	(123,849)	(511,618)	(129,877)
	(216,952)	295,036	(122,837)	336,262

* The amounts reported for the year ended December 31, 2018 have been computed in accordance with Sri Lanka Accounting Standard - SLFRS 9 on Financial Instruments.

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 period ended were authorized for issue on 28th February 2019, in accordance with the resolution of the Directors passed on 28th February 2019.

2 Basis of preparation and accounting policies

Basis of preparation

The interim condensed Financial Statements for the period ended 31st December 2018 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

Sri Lanka Accounting Standard - SLFRS 9 on "Financial Instruments"

The Sri Lanka Accounting Standard - SLFRS 9 - "Financial Instruments", which replaced the previous guidance on LKAS 39 - "Financial Instruments: Recognition and Measurement" became effective for annual reporting periods beginning on or after January 01, 2018. SLFRS 9 replaced the "Incurred Loss Model" in LKAS 39 with forward looking "Expected Loss Model ("ECL") which requires considerable judgement over how changes in economic factors affect ECL, which in turn is to be determined on a probability weighted basis. SLFRS 9 also contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed based on their cash flow characteristics.

Based on the "Statement of Alternative Treatment (SoAT) on the figures in the interim Financial Statements" issued by The Institute of Chartered Accountants of Sri Lanka, the Company continued to prepare the interim Financial Statements for the first three quarters of the year 2018 with the application of LKAS 39 - 'Financial Instruments: Recognition and Measurement', along with relevant disclosures on the impact to the Statement of Comprehensive Income for the period, if SLFRS 9 has been applied.

The Company prepared the Annual Financial Statements for the year ended December 31, 2018 based on SLFRS 9. The comparative information for 2017 is reported under LKAS 39 and is not comparable to the information presented for 2018. The total additional impairment provision arising from SLFRS 9 for the year 2018 has been recognised in its entirety in the 4th quarter of 2018.

There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report 2017, except for financial assets and liabilities within the scope of Sri Lanka Accounting Standard - SLFRS 9 - "Financial Instruments"

All known expenses including fees and similar expenses have been provided in this Financial Statements.

3 Measurement of Financial Instruments

Company	LKR.'000									
	Financial investment at FVTPL		Loans and receivable at amortised Cost		Financial investment at amortised Cost		Financial investment at FVTOCI		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
As at										
Financial assets										
Cash and cash equivalents	-	-	291,511	418,885	-	-	-	-	291,511	418,885
Placements with banks & financial institutions	-	-	672,887	1,509,597	-	-	-	-	672,887	1,509,597
Securities purchased under resale agreements	-	-	1,292,670	1,302,748	-	-	-	-	1,292,670	1,302,748
Financial investments at fair value through profit or loss	267,106	231,264	-	-	-	-	-	-	267,106	231,264
Loans & receivables at amortised cost	-	-	30,704,950	28,753,661	-	-	-	-	30,704,950	28,753,661
Financial investments at fair value through other comprehensive income	-	-	-	-	-	-	888,772	1,815,181	888,772	1,815,181
Financial investments at amortised cost	-	-	-	-	353,053	479,362	-	-	353,053	479,362
Other assets	-	-	43,721	49,442	-	-	-	-	43,721	49,442
Total	267,106	231,264	33,005,738	32,034,333	353,053	479,362	888,772	1,815,181	34,514,669	34,560,140

Other Financial liabilities	LKR.'000			
	Other financial liabilities at amortised cost		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
As at				
Due to banks	5,869,555	1,616,980	5,869,555	1,616,980
Due to customers at amortised cost	20,831,022	21,918,869	20,831,022	21,918,869
Debt issued and borrowed funds at amortised cost	5,331,077	7,763,404	5,331,077	7,763,404
Other liabilities	316,847	338,072	316,847	338,072
Total	32,348,503	31,637,325	32,348,503	31,637,325

Group	LKR.'000									
	Financial investment at FVTPL		Loans and receivable at amortised Cost		Financial investment at amortised Cost		Financial investment at FVTOCI		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
As at										
Financial assets										
Cash and cash equivalents	-	-	388,781	466,139	-	-	-	-	388,781	466,139
Placements with banks & financial institutions	-	-	786,381	1,597,785	-	-	-	-	786,381	1,597,785
Securities purchased under resale agreements	-	-	1,440,819	1,651,927	-	-	-	-	1,440,819	1,651,927
Financial investments at fair value through profit or loss	274,700	238,252	-	-	-	-	-	-	274,700	238,252
Loans & receivables at amortised cost	-	-	30,711,244	28,748,484	-	-	-	-	30,711,244	28,748,484
Financial investments at fair value through other comprehensive income	-	-	-	-	-	-	1,558,095	2,191,842	1,558,095	2,191,842
Financial investments at amortised cost	-	-	-	-	353,053	479,362	-	-	353,053	479,362
Other assets	-	-	43,721	49,442	-	-	-	-	43,721	49,442
Total	274,700	238,252	33,370,946	32,513,776	353,053	479,362	1,558,095	2,191,842	35,556,794	35,423,232

Other Financial liabilities	LKR.'000			
	Other financial liabilities at amortised cost		Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
As at				
Due to banks	5,872,710	1,623,007	5,872,710	1,623,007
Due to customers at amortised cost	20,831,022	21,910,383	20,831,022	21,910,383
Debt issued and borrowed funds at amortised cost	5,331,077	7,763,404	5,331,077	7,763,404
Other liabilities	316,847.36	338,072	316,847.36	338,072
Total	32,351,657	31,634,866	32,351,657	31,634,866

4 Movement in individual and collective impairment during the period

	LKR. '000			
	Company		Group	
	2018	2017	2018	2017
Impairment charges from loans and other losses				
Impairment from Loans and advances_individual impairment (Note 4.1)	587,722	44,829	587,722	44,829
Impairment from Loans and advances_collective impairment (Note 4.2)	(455,025)	199,402	(455,025)	199,402
Insurance Receivable	-	-	1,099	975
	132,697	244,231	133,796	245,206
4.1 Individual impairment charges				
As at 01 January	719,267	685,040	722,120	685,040
Charge to income statement from loans and advances	587,722	44,829	587,722	44,829
Write off	-	(10,602)	-	(10,602)
As at 31st December	1,306,989	719,267	1,309,842	719,267
4.2 Collective impairment charges				
As at 01 January	591,289	391,887	588,437	391,887
Charge to income statement from loans and advances	(455,025)	199,402	(455,025)	199,402
As at 31st December	136,264	591,289	133,412	591,289
Loans and advances impairment	1,443,253	1,310,556	1,443,254	1,310,556

5 Investment in subsidiary

Impairment losses recognised in the period.

At the end of the reporting period, the recoverable amount of investment in subsidiary was determined as Zero and further, Impairment of Rs. 21.1 Mn was made in the Company's Financial Statements.

6 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 31st December 2018 and comparative figures for the period ended 31st December 2017.

Group	Leasing		Corporate & Retail Credit		Corporate Advisory & Capital Markets		Insurance		Eliminations / Unallocated		Total	
	2018 LKR.'000	2017 LKR.'000	2018 LKR.'000	2017 LKR.'000	2018 LKR.'000	2017 LKR.'000	2018 LKR.'000	2017 LKR.'000	2018 LKR.'000	2017 LKR.'000	2018 LKR.'000	2017 LKR.'000
For the Period ended 31st December												
Revenue from external customers												
Interest and similar income	3,201,421	3,006,842	2,606,984	2,624,985	24,436	20,514	85,702	99,326	362,095	504,945	6,280,638	6,256,612
Interest and similar expenses	1,629,998	1,610,101	1,386,616	1,317,446	30,389	35,363	39,826	17,559	699,865	728,156	3,786,694	3,708,625
Net interest income	1,571,423	1,396,741	1,220,368	1,307,539	(5,953)	(14,849)	45,876	81,767	(337,770)	(223,211)	2,493,944	2,547,987
Other income	109,362	66,052	122,559	144,348	16,571	(10,549)	17,917	228,811	99,444	(32,871)	365,854	395,792
Inter - segment Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total operating income	1,680,785	1,462,793	1,342,927	1,451,887	10,618	(25,398)	63,793	310,578	(238,326)	(256,082)	2,859,798	2,943,779
Impairment charges for loans and other losses	(210,512)	106,421	77,815	(297,775)	(29,999)	5,624	(1,099)	(975)	29,999	(58,502)	(133,796)	(245,207)
Net operating income	1,470,273	1,569,214	1,420,742	1,154,112	(19,381)	(19,774)	62,694	309,603	(208,327)	(314,584)	2,726,002	2,698,572
Depreciation and amortisation	(52,041)	(47,331)	(44,271)	(38,728)	(970)	(1,040)	(12,970)	(19,161)	(22,524)	(21,926)	(132,776)	(128,186)
Segment result	578,123	707,232	661,803	448,806	(65,407)	(32,163)	(149,232)	(43,356)	(563,629)	(662,714)	461,658	417,805
Profit / (loss) from operations after impairment from subsidiary investments											461,658	417,805
Value added tax on financial services											(202,380)	(179,403)
Share of associate company's profit/(loss) before tax											(8,879)	1,059
Profit before income tax											250,399	239,461
Income tax expense											(231,003)	(136,112)
Profit for the year											19,397	103,349
Total assets	16,430,638	15,181,198	14,359,110	12,532,616	299,543	289,806	1,262,385	1,357,498	4,562,121	7,555,847	36,913,797	36,916,966
Total liabilities	14,836,113	13,320,770	12,965,619	10,996,766	270,474	254,291	1,385,324	1,332,359	5,259,262	7,753,624	34,716,791	33,657,810

7 Information on Debentures

Debenture Categories	CSE Listing	Interest Payable Frequency	Face Value as at 31/12/2018 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															
Nov 2014 - Nov 2019	Listed	Annually	909,770	Not traded during the quarter			9.00%	9.00%	10.28%	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%	10.28%	Not traded during the quarter			Not traded during the quarter		
May 2017 - May 2022	Listed	Annually	805,760	Not traded during the quarter			15.00%	15.00%	11.06%	Not traded during the quarter			Not traded during the quarter		
May 2017 - May 2022	Listed	Bi Annually	1,193,230	Not traded during the quarter			14.50%	15.03%	11.06%	Not traded during the quarter			Not traded during the quarter		
May 2017 - May 2022	Listed	Bi Annually	1,010	Not traded during the quarter			11.47%	11.80%	11.06%	Not traded during the quarter			Not traded during the quarter		
Total Debentures			4,000,000												

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

Debenture issue proceeds utilization as at 31st December 2018

No.	Objective as per the prospectus	Amount allocated as per prospectus	Date of Utilization	Amount allocated from proceed LKR (A)	% of Total Proceeds	Amount Utilized in LKR (B)	% of Utilization (B/A)	Clarification if not fully utilized
1	Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 2.0 Bn during the year 2017 The funds raised through this Debenture Issue utilized to increase the medium term fund base to match the medium to long term lending portfolio, to minimize the interest rate risk and the gap exposure in the Companies assets/liability portfolio, to provide investors an opportunity to earn a regular fixed Income.	2,000,000,000	3-Mar-17	2,000,000,000	100%	2,000,000,000	100%	N/A
2	To enhance Tier II Capital base of the Company. Tier II ratio of the Company as at 31st December 2016 stood at 10.69% and subsequent to this Debenture issue the Tier II ratio is expected to increase to 16.22%.					1,616,909,784	81%	Approved unsecured subordinated term debt are limited to 50% of Total Tier 1 Capital of the Company.

8 Events after the statement of financial position date

There were no material events that took place since 31st December 2018 that require disclosure in these financial statements.

9 Information on ordinary shares

As at		31/12/2018	31/12/2017
Net asset per share (LKR)	- Company	13.91	19.50
	- Group	13.34	19.61
Market price per share recorded during the quarter ended 31st December (LKR)		2018	2017
	-High	9.60 (31-12-2018)	15.80 (7-11-2017)
	-Low	7.40 (23-10-2018)	12.70 (22-12-2017)
	-Last Transaction	9.60 (31-12-2018)	13.50 (28-12-2017)
As at		31/12/2018	31/12/2017
Number of shares issued		165,874,541	165,874,541
Stated capital (LKR)		2,124,457,307	2,124,457,307
Ratios as at		31/12/2018	31/12/2017
Debt / Equity Ratio		4.9	2.9
Statutory Liquid Asset Ratio		11.37%	11.49%
Ratios for the period ended		31/12/2018	31/12/2017
Interest Cover		1.103	1.062

The Float adjusted market capitalization as at 31st December 2018 - Rs. 406,145,366

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.13.1 (a), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

10 Twenty largest share holders as at 31st December 2018

	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	11,912,295	7.18%
03	People's Leasing & Finance PLC / Mr. D. M. P. Disanayake	632,485	0.38%
04	J. B. Cocoshell (Pvt) Ltd	537,530	0.32%
05	Merrill J Fernando & Sons (Pvt) Ltd	526,165	0.32%
06	Sandwave Ltd	420,449	0.25%
07	Seylan Bank PLC / Spice of Life (Pvt) Ltd	405,234	0.24%
08	MRS. K.V. Hewavitane	400,000	0.24%
09	Hatton National Bank PLC / Mr. D. N. Sellamuttu	386,301	0.23%
10	Mr. N. Balasingam	381,400	0.23%
11	Richard Peiris Financial Services (Pvt) Ltd / Mr. M. A. A. Karim	380,000	0.23%
12	Seylan Bank PLC / Prime Lands (Pvt) Ltd	375,000	0.23%
13	Mr. B.T. Prathapasinghe	345,000	0.21%
14	Mr. A. Chelliah (Deceased)	333,800	0.20%
15	Mr. A. M. Weerasinghe	305,583	0.18%
16	Mr. W. L. T. Anandawansa	300,100	0.18%
17	People's Leasing & Finance PLC / Mr. L. P. Hapangama	300,000	0.18%
18	Bartleet Produce Marketing (Pvt) Ltd	300,000	0.18%
19	Mr. M. F. Ozman	290,657	0.18%
20	Mr. R. E. Rambukwella	286,500	0.17%

The percentage of shares held by the public as at 31st December 2018 was 25.51% and the number of public shareholders as at 31st December 2018 were 11,318

11 Directors' shareholding as at 31st December 2018

Name of the Director	No. of Shares
Dr. S. Lokuhewa	Nil
Mr. W. P. R. P. H. Fonseka	Nil
Mr. K. B. S. Bandara	Nil
Mr. S. N. Dayaratne	Nil
Mr. S. P. Arsakularatne	Nil
Mr. R. M. D. V. Jayabahu	Nil
Mr. D. N. L. Fernando	24
Mr. M. P. R. Kumara (Alternate Director to Mr. W. P. R. P. H. Fonseka)	Nil
Mr. C. Amarasinghe (Alternate Director to Mr. K. B. S. Bandara)	Nil

12 ACT. CEO's shareholding as at 31st December 2018

Mr. G. M. J. A. R. Gamalath	Nil
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