

# UNAUDITED FINANCIAL STATEMENTS

For the Period ended 31st December 2022



Rating LRA " [SL] BBB+  
(Stable Outlook)"

Co.Reg.No. PQ10

## 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		
	12/31/2022	12/31/2021	Change	12/31/2022	12/31/2021	Change	12/31/2022	12/31/2021	Change	12/31/2022	12/31/2021	Change
	(Unaudited)	(Audited)	%	(Unaudited)	(Audited)	%	(Unaudited)	(Audited)	%	(Unaudited)	(Audited)	%
LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		
Income	1,789,908	1,711,880	4.6	6,542,592	5,971,065	9.6	2,013,007	1,798,912	11.9	7,264,803	6,319,853	15.0
Interest and similar income	1,789,743	1,510,451	18.5	6,451,082	5,525,955	16.7	1,876,053	1,533,461	22.3	6,704,775	5,601,459	19.7
Interest and similar expenses	1,479,064	630,141	134.7	4,695,684	2,675,588	75.5	1,473,762	632,548	133.0	4,688,065	2,682,522	74.8
<b>Net interest income</b>	310,679	880,310	(64.7)	1,755,398	2,850,367	(38.4)	402,291	900,913	(55.3)	2,016,711	2,918,937	(30.9)
Fee and commission income	30,820	69,862	(55.9)	129,156	189,929	(32.0)	33,924	85,427	(60.3)	136,861	201,058	(31.9)
Fee and commission expenses	2,188	11,764	(81.4)	19,205	38,587	(50.2)	(2,821)	7,942	(135.5)	1,432	21,359	(93.3)
<b>Net fee and commission income</b>	28,632	58,098	(50.7)	109,952	151,342	(27.3)	36,744	77,485	(52.6)	135,429	179,699	(24.6)
Insurance premium income	-	-	-	-	-	-	92,918	80,118	16.0	362,191	288,998	25.3
Net claims and benefits	-	-	-	-	-	-	(75,895)	(40,946)	(85.4)	(310,003)	(137,982)	(124.7)
Net trading income	1,144	46,133	(97.5)	2,255	44,281	(94.9)	1,144	46,133	(97.5)	2,255	44,281	(94.9)
Net gain/(loss) on financial instruments at fair value through profit or loss	(59,249)	(30,639)	(93.4)	(132,131)	(23,435)	(463.8)	(60,374)	(27,238)	(121.7)	(139,460)	(20,085)	(594.4)
Other operating income	27,450	116,074	(76.4)	92,229	234,335	(60.6)	69,343	81,011	(14.4)	198,182	204,143	(2.9)
<b>Total operating income</b>	308,655	1,069,975	(71.2)	1,827,703	3,256,890	(43.9)	466,171	1,117,476	(58.3)	2,265,303	3,477,991	(34.9)
Impairment charge/(reversal) from loans and other losses	(106,635)	(235,970)	54.8	(16,505)	74,450	(122.2)	(106,635)	(235,970)	54.8	(16,505)	74,450	(122.2)
<b>Net operating income</b>	415,290	1,305,946	(68.2)	1,844,208	3,182,440	(42.1)	572,806	1,353,446	(57.7)	2,281,808	3,403,541	(33.0)
Personnel expenses	322,309	325,221	(0.9)	1,333,267	1,200,450	11.1	375,529	363,570	3.3	1,527,073	1,360,993	12.2
Depreciation and amortisation	63,997	51,581	24.1	265,419	245,115	8.3	72,647	60,772	19.5	298,623	272,431	9.6
Other operating expenses	182,536	216,286	(15.6)	660,683	613,860	7.6	276,691	282,017	(1.9)	847,264	749,639	13.0
<b>Total operating expense</b>	568,842	593,088	(4.1)	2,259,370	2,059,425	9.7	724,867	706,358	2.6	2,672,960	2,383,063	12.2
<b>Profit/(loss) from operations</b>	(153,552)	712,858	(121.5)	(415,162)	1,123,015	(137.0)	(152,062)	647,088	(123.5)	(391,152)	1,020,478	(138.3)
Impairment charge/(reversal) from investment in Subsidiary companies	-	-	-	113,773	16,019	610.2	-	-	-	-	-	-
Impairment charge/(reversal) from investment in Associate companies	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) from operations after impairment from subsidiary investments</b>	(153,552)	712,858	(121.5)	(528,935)	1,106,996	(147.8)	(152,062)	647,088	(123.5)	(391,152)	1,020,478	(138.3)
Value added tax (VAT) on financial services	37,115	129,043	(71.2)	123,868	294,268	(57.9)	37,115	129,043	(71.2)	123,868	294,268	(57.9)
Social Security Contribution Levy (SSCL)	4,110	-	-	4,110	-	-	4,110	-	-	4,110	-	-
Share of associate companies profit/(loss) before tax	-	-	-	-	-	-	10,851	34,042	(68.1)	58,161	109,490	(46.9)
<b>Profit/(loss) before income tax</b>	(194,777)	583,815	(133.4)	(656,914)	812,728	(180.8)	(182,436)	552,088	(133.0)	(460,970)	835,700	(155.2)
Income tax expense/(reversal)	(120,062)	236,811	(150.7)	(161,306)	283,684	(156.9)	(117,024)	290,402	(140.3)	(144,992)	358,399	(140.5)
<b>Profit/(loss) for the period</b>	(74,715)	347,004	(121.5)	(495,607)	529,044	(193.7)	(65,412)	261,686	(125.0)	(315,977)	477,301	(166.2)
<b>Profit/(loss) for the period attributable to:</b>												
Equity holders of the parent	(74,715)	347,004	(121.5)	(495,607)	529,044	(193.7)	(66,101)	292,475	(122.6)	(327,067)	525,073	(162.3)
Non controlling interests	-	-	-	-	-	-	689	(30,789)	102.2	11,090	(47,772)	123.2
<b>Profit/(loss) for the period</b>	(74,715)	347,004	(121.5)	(495,607)	529,044	(193.7)	(65,412)	261,686	(125.0)	(315,977)	477,301	(166.2)
<b>Earnings per share:</b>												
Basic/Diluted earnings/(loss) per share (LKR)	(0.14)	1.34	(110.6)	(0.56)	2.04	(127.5)	(0.13)	1.13	(111.2)	(0.37)	2.03	(118.3)

## Merchant Bank of Sri Lanka & Finance PLC

### Unaudited Statement of Comprehensive Income

	Company						Group					
	Quarter ended			Twelve months ended			Quarter ended			Twelve months ended		
	12/31/2022 (Unaudited)	12/31/2021 (Audited)	Change %									
LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		
<b>Profit/(loss) for the period</b>	(74,715)	347,004	(121.5)	(495,607)	529,044	(193.7)	(65,412)	261,686	(125.0)	(315,977)	477,301	(166.2)
<b>Other comprehensive income/(expense) for the period</b>												
Actuarial gains/(losses) on defined benefit plans	(39,039)	59,658	(165.4)	47,045	59,658	(21.1)	(37,053)	61,143	(160.6)	49,032	61,143	(19.8)
<b>Fair value reserves (Financial investments at fair value through other comprehensive income):</b>												
Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income	(2,747)	(23,467)	88.3	(10,735)	(22,217)	51.7	45,215	(26,741)	269.1	(10,440)	(31,139)	66.5
Recycling to the income statement for impairment	-	-	-	-	-	-	-	-	-	-	-	-
Share of associates companies' other comprehensive income	-	-	-	-	-	-	-	632	(100.0)	-	632	(100.0)
<b>Other comprehensive income/(expense) before tax</b>	(41,786)	36,191	(215.5)	36,310	37,441	(3.0)	8,163	35,034	(76.7)	38,591	30,636	26.0
Deferred tax (charge)/credit relating to components of other comprehensive income	6,547	(16,449)	139.8	(14,114)	(16,449)	14.2	6,547	(17,261)	137.9	(14,114)	(17,261)	18.2
<b>Other comprehensive income/(expense) for the period, net of tax</b>	(35,240)	19,741	(278.5)	22,197	20,992	5.7	14,709	17,773	(17.2)	24,478	13,376	83.0
<b>Total comprehensive income/(expense) for the period, net of tax</b>	(109,955)	366,745	(130.0)	(473,411)	550,036	(186.1)	(50,703)	279,459	(118.1)	(291,499)	490,677	(159.4)
<b>Total comprehensive income/(expense) attributable to:</b>												
Equity holders of the parent	(109,955)	366,745	(130.0)	(473,411)	550,036	(186.1)	(74,463)	311,074	(123.9)	(303,643)	541,884	(156.0)
Non controlling interests	-	-	-	0	-	-	23,760	(31,615)	175.2	12,144	(51,207)	123.7
	(109,955)	366,745	(130.0)	(473,411)	550,036	(186.1)	(50,703)	279,459	(118.1)	(291,499)	490,677	(159.4)

# Merchant Bank of Sri Lanka & Finance PLC

## Unaudited Statement of Financial Position

as at	Company			Group		
	12/31/2022	12/31/2021	Change	12/31/2022	12/31/2021	Change
	(Unaudited)	(Audited)	%	(Unaudited)	(Audited)	%
	LKR '000	LKR '000		LKR '000	LKR '000	
<b>Assets</b>						
Cash and cash equivalents	748,724	1,191,374	(37.2)	944,784	1,436,435	(34.2)
Placements with banks & financial institutions	103,682	246,166	(57.9)	137,162	535,292	(74.4)
Financial investments at fair value through profit or loss	287,510	341,547	(15.8)	293,847	355,214	(17.3)
Loans & receivables at amortised cost	24,423,300	28,184,638	(13.3)	24,370,850	28,016,693	(13.0)
Financial investments at fair value through other comprehensive income	15,863	1,989,169	(99.2)	78,151	3,415,338	(97.7)
Financial investments at amortised cost	4,307,394	-	-	5,883,995	-	-
Real Estate Stock	96,938	175,816	(44.9)	96,938	175,816	(44.9)
Investment in associate company	81,084	81,084	-	175,646	131,399	33.7
Investment in subsidiary	257,631	371,404	(30.6)	-	-	-
Investment properties	104,798	107,703	(2.7)	104,798	107,703	(2.7)
Property, equipment and right-of-use assets	504,669	607,185	(16.9)	637,969	742,708	(14.1)
Intangible assets	103,208	128,578	(19.7)	103,208	128,578	(19.7)
Deferred tax Assets	33,824	-	-	37,934	4,111	822.8
Other assets	163,157	852,795	(80.9)	542,929	1,220,370	(55.5)
<b>Total assets</b>	<b>31,231,781</b>	<b>34,277,459</b>	<b>(8.9)</b>	<b>33,408,209</b>	<b>36,269,657</b>	<b>(7.9)</b>
<b>Liabilities</b>						
Due to banks	2,925,953	4,116,812	(28.9)	2,935,170	4,133,305	(29.0)
Due to customers at amortised cost	23,524,609	22,267,862	5.6	23,354,493	22,201,604	5.2
Debt issued and borrowed funds at amortised cost	69,082	2,381,579	(97.1)	69,082	2,381,579	(97.1)
Insurance provision - life	-	-	-	355,190	416,634	(14.7)
Insurance provision - non life	-	-	-	662,773	511,538	29.6
Current tax liabilities	49,029	178,898	(72.6)	49,029	178,898	(72.6)
Deferred tax liabilities	-	78,301	(100.0)	-	78,301	(100.0)
Other liabilities	686,361	764,118	(10.2)	1,214,083	1,269,913	(4.4)
Retirement benefits obligations	281,203	320,934	(12.4)	292,326	332,724	(12.1)
<b>Total liabilities</b>	<b>27,536,238</b>	<b>30,108,504</b>	<b>(8.5)</b>	<b>28,932,146</b>	<b>31,504,496</b>	<b>(8.2)</b>
<b>Equity</b>						
Stated capital	4,276,448	4,276,448	-	4,276,448	4,276,448	-
Retained earnings	(944,965)	(427,847)	(120.9)	(597,673)	(251,498)	(137.6)
OCI reserve	(30,377)	(19,642)	(54.7)	(33,368)	(23,860)	(39.8)
RLA Reserve	54,441	-	-	54,441	-	-
Statutory reserves	339,996	339,996	-	339,996	339,996	0.0
Total equity attributable to the parent	3,695,543	4,168,955	(11.4)	4,039,844	4,341,086	(6.9)
Non controlling interests	-	-	-	436,219	424,075	2.9
<b>Total equity</b>	<b>3,695,543</b>	<b>4,168,955</b>	<b>(11.4)</b>	<b>4,476,063</b>	<b>4,765,161</b>	<b>(6.1)</b>
<b>Total liabilities and equity</b>	<b>31,231,781</b>	<b>34,277,459</b>	<b>(8.9)</b>	<b>33,408,209</b>	<b>36,269,657</b>	<b>(7.9)</b>
Commitments and contingencies	103,938	102,400	1.5	131,377	137,867	(4.7)
Net assets value per share (LKR)	7.05	16.08	(56.2)	7.70	8.28	(6.9)

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

**Mr. P. I. Kandanaarachchi**

Head of Finance

**Mr. H. K. D. W. M. D. K. Hapuhinna**

Chief Executive Officer

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.)

**Mr. A. M. A. Perera**

Director

(sgd.)

**Mr. J. D. V. N. Jayasinghe**

Director

Colombo, Sri Lanka

28/Feb/2023

## Merchant Bank of Sri Lanka & Finance PLC

### Unaudited Statement of Changes in Equity

Company	Stated capital LKR ' 000	Statutory reserves LKR ' 000	OCI reserve LKR ' 000	RLA reserve LKR ' 000	Retained profits LKR ' 000	Total equity LKR ' 000
Balance as at 01st January 2021	2,124,457	234,613	2,575	-	(893,794)	1,467,851
Net profit/(loss) for the period	-	-	-	-	529,044	529,044
Other comprehensive income	-	-	(22,217)	-	43,209	20,992
Issue of ordinary shares through right issue	2,151,991	-	-	-	-	2,151,991
Transaction cost related to rights issue	-	-	-	-	(923)	(923)
Transfers to statutory reserve fund	-	105,383	-	-	(105,383)	-
<b>Balance as at 31st December 2021</b>	<b>4,276,448</b>	<b>339,996</b>	<b>(19,642)</b>	<b>-</b>	<b>(427,847)</b>	<b>4,168,955</b>
Balance as at 01st January 2022	4,276,448	339,996	(19,642)	-	(427,848)	4,168,955
Net profit/(loss) for the period	-	-	-	-	(495,607)	(495,607)
Other comprehensive income	-	-	(10,735)	-	32,931	22,196
Transfer to regulatory loss allowance reserve (RLAR)	-	-	-	54,441	(54,441)	-
Transfers to statutory reserve fund	-	-	-	-	-	-
<b>Balance as at 31st December 2022</b>	<b>4,276,448</b>	<b>339,996</b>	<b>(30,377)</b>	<b>54,441</b>	<b>(944,965)</b>	<b>3,695,543</b>

Group	Stated Capital LKR ' 000	Statutory reserves LKR ' 000	OCI reserve LKR ' 000	RLA reserve LKR ' 000	Retained profits LKR ' 000	Non controlling interest LKR ' 000	Total equity LKR ' 000
Balance as at 01st January 2021	2,124,457	234,613	3,157	-	(714,093)	475,282	2,123,416
Net profit/(loss) for the period	-	-	-	-	525,073	(47,772)	477,301
Other comprehensive income	-	-	(27,017)	-	43,828	(3,435)	13,376
Issue of ordinary shares through right issue	2,151,991	-	-	-	-	-	2,151,991
Transaction cost related to rights issue	-	-	-	-	(923)	-	(923)
Transfers to statutory reserve fund	-	105,383	-	-	(105,383)	-	-
<b>Balance as at 31st December 2021</b>	<b>4,276,448</b>	<b>339,996</b>	<b>(23,860)</b>	<b>-</b>	<b>(251,498)</b>	<b>424,075</b>	<b>4,765,161</b>
Balance as at 01st January 2022	4,276,448	339,996	(23,860)	-	(251,498)	424,075	4,765,161
Net profit/(loss) for the period	-	-	-	-	(327,067)	11,090	(315,977)
Prior year adjustment made to share of associate company profit	-	-	-	-	2,401	-	2,401
Transfer to regulatory loss allowance reserve (RLAR)	-	-	-	54,441	(54,441)	-	-
Other comprehensive income	-	-	(9,507)	-	32,931	1,054	24,478
Transfers to statutory reserve fund	-	-	-	-	-	-	-
<b>Balance as at 31st December 2022</b>	<b>4,276,448</b>	<b>339,996</b>	<b>(33,368)</b>	<b>54,441</b>	<b>(597,673)</b>	<b>436,219</b>	<b>4,476,063</b>

# Merchant Bank of Sri Lanka & Finance PLC

## Unaudited Statement of Cash Flows

For the period ended 31st December

	Company		Group	
	2022 (Unaudited) LKR '000	2021 (Audited) LKR '000	2022 (Unaudited) LKR '000	2021 (Audited) LKR '000
<b>Cash flows from operating activities</b>				
Profit before income tax	(656,914)	812,728	(460,970)	835,700
<b>Adjustments for :</b>				
Net Interest Income	(1,755,398)	(2,850,366)	(2,016,711)	(2,918,937)
WHT movement for the year	-	(5,006)	-	(5,006)
Impairment charges for loans and other losses	(16,505)	74,450	(16,505)	74,450
Impairment (reversal)/charge of investment in subsidiary	113,773	16,019	-	-
Share of associate company's profit/(loss) before tax	-	-	(58,161)	(109,490)
Depreciation and amortisation	265,419	245,115	298,623	272,431
Provision of investment properties	-	3,761	-	3,761
Profit from sales of real estate	(28,533)	(48,818)	(28,533)	(48,818)
Profit from sales of property & equipment	(540)	(12,546)	(540)	(12,546)
Dividend income from associates	-	(43,496)	-	-
Dividend income from financial assets	(7,207)	(5,874)	(7,668)	(6,890)
Contribution to defined benefit plans	61,641	48,608	64,341	51,163
Fair value change of financial assets	132,131	23,435	134,412	15,187
	<b>(1,892,132)</b>	<b>(1,741,990)</b>	<b>(2,091,711)</b>	<b>(1,848,997)</b>
Interest paid to customers at amortised cost	(3,312,186)	(1,929,843)	(3,312,186)	(1,929,843)
Interest paid on other borrowings	(1,246,872)	(620,938)	(1,286,172)	(676,633)
Interest received on loans & receivables at amortised cost	5,880,095	5,860,797	5,880,095	5,860,797
Interest received on other investment	571,457	224,835	872,069	349,100
Gratuity paid	(54,327)	(19,921)	(57,693)	(21,112)
<b>Change in operating assets</b>				
Loans & receivables at amortised cost	3,736,435	(1,985,401)	3,737,436	(1,985,543)
Other operating assets	604,715	(422,313)	579,957	(598,934)
<b>Change in operating liabilities</b>				
Due to customers at amortised cost	1,027,839	487,219	1,027,839	487,219
Payments made under operating leases	(145,461)	(182,821)	(174,869)	(204,097)
Insurance provision	-	-	89,790	(59,378)
Other liabilities	(67,047)	54,551	(15,712)	233,414
<b>Net cash generated from/(used in) operating activities before tax</b>	<b>5,102,516</b>	<b>(275,826)</b>	<b>5,248,842</b>	<b>(394,007)</b>
Income tax paid	-	-	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>5,102,516</b>	<b>(275,826)</b>	<b>5,248,842</b>	<b>(394,007)</b>
<b>Cash flows from investing activities</b>				
Net increase/(decrease) in financial investments at FVTOCI	-	-	-	-
Net increase/(decrease) in financial investments at amortised cost	(2,297,017)	(709,367)	(2,509,737)	(1,963,041)
Net (increase)/decrease in placements with banks & financial institutions	139,421	84,739	291,210	268,211
Net (increase)/decrease in investment of government securities at FVTPL	99,922	559,234	99,922	559,234
Net (increase)/decrease in other financial investments at FVTPL	(181,815)	14,314	(174,485)	10,964
Proceeds from real estate stock	107,411	203,189	107,411	203,189
Purchase of property & equipment	(38,052)	(38,612)	(56,468)	(65,804)
Purchase of intangible assets	(11,681)	(18,151)	(11,681)	(18,151)
Proceeds from sale of property & equipment	567	12,598	567	12,598
Dividends received	7,207	49,370	7,668	50,386
<b>Net cash generated from/(used in) investing activities</b>	<b>(2,174,036)</b>	<b>157,315</b>	<b>(2,245,592)</b>	<b>(942,414)</b>
<b>Cash flows from financing activities</b>				
Net increase/(decrease) reverse repo agreements	164,000	(578,952)	164,000	(578,952)
Net increase/(decrease) in other borrowings at amortised cost	(2,911,972)	(1,371,850)	(3,028,467)	(1,440,883)
Proceeds from rights issue of shares	-	2,151,991	-	2,151,991
Transaction cost related to rights issue	-	(923)	-	(923)
<b>Net cash generated from/(used in) financing activities</b>	<b>(2,747,972)</b>	<b>200,266</b>	<b>(2,864,467)</b>	<b>131,233</b>
Net increase / (decrease) in cash and cash equivalents during the period	180,507	81,754	138,782	(1,205,188)
Cash and cash equivalents at the beginning of the period	416,172	334,418	644,740	1,849,929
<b>Cash and cash equivalents at the end of the period</b>	<b>596,679</b>	<b>416,172</b>	<b>783,522</b>	<b>644,740</b>
Note				
<b>Analysis of Cash and Cash Equivalents</b>				
Cash and short term funds	748,739	1,191,383	944,799	1,436,443
Dues to banks	(152,060)	(775,211)	(161,277)	(791,703)
	<b>596,679</b>	<b>416,172</b>	<b>783,522</b>	<b>644,740</b>

### 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 2023, in accordance with the resolution of the Directors passed on 28th February 2023.

### Basis of preparation and accounting policies

The interim condensed Financial Statements for the period ended 31st December 2022 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.

There were no changes to the Accounting Policies and methods of computation since the publication of the last Annual Audited Financials except the Group changes its business model for managing its financial assets and financial liabilities.

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

### IMPACT DUE TO CURRENT ECONOMIC CONDITION

As at 31.12.2022, inflation rate was 57.2%. Exchange rates observed an slight appreciation after the balance sheet date. The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) at current level of 14.50% and 15.50% respectively. The depletion of foreign reserves has put restrictions on imports and affected supplies. The Company has taken the following measures to ensure it continues its operations as a going concern.

- Focus on asset backed lending
- Strict credit evaluation to minimize credit risk
- Restructure/reshedulment of stressed loans due to current adverse market conditions
- Additional financing to minimize liquidity risk
- Managing operational cost

The management of the Company continues to monitor the potential impact to the continuity of the business. Based on these proactive analyses and our operating model, financial strength of the Company and the backing of the largest state own bank BOC, the management is confident that the company has no impact to its business continuity and expects to manage the above challenges effectively.

### Cap on Loans and Advances and Deposits

Due to non-compliance with regulatory Total Capital requirement of 12.5 percent, the Central Bank has imposed below restrictions with effect from 01 September 2022 until the Company becomes compliant

- a) A Lending Cap-Rs. 29bn net Loans & Advances (including the interest accrued receivable). However, the Company may continue granting cash back loans and loans secured by gold, in a manner which does not create any adverse impact on Total Capital requirement.
- b) A Deposit Cap-Rs. 26bn (including interest payable)
- c) Offering interest rates 100 basis points lower than the maximum interest rates payable on deposits by Licensed Finance Companies.

The Company is in the process of completing a debenture issue to comply with Capital Adequacy Ratio.

## Measurement of Financial Instruments

Company	LKR.'000							
	Financial instrument at FVTPL		Financial instrument at amortised Cost		Financial instrument at FVTOCI		Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
<b>As at</b>								
<b>Financial assets</b>								
Cash and cash equivalents	-	-	748,724	1,191,374	-	-	748,724	1,191,374
Placements with banks & financial institutions	-	-	103,682	246,166	-	-	103,682	246,166
Financial investments at fair value through profit or loss	287,510	341,547	-	-	-	-	287,510	341,547
Loans & receivables at amortised cost	-	-	24,423,300	28,184,638	-	-	24,423,300	28,184,638
Financial investments at fair value through other comprehensive income	-	-	-	-	15,863	1,989,169	15,863	1,989,169
Financial investments at amortised cost	-	-	4,307,394	-	-	-	4,307,394	-
Other assets	-	-	21,265	47,993	-	-	21,265	47,993
<b>Total</b>	<b>287,510</b>	<b>341,547</b>	<b>29,604,365</b>	<b>29,670,171</b>	<b>15,863</b>	<b>1,989,169</b>	<b>29,907,738</b>	<b>32,000,886</b>

Other Financial liabilities	LKR.'000			
	Other financial liabilities at amortised cost		Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
<b>Due to banks</b>	2,925,953	4,116,812	2,925,953	4,116,812
<b>Due to customers at amortised cost</b>	23,524,609	22,267,862	23,524,609	22,267,862
<b>Debt issued and borrowed funds at amortised cost</b>	69,082	2,381,579	69,082	2,381,579
<b>Other liabilities</b>	141,771	240,908	141,771	240,908
<b>Total</b>	<b>26,661,415</b>	<b>29,007,161</b>	<b>26,661,415</b>	<b>29,007,161</b>

Group	LKR.'000							
	Financial instrument at FVTPL		Financial instrument at amortised Cost		Financial instrument at FVTOCI		Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
<b>As at</b>								
<b>Financial assets</b>								
Cash and cash equivalents	-	-	944,784	1,436,435	-	-	944,784	1,436,435
Placements with banks & financial institutions	-	-	137,162	535,292	-	-	137,162	535,292
Financial investments at fair value through profit or loss	293,847	355,214	-	-	-	-	293,847	355,214
Loans & receivables at amortised cost	-	-	24,370,850	28,016,693	-	-	24,370,850	28,016,693
Financial investments at fair value through other comprehensive income	-	-	-	-	78,151	3,415,338	78,151	3,415,338
Financial investments at amortised cost	-	-	5,883,995	-	-	-	5,883,995	-
Other assets	-	-	21,265	47,993	-	-	21,265	47,993
<b>Total</b>	<b>293,847</b>	<b>355,214</b>	<b>31,358,055</b>	<b>30,036,413</b>	<b>78,151</b>	<b>3,415,338</b>	<b>31,730,053</b>	<b>33,806,966</b>

Other Financial liabilities	LKR.'000			
	Other financial liabilities at amortised cost		Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
<b>Due to banks</b>	2,935,170	4,133,305	2,935,170	4,133,305
<b>Due to customers at amortised cost</b>	23,354,493	22,201,604	23,354,493	22,201,604
<b>Debt issued and borrowed funds at amortised cost</b>	69,082	2,381,579	69,082	2,381,579
<b>Other liabilities</b>	141,771.12	240,908	141,771.12	240,908
<b>Total</b>	<b>26,500,516</b>	<b>28,957,396</b>	<b>26,500,516</b>	<b>28,957,396</b>

**Movement in individual and collective impairment during the period**

LKR. '000

	Company		Group	
	2022	2021	2022	2021
<b>Impairment charge/(reversal) from loans and other losses</b>				
Impairment from Loans and advances-individual impairment (Note 4.1)	309,960	(115,100)	309,960	(115,100)
Impairment from Loans and advances-collective impairment (Note 4.2)	(331,521)	172,654	(331,521)	172,654
Cash and cash equivalent	7	114	7	114
Placements with banks & financial institutions	54	(329)	54	(329)
Other losses	4,995	17,111	4,995	17,111
Insurance Receivable	-	-	-	-
	<b>(16,505)</b>	<b>74,450</b>	<b>(16,505)</b>	<b>74,450</b>
<b>Individual impairment charge/(reversal)</b>				
As at 01 January	1,902,229	2,017,328	1,902,229	2,017,328
Charge/(reversal) to income statement from loans and advances	309,960	(115,100)	309,960	(115,100)
Write off	(557,013)	-	(557,013)	-
<b>As at 31st December</b>	<b>1,655,176</b>	<b>1,902,228</b>	<b>1,655,176</b>	<b>1,902,228</b>
<b>Collective impairment charge/(reversal)</b>				
As at 01 January	1,575,108	1,402,455	1,575,108	1,402,455
Charge/(reversal) to income statement from loans and advances	(331,521)	172,654	(331,521)	172,654
Write off	(156,546)	-	(156,546)	-
<b>As at 31st December</b>	<b>1,087,041</b>	<b>1,575,109</b>	<b>1,087,041</b>	<b>1,575,109</b>
<b>Loans and advances impairment</b>	<b>2,742,217</b>	<b>3,477,337</b>	<b>2,742,217</b>	<b>3,477,337</b>

**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, pawning, 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 2022 and comparative figures for the period ended 31st December 2021.

Group	Leasing		Corporate & Retail Credit		Corporate Advisory & Capital Markets		Insurance		Eliminations / Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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>For the Period ended 31st December</b>												
<b>Revenue from external customers</b>												
Interest and similar income	2,273,989	2,770,002	2,765,935	2,374,395	798,703	187,674	253,693	75,504	612,455	193,884	6,704,775	5,601,459
Interest and similar expenses	1,426,366	954,512	1,701,121	982,105	466,540	160,693	(7,619)	6,933	1,101,657	578,278	4,688,065	2,682,522
<b>Net interest income</b>	<b>847,623</b>	<b>1,815,490</b>	<b>1,064,814</b>	<b>1,392,290</b>	<b>332,163</b>	<b>26,981</b>	<b>261,313</b>	<b>68,570</b>	<b>(489,202)</b>	<b>(384,395)</b>	<b>2,016,711</b>	<b>2,918,937</b>
<b>Net fee and commission income</b>	<b>78,060</b>	<b>131,413</b>	<b>23,778</b>	<b>15,505</b>	<b>825</b>	<b>4,838</b>	<b>25,477</b>	<b>28,357</b>	<b>7,289</b>	<b>(414)</b>	<b>135,429</b>	<b>179,700</b>
Insurance premium income	-	-	-	-	-	-	362,191	288,998	-	-	362,191	288,998
Net claims and benefits	-	-	-	-	-	-	(310,003)	(137,982)	-	-	(310,003)	(137,982)
Real estate profit	-	-	28,533	48,818	-	-	-	-	-	-	28,533	48,818
Trading and other income	23,217	40,008	16,679	7,468	(122,669)	71,175	98,623	16,654	16,594	44,216	32,443	179,520
<b>Total operating income</b>	<b>948,900</b>	<b>1,986,911</b>	<b>1,133,803</b>	<b>1,464,081</b>	<b>210,319</b>	<b>102,994</b>	<b>437,600</b>	<b>264,597</b>	<b>(465,319)</b>	<b>(340,593)</b>	<b>2,265,303</b>	<b>3,477,990</b>
Impairment (charges)/reversal for loans and other losses	677,007	20,163	264,724	(94,612)	(343,799)	47,807	-	-	(581,428)	(47,807)	16,504	(74,449)
<b>Net operating income</b>	<b>1,625,907</b>	<b>2,007,074</b>	<b>1,398,527</b>	<b>1,369,469</b>	<b>(133,480)</b>	<b>150,801</b>	<b>437,600</b>	<b>264,597</b>	<b>(1,046,747)</b>	<b>(388,399)</b>	<b>2,281,807</b>	<b>3,403,541</b>
Personnel expenses	(427,019)	(450,222)	(512,628)	(463,167)	(18,660)	(14,464)	(193,806)	(160,544)	(374,960)	(272,597)	(1,527,073)	(1,360,995)
Depreciation and amortisation	(85,008)	(91,929)	(102,051)	(94,572)	(227)	(275)	(33,204)	(27,316)	(78,133)	(58,339)	(298,623)	(272,431)
Other operating expenses	(211,604)	(230,225)	(254,026)	(236,844)	(14,628)	(28,897)	(186,580)	(135,779)	(180,425)	(117,894)	(847,263)	(749,639)
<b>Segment result</b>	<b>902,276</b>	<b>1,234,698</b>	<b>529,822</b>	<b>574,886</b>	<b>(166,995)</b>	<b>107,165</b>	<b>24,010</b>	<b>(59,042)</b>	<b>(1,680,265)</b>	<b>(837,229)</b>	<b>(391,152)</b>	<b>1,020,477</b>
<b>Profit/(loss) from operations after impairment from subsidiary investments</b>											<b>(391,152)</b>	1,020,477
Value added tax on financial services											(123,868)	(294,268)
Share of associate company's profit/(loss) before tax											58,161	109,491
<b>Profit/(loss) before income tax</b>											<b>(460,969)</b>	<b>835,700</b>
Income tax expense											<b>144,992</b>	<b>(358,399)</b>
<b>Profit/(loss) for the period</b>											<b>(315,977)</b>	<b>477,301</b>
<b>Assets</b>												
<b>Capital expenditures</b>												
Property, equipment and right-of-use assets	12,187	14,481	14,630	14,897	3,805	2,503	18,417	27,192	7,429	6,730	56,468	65,804
Intangible assets	3,741	6,807	4,491	7,003	1,168	1,177	-	-	2,281	3,164	11,681	18,151
<b>Total segment assets</b>	<b>9,267,885</b>	<b>11,895,429</b>	<b>12,453,311</b>	<b>12,952,863</b>	<b>3,005,477</b>	<b>3,601,281</b>	<b>2,565,042</b>	<b>2,551,471</b>	<b>6,116,494</b>	<b>5,274,872</b>	<b>33,408,209</b>	<b>36,275,916</b>
<b>Total segment liabilities</b>	<b>8,092,641</b>	<b>10,368,523</b>	<b>10,874,129</b>	<b>11,290,223</b>	<b>2,624,358</b>	<b>3,139,018</b>	<b>1,621,451</b>	<b>1,634,171</b>	<b>5,719,566</b>	<b>5,078,818</b>	<b>28,932,146</b>	<b>31,510,753</b>

## Information on Debentures

Debenture Categories	CSE Listing	Interest Payable Frequency	Face Value as at 31/12/2022	Market Values			Interest Rates		Interest rate of comparable Government Security %	Interest yield			Yield to Maturity			
			LKR' 000	Highest LKR.	Lowest LKR.	Period end LKR.	Coupon Rate	Effective Annual Yield		Highest	Lowest	Last traded	Highest	Lowest	Last traded	
<b>Fixed Rate</b>																
Nov 2022 - Nov 2027	Listed	Annually	24,472	Not traded during the quarter			24.00%	24.00%	27.60%	Not traded during the quarter			Not traded during the quarter			
Nov 2022 - Nov 2027	Listed	Bi Annually	33,530	Not traded during the quarter			23.50%	24.88%	27.60%	Not traded during the quarter			Not traded during the quarter			
Nov 2022 - Nov 2027	Listed	Quarterly	11,080	Not traded during the quarter			29.50%	32.93%	27.60%	Not traded during the quarter			Not traded during the quarter			
<b>Total Debentures</b>			<b>69,082</b>													

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 2022

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
<b>Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 67.7 Mn during the year 2022</b>								
1	The funds raised through this Debenture Issue utilized to increase the medium term fund base to match the medium to long term lending portfolio.	67,700,000	16-Nov-22	67,700,000	100%	67,700,000	100%	N/A
2	To enhance the Total Capital base of the Company, for which the Company has obtained approval from the Central Bank of Sri Lanka (CBSL).							

**Events after the statement of financial position date**

Mr. Ratwatte has resigned from the Company with effect from 20 January 2023

**Information on ordinary shares**

<b>As at</b>		<b>12/31/2022</b>	<b>12/31/2021</b>
Net asset per share (LKR)	- Company	7.05	16.08
	- Group	7.70	8.28

<b>Market price per share recorded during the quarter ended 31st December (LKR)</b>		<b>2022</b>	<b>2021</b>
	-High	4.50 (3-10-2022)	6.60 (2-12-2021)
	-Low	3.00 (21-11-2022)	5.70 (23-12-2021)
	-Last Transaction	3.40 (30-12-2022)	5.90 (31-12-2021)

<b>As at</b>		<b>12/31/2022</b>	<b>12/31/2021</b>
Number of shares issued		524,539,637	524,539,637
Stated capital (LKR)		4,276,447,883	4,276,447,883

<b>Ratios as at</b>		<b>12/31/2022</b>	<b>12/31/2021</b>
Debt/Equity Ratio		0.8	1.6
Statutory Liquid Asset Ratio		13.41%	12.92%

<b>Ratios for the period ended</b>		<b>12/31/2022</b>	<b>12/31/2021</b>
Interest Cover		0.860	1.304

**The Float adjusted market capitalization as at 31st December 2022 - Rs. 276,404,945**

The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a), of the Listing Rules of the Colombo Stock Exchange and the Company has not complied with the minimum public holding requirement applicable under the said option.

**Twenty largest share holders as at 31st December 2022**

	<b>Name of the share holder</b>	<b>No. of Shares</b>	<b>Holding %</b>
01	Bank of Ceylon No. 1 Account	401,577,367	76.56%
02	BOC Property Development & Management (Pvt ) Ltd	41,666,682	7.94%
03	Bank of Ceylon A/C Ceybank Unit Trust	11,798,960	2.25%
04	Hatton National Bank PLC/Dinesh Nagendra Sellamuttu	5,320,722	1.01%
05	Mr. J A S M Jayawickrama	4,140,000	0.79%
06	Mr. A M Weerasinghe	2,727,403	0.52%
07	Sampath Bank PLC/ Dr.T.Senthilveri	2,039,958	0.39%
08	Thread Capital (Private) Limited	1,905,000	0.36%
09	Sandwave Limited	1,877,971	0.36%
10	Amaliya Private Limited	1,817,656	0.35%
11	Mrs. M. P. R. Silva	1,442,582	0.28%
12	Mr. B.T. Prathapasinghe	1,121,250	0.21%
13	Hatton National Bank PLC/Ravindra Erle Rambukwelle	1,085,000	0.21%
14	Ravi Exports Private Limited	850,000	0.16%
15	Mr. P K C P Samarasinghe	784,031	0.15%
16	Mr. J M S J B P Peiris	745,862	0.14%
17	Mr. P C P Samarasinghe	611,931	0.12%
18	Dr. P M C B Digana	595,005	0.11%
19	Dialog Finance PLC/K.W.J.P.L. Perera	593,725	0.11%
20	Mr. B P C J De Silva	534,056	0.10%

The percentage of shares held by the public as at 31st December 2022 was 15.50% and the number of public shareholders as at 31st December 2022 were 11,133

**Directors' shareholding as at 31st December 2022**

<b>Name of the Director</b>	<b>No. of Shares</b>
Mr. K. Ratwatte	Nil
Mr. A. M. A. Perera	Nil
Mr. N. S. Punchihewa	Nil
Mr. W. P. R. P. H. Fonseka	Nil
Mr. M. P. R. Kumara	Nil
Mr. G. A. Jayashantha	Nil
Mr. J. D. V. N. Jayasinghe	Nil
Mr. R. M. N. Jeewantha	Nil
Mr. H.P.K. Silva	Nil

**CEO's shareholding as at 31st December 2022**

Mr. H. K. D. W. M. D. K. Hapuhinna	Nil
------------------------------------	-----