

# **GATHERING MOMENTUM**

## **UNAUDITED FINANCIAL STATEMENTS**

For the Period ended 30th June 2020



 **Merchant Bank of  
Sri Lanka & Finance PLC**

Rating ICRA " [SL] BBB +  
(Negative Outlook)"

Co.Reg.No. PQ10

## Merchant Bank of Sri Lanka & Finance PLC

### Unaudited Statement of Profit or Loss

	Company						Group					
	Quarter ended			Six months ended			Quarter ended			Six months ended		
	6/30/2020 (Unaudited) LKR '000	6/30/2019 (Unaudited) LKR '000	Change %	6/30/2020 (Unaudited) LKR '000	6/30/2019 (Unaudited) LKR '000	Change %	6/30/2020 (Unaudited) LKR '000	6/30/2019 (Unaudited) LKR '000	Change %	6/30/2020 (Unaudited) LKR '000	6/30/2019 (Unaudited) LKR '000	Change %
Income	1,264,311	1,632,417	(22.5)	2,663,868	3,225,426	(17.4)	1,340,587	1,691,777	(20.8)	2,809,881	3,314,959	(15.2)
Interest and similar income	1,137,985	1,579,549	(28.0)	2,584,525	3,141,613	(17.7)	1,167,681	1,629,472	(28.3)	2,648,873	3,214,610	(17.6)
Interest and similar expenses	947,759	1,139,323	(16.8)	1,972,529	2,170,025	(9.1)	946,276	1,152,434	(17.9)	1,973,097	2,197,105	(10.2)
<b>Net interest income</b>	190,226	440,227	(56.8)	611,996	971,588	(37.0)	221,405	477,038	(53.6)	675,776	1,017,506	(33.6)
Fee and commission income	19,403	45,513	(57.4)	47,688	88,407	(46.1)	21,753	45,785	(52.5)	50,855	88,678	(42.7)
Fee and commission expenses	1,973	8,167	(75.8)	5,398	16,011	(66.3)	1,973	8,167	(75.8)	5,398	16,011	(66.3)
<b>Net fee and commission income</b>	17,430	37,346	(53.3)	42,291	72,396	(41.6)	19,780	37,617	(47.4)	45,457	72,667	(37.4)
Insurance premium income	-	-	-	-	-	-	42,343	7,593	457.6	78,073	16,350	377.5
Net claims and benefits	-	-	-	-	-	-	(21,389)	10,360	(306.4)	(45,959)	(8,747)	(425.4)
Net trading income	151	620	(75.6)	430	408	5.4	151	620	(75.6)	430	408	5.4
Net gain/(loss) on financial instruments at fair value through profit or loss	103,214	(12,409)	931.8	21,785	(41,540)	152.4	104,606	(12,090)	965.2	20,720	(40,894)	150.7
Other operating income	3,559	19,143	(81.4)	9,441	36,539	(74.2)	4,053	20,397	(80.1)	10,930	35,807	(69.5)
<b>Total operating income</b>	314,580	484,927	(35.1)	685,942	1,039,390	(34.0)	370,949	541,537	(31.5)	785,427	1,093,097	(28.1)
Impairment charges from loans and other losses	185,461	104,935	76.7	175,421	155,720	(12.7)	185,461	104,935	76.7	175,421	155,720	(12.7)
<b>Net operating income</b>	129,119	379,991	(66.0)	510,521	883,670	(42.2)	185,488	436,601	(57.5)	610,007	937,376	(34.9)
Personnel expenses	274,442	299,513	(8.4)	572,200	590,488	3.1	310,899	319,617	(2.7)	645,014	627,661	(2.8)
Depreciation and amortisation	73,136	104,377	(29.9)	146,281	133,912	(9.2)	74,265	107,032	(30.6)	153,281	139,254	(10.1)
Other operating expenses	125,501	112,895	11.2	254,284	316,751	19.7	153,831	134,095	14.7	307,225	364,339	15.7
<b>Total operating expense</b>	473,080	516,786	(8.5)	972,765	1,041,151	6.6	538,996	560,744	(3.9)	1,105,520	1,131,254	2.3
<b>Profit/(loss) from operations</b>	(343,961)	(136,794)	(151.4)	(462,243)	(157,481)	(193.5)	(353,508)	(124,143)	(184.8)	(495,514)	(193,878)	(155.6)
Impairment from investment in Group companies	(38,768)	(182,752)	78.8	(20,010)	(182,752)	89.1	-	-	-	-	-	-
Impairment from investment in Associate companies	102	-	-	1,276	-	-	-	-	-	-	-	-
<b>Profit/(loss) from operations after impairment from subsidiary investments</b>	(305,295)	45,958	(764.3)	(443,510)	25,271	(1,855.0)	(353,508)	(124,143)	(184.8)	(495,514)	(193,878)	(155.6)
Value added tax (VAT) & Nation building tax (NBT) on financial services	(4,132)	53,912	(107.7)	16,211	88,736	81.7	(4,132)	53,912	(107.7)	16,211	88,736	81.7
Debt repayment levy	-	27,836	(100.0)	-	45,812	100.0	-	27,836	(100.0)	-	45,812	100.0
Share of associate companies profit before tax	-	-	-	-	-	-	(102)	(2,630)	96.1	(1,276)	(5,821)	78.1
<b>Profit/(loss) before income tax</b>	(301,163)	(35,790)	(741.5)	(459,721)	(109,277)	(320.7)	(349,478)	(208,520)	(67.6)	(513,001)	(334,247)	(53.5)
Income tax expense/(Reversal)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) for the period</b>	(301,163)	(35,790)	(741.5)	(459,721)	(109,277)	(320.7)	(349,478)	(208,520)	(67.6)	(513,001)	(334,247)	(53.5)
<b>Profit/(loss) for the period attributable to:</b>												
Equity holders of the parent	(301,163)	(35,790)	(741.5)	(459,721)	(109,277)	(320.7)	(345,068)	(210,529)	(63.9)	(497,633)	(328,467)	(51.5)
Non controlling interests	-	-	-	-	-	-	(4,410)	2,009	(319.5)	(15,368)	(5,780)	(165.9)
<b>Profit/(loss) for the period</b>	(301,163)	(35,790)	(741.5)	(459,721)	(109,277)	(320.7)	(349,478)	(208,520)	(67.6)	(513,001)	(334,247)	(53.5)
<b>Earnings per share:</b>												
Basic/diluted earnings per share (LKR)	(1.82)	(0.22)	(741.5)	(2.77)	(0.66)	(320.7)	(2.08)	(1.27)	(63.9)	(3.00)	(1.98)	(51.5)

## Merchant Bank of Sri Lanka & Finance PLC

### Unaudited Statement of Comprehensive Income

	Company						Group					
	Quarter ended			Six months ended			Quarter ended			Six months ended		
	6/30/2020 (Unaudited) LKR '000	6/30/2019 (Unaudited) LKR '000	Change %	6/30/2020 (Unaudited) LKR '000	6/30/2019 (Unaudited) LKR '000	Change %	6/30/2020 (Unaudited) LKR '000	6/30/2019 (Unaudited) LKR '000	Change %	6/30/2020 (Unaudited) LKR '000	6/30/2019 (Unaudited) LKR '000	Change %
<b>Profit/(loss) for the period</b>	<b>(301,163)</b>	<b>(35,790)</b>	<b>(741.5)</b>	<b>(459,721)</b>	<b>(109,277)</b>	<b>(320.7)</b>	<b>(349,478)</b>	<b>(208,520)</b>	<b>(67.6)</b>	<b>(513,001)</b>	<b>(334,247)</b>	<b>(53.5)</b>
<b>Other comprehensive income/(expense) for the period</b>												
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
<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	(0)	(4,935)	100.0	-	4,616	(100.0)	9,639	(4,935)	295.3	11,163	4,616	141.9
Recycling to the income statement for impairment	-	-	-	-	-	-	-	-	-	-	-	-
Share of associates companies' other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other comprehensive income/(expense) before tax</b>	<b>(0)</b>	<b>(4,935)</b>	<b>100.0</b>	<b>-</b>	<b>4,616</b>	<b>(100.0)</b>	<b>9,639</b>	<b>(4,935)</b>	<b>295.3</b>	<b>11,163</b>	<b>4,616</b>	<b>141.9</b>
Deferred tax (charge)/credit relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other comprehensive income/(expense) for the period, net of tax</b>	<b>(0)</b>	<b>(4,935)</b>	<b>100.0</b>	<b>-</b>	<b>4,616</b>	<b>(100.0)</b>	<b>9,639</b>	<b>(4,935)</b>	<b>295.3</b>	<b>11,163</b>	<b>4,616</b>	<b>141.9</b>
<b>Total comprehensive income/(expense) for the period, net of tax</b>	<b>(301,163)</b>	<b>(40,724)</b>	<b>(639.5)</b>	<b>(459,721)</b>	<b>(104,661)</b>	<b>(339.2)</b>	<b>(339,839)</b>	<b>(213,455)</b>	<b>(59.2)</b>	<b>(501,838)</b>	<b>(329,631)</b>	<b>(52.2)</b>
<b>Total comprehensive income/(expense) attributable to:</b>												
Equity holders of the parent	(301,163)	(40,724)	(639.5)	(459,721)	(104,661)	(339.2)	(339,882)	(215,464)	(57.7)	(491,626)	(323,851)	(51.8)
Non controlling interests	-	-	-	-	-	-	43	2,009	(97.9)	(10,212)	(5,780)	(76.7)
	<b>(301,163)</b>	<b>(40,724)</b>	<b>(639.5)</b>	<b>(459,721)</b>	<b>(104,661)</b>	<b>(339.2)</b>	<b>(339,839)</b>	<b>(213,455)</b>	<b>(59.2)</b>	<b>(501,838)</b>	<b>(329,631)</b>	<b>(52.2)</b>

# Merchant Bank of Sri Lanka & Finance PLC

## Unaudited Statement of Financial Position

as at	Company			Group		
	6/30/2020	12/31/2019	Change	6/30/2020	12/31/2019	Change
	(Unaudited)	(Audited)	%	(Unaudited)	(Audited)	%
	LKR '000	LKR '000		LKR '000	LKR '000	
<b>Assets</b>						
Cash and cash equivalents	1,011,209	1,355,785	(25.4)	2,424,948	2,178,946	11.3
Placements with banks & financial institutions	364,519	1,477,103	(75.3)	913,826	2,126,932	(57.0)
Financial investments at fair value through profit or loss	977,786	945,199	3.4	986,563	955,040	3.3
Loans & receivables at amortised cost	27,363,610	29,228,215	(6.4)	27,115,281	28,973,785	(6.4)
Financial investments at fair value through other comprehensive income	1,026,196	1,216,478	(15.6)	1,297,943	1,954,350	(33.6)
Financial investments at amortised cost	1,564	1,513	3.4	1,564	1,513	3.4
Real Estate Stock	308,131	297,075	3.7	308,131	297,075	3.7
Investment in associate company	74,750	76,026	(1.7)	74,750	76,026	(1.7)
Investment in subsidiary	869,977	849,968	2.4	-	-	-
Investment properties	115,823	117,276	(1.2)	115,823	117,276	(1.2)
Property, equipment and right-of-use assets	817,793	895,799	(8.7)	847,337	928,706	(8.8)
Intangible assets	163,747	180,255	(9.2)	168,357	187,460	(10.2)
Deferred tax Assets	-	-	-	264,901	264,901	-
Other assets	355,750	334,431	6.4	646,490	551,755	17.2
<b>Total assets</b>	<b>33,450,857</b>	<b>36,975,123</b>	<b>(9.5)</b>	<b>35,165,915</b>	<b>38,613,765</b>	<b>(8.9)</b>
<b>Liabilities</b>						
Due to banks	5,013,944	7,749,021	(35.3)	5,015,057	7,749,807	(35.3)
Due to customers at amortised cost	22,356,025	22,755,930	(1.8)	22,356,025	22,755,930	(1.8)
Debt issued and borrowed funds at amortised cost	2,433,548	2,466,268	(1.3)	2,686,165	2,466,268	8.9
Insurance provision - life	-	-	-	523,552	546,253	(4.2)
Insurance provision - non life	-	-	-	472,067	383,164	23.2
Current tax liabilities	-	14,851	(100.0)	-	14,851	(100.0)
Deferred tax liabilities	212,520	212,520	(0.0)	212,520	212,520	(0.0)
Other liabilities	1,004,361	897,039	12.0	1,053,213	1,147,789	(8.2)
Retirement benefits obligations	282,386	271,699	3.9	295,531	283,558	4.2
<b>Total liabilities</b>	<b>31,302,783</b>	<b>34,367,328</b>	<b>(8.9)</b>	<b>32,614,128</b>	<b>35,560,140</b>	<b>(8.3)</b>
<b>Equity</b>						
Stated capital	2,124,457	2,124,457	-	2,124,457	2,124,457	-
Retained earnings	(206,834)	252,887	(181.8)	(392,508)	105,125	(473.4)
OCI reserve	(4,162)	(4,162)	-	(3,092)	(9,099)	66.0
Statutory reserves	234,613	234,613	-	234,613	234,613	(0.0)
Total equity attributable to the parent	2,148,074	2,607,795	(17.6)	1,963,470	2,455,096	(20.0)
Non controlling interests	-	-	-	588,317	598,529	(1.7)
<b>Total equity</b>	<b>2,148,074</b>	<b>2,607,795</b>	<b>(17.6)</b>	<b>2,551,787</b>	<b>3,053,625</b>	<b>(16.4)</b>
<b>Total liabilities and equity</b>	<b>33,450,857</b>	<b>36,975,123</b>	<b>(9.5)</b>	<b>35,165,915</b>	<b>38,613,765</b>	<b>(8.9)</b>
Commitments and contingencies	56,437	124,250	(54.6)	119,021	177,350	(32.9)
Net assets value per share (LKR)	12.95	15.72	(17.6)	11.84	14.80	(20.0)

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.)

**A. M. A. Perera**  
Director

Colombo, Sri Lanka  
14/Sep/2020

(sgd.)

**G. M. J. A. R. Gamalath**  
Chief Executive Officer (Acting )

(sgd.)

**W. N. P. Surawimala**  
Director

## Merchant Bank of Sri Lanka & Finance PLC

### Unaudited Statement of Changes in Equity

<b>Company</b>	<b>Stated capital LKR ' 000</b>	<b>Statutory reserves LKR ' 000</b>	<b>OCI reserve LKR ' 000</b>	<b>Retained profits LKR ' 000</b>	<b>Total equity LKR ' 000</b>
Balance as at 01st January 2019	2,124,457	214,096	(7,461)	193,012	2,524,104
Net profit/(loss) for the Period	-	-	-	(109,277)	(109,277)
Other comprehensive income	-	-	4,616	(0)	4,616
<b>Balance as at 30th June 2019</b>	<b>2,124,457</b>	<b>214,096</b>	<b>(2,846)</b>	<b>83,735</b>	<b>2,419,442</b>
Balance as at 01st January 2020	2,124,457	234,613	(4,162)	252,887	2,607,795
Net profit/(loss) for the period	-	-	-	(459,721)	(459,721)
Other comprehensive income	-	-	-	-	-
<b>Balance as at 30th June 2020</b>	<b>2,124,457</b>	<b>234,613</b>	<b>(4,162)</b>	<b>(206,834)</b>	<b>2,148,074</b>

<b>Group</b>	<b>Stated Capital LKR ' 000</b>	<b>Statutory reserves LKR ' 000</b>	<b>OCI reserve LKR ' 000</b>	<b>Retained profits LKR ' 000</b>	<b>Non controlling interest LKR ' 000</b>	<b>Total equity LKR ' 000</b>
Balance as at 01st January 2019	2,124,457	214,096	(19,051)	457,806	64,007	2,841,315
Net profit/(loss) for the period	-	-	-	(328,467)	(5,780)	(334,247)
Acquisition, disposal and changes in non-controlling interest	-	-	-	37,643	652,412	690,055
Other comprehensive income	-	-	4,616	(0)	(0)	4,616
<b>Balance as at 30th June 2019</b>	<b>2,124,457</b>	<b>214,096</b>	<b>(14,436)</b>	<b>166,982</b>	<b>710,639</b>	<b>3,201,739</b>
Balance as at 01st January 2020	2,124,457	234,613	(9,099)	105,125	598,529	3,053,625
Net profit/(loss) for the period	-	-	-	(497,633)	(15,368)	(513,001)
Other comprehensive income	-	-	6,007	-	5,156	11,163
<b>Balance as at 30th June 2020</b>	<b>2,124,457</b>	<b>234,613</b>	<b>(3,092)</b>	<b>(392,508)</b>	<b>588,317</b>	<b>2,551,787</b>

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.

## Merchant Bank of Sri Lanka & Finance PLC

### Unaudited Statement of Cash Flows

For the period ended 30th June	Company		Group	
	2020 (Unaudited) LKR '000	2019 (Unaudited) LKR '000	2020 (Unaudited) LKR '000	2019 (Unaudited) LKR '000
<b>Cash flows from operating activities</b>				
Profit before income tax	(459,721)	(109,277)	(513,001)	(334,247)
Adjustments for :				
Change in operating assets	1,656,810	(745,535)	1,583,230	(752,974)
Change in operating liabilities	(347,662)	2,606,544	(489,425)	2,388,379
Share of 'associate companies' (profit)/loss before tax	-	-	1,276	5,821
Contribution to defined benefit plans	24,000	24,000	26,610	26,610
Other non-cash items included in profit before tax	192,744	463,418	219,542	650,868
Dividend income	(2,646)	(6,017)	(2,678)	(6,777)
	<b>1,063,525</b>	<b>2,233,133</b>	<b>825,554</b>	<b>1,977,680</b>
Gratuity paid	(13,313)	(17,968)	(14,638)	(19,189)
<b>Net cash generated from/(used in) operating activities before tax</b>	<b>1,050,211</b>	<b>2,215,165</b>	<b>810,917</b>	<b>1,958,491</b>
Income tax paid	-	-	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>1,050,211</b>	<b>2,215,165</b>	<b>810,917</b>	<b>1,958,491</b>
<b>Cash flows from investing activities</b>				
Purchase of financial assets designated at FVTPL	(36,714)	(17,836)	(36,714)	(17,836)
Proceeds from disposal of financial assets designated at FVTPL	26,341	18,904	26,341	18,904
Purchase of financial investments	(1,411,144)	(1,570,939)	(933,856)	(1,601,872)
Proceeds from sale and maturity of financial investments	1,653,433	1,069,499	1,653,433	1,069,499
Net increase/(decrease) in other investment	1,112,584	(863,576)	1,213,105	(1,441,309)
Purchase of property & equipment	27,049	(61,823)	26,135	(61,490)
Purchase of intangible assets	(1,320)	(72,845)	(1,320)	(72,845)
Proceeds from sale of property & equipment	135	2,035	135	2,035
Investment in Subsidiary from parent and other parties	-	(500,000)	-	690,055
Dividend received	2,646	6,017	2,678	6,777
<b>Net cash generated from/(used in) investing activities</b>	<b>1,373,010</b>	<b>(1,990,563)</b>	<b>1,949,938</b>	<b>(1,408,082)</b>
<b>Cash flows from financing activities</b>				
Net increase/(decrease) in reverse repo and repo agreements	(290,733)	287,856	(290,733)	287,856
Net increase/(decrease) in other borrowings at amortised cost	(2,304,762)	(227,907)	(2,052,145)	40,353
Proceeds from issue of debentures	-	-	-	-
Payments on redemption of debentures	-	-	-	-
<b>Net cash generated from/(used in) financing activities</b>	<b>(2,595,494)</b>	<b>59,949</b>	<b>(2,342,878)</b>	<b>328,209</b>
Net increase / (decrease) in cash and cash equivalents during the period	(172,273)	284,551	417,977	878,618
Cash and cash equivalents at the beginning of the period	1,022,799	1,079,067	1,845,175	1,321,327
<b>Cash and cash equivalents at the end of the period</b>	<b>850,526</b>	<b>1,363,618</b>	<b>2,263,152</b>	<b>2,199,945</b>
Note				
<b>Analysis of Cash and Cash Equivalents</b>				
Cash and short term funds	1,011,209	1,786,063	2,424,948	2,622,783
Dues to banks	(160,683)	(422,445)	(161,796)	(422,839)
	<b>850,526</b>	<b>1,363,618</b>	<b>2,263,152</b>	<b>2,199,945</b>

## 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 14th September 2020, in accordance with the resolution of the Directors passed on 14th September 2020.

## 2 Change the Shareholding % of MBSL Insurance Ltd

As the major shareholder of the MBSL Insurance Ltd, the Company-MBSL has invested LKR 500 Mn out of 1.2 Bn and allotted 112,537,891 ordinary shares on 4 April, 2019. The Company shareholding has reduced to 53.81% from 84.12% with the investment.

## 3 Basis of preparation and accounting policies

The interim condensed Financial Statements for the period ended 30th June 2020 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 Annual Report 2018, except for the Accounting Policies & methods of computation adopted to be in compliant with the requirements of the Sri Lanka Accounting Standard SLFRS - 16 on "Leases", which became effective for annual Financial period from January 1, 2019.

SLFRS - 16 requires recognizing lease liabilities and right of use assets for certain leases classified as operating leases under LKAS 17 Leases (Previous Standard).

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

## 4 Impact of COVID 19 on business – 2nd quarter

The Company has taken steps to mitigate the risks of operating, credit and liquidity as a result of COVID 19. As per the directions and guidelines of the Central Bank of Sri Lanka, Company has provided debt moratoriums for the affected customers and in the process of adjusting the impact as per the guidelines issued by the CA Sri Lanka.

## 5 Cap on Loans and Advances and Deposits

The Company has been imposed with caps of LKR 35 Bn on loan and advances (net of interest in suspense) and LKR 23 Bn on deposits by the Central Bank of Sri Lanka with effect from April 2019 and May 2019 respectively pending compliance with Capital Adequacy Ratios.

## 6 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	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019
<b>As at</b>										
<b>Financial assets</b>										
Cash and cash equivalents	-	-	1,011,209	1,355,785	-	-	-	-	1,011,209	1,355,785
Placements with banks & financial institutions	-	-	364,519	1,477,103	-	-	-	-	364,519	1,477,103
Financial investments at fair value through profit or loss	977,786	945,199	-	-	-	-	-	-	977,786	945,199
Loans & receivables at amortised cost	-	-	27,363,610	29,228,215	-	-	-	-	27,363,610	29,228,215
Financial investments at fair value through other comprehensive income	-	-	-	-	-	-	1,026,196	1,216,478	1,026,196	1,216,478
Financial investments at amortised cost	-	-	-	-	1,564	1,513	-	-	1,564	1,513
Other assets	-	-	47,670	50,641	-	-	-	-	47,670	50,641
<b>Total</b>	<b>977,786</b>	<b>945,199</b>	<b>28,787,008</b>	<b>32,111,744</b>	<b>1,564</b>	<b>1,513</b>	<b>1,026,196</b>	<b>1,216,478</b>	<b>30,792,554</b>	<b>34,274,934</b>

					LKR.'000	
	Other financial liabilities at amortised cost		Total			
	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019
<b>Other Financial liabilities</b>						
Due to banks	5,013,944	7,749,021	5,013,944	7,749,021		
Due to customers at amortised cost	22,356,025	22,755,930	22,356,025	22,755,930		
Debt issued and borrowed funds at amortised cost	2,433,548	2,466,268	2,433,548	2,466,268		
Other liabilities	285,098	338,072	285,098	338,072		
<b>Total</b>	<b>30,088,614</b>	<b>33,309,291</b>	<b>30,088,614</b>	<b>33,309,291</b>		

Group									LKR.'000	
	Financial investment at FVTPL		Loans and receivable at amortised Cost		Financial investment at amortised Cost		Financial investment at FVTOCI		Total	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019
<b>As at</b>										
<b>Financial assets</b>										
Cash and cash equivalents	-	-	2,424,948	2,178,946	-	-	-	-	2,424,948	2,178,946
Placements with banks & financial institutions	-	-	913,826	2,126,932	-	-	-	-	913,826	2,126,932
Financial investments at fair value through profit or loss	986,563	955,040	-	-	-	-	-	-	986,563	955,040
Loans & receivables at amortised cost	-	-	27,115,281	28,973,785	-	-	-	-	27,115,281	28,973,785
Financial investments at fair value through other comprehensive income	-	-	-	-	-	-	1,297,943	1,954,350	1,297,943	1,954,350
Financial investments at amortised cost	-	-	-	-	1,564	1,513	-	-	1,564	1,513
Other assets	-	-	47,670	50,641	-	-	-	-	47,670	50,641
<b>Total</b>	<b>986,563</b>	<b>955,040</b>	<b>30,501,726</b>	<b>33,330,304</b>	<b>1,564</b>	<b>1,513</b>	<b>1,297,943</b>	<b>1,954,350</b>	<b>32,787,795</b>	<b>36,241,207</b>

					LKR.'000	
	Other financial liabilities at amortised cost		Total			
	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019
<b>Other Financial liabilities</b>						
Due to banks	5,015,057	7,749,807	5,015,057	7,749,807		
Due to customers at amortised cost	22,356,025	22,755,930	22,356,025	22,755,930		
Debt issued and borrowed funds at amortised cost	2,686,165	2,466,268	2,686,165	2,466,268		
Other liabilities	285,097.78	338,072	285,097.78	338,072		
<b>Total</b>	<b>30,342,344</b>	<b>33,310,077</b>	<b>30,342,344</b>	<b>33,310,077</b>		



## 7 Movement in individual and collective impairment during the period

LKR. '000

	Company		Group	
	2020	2019	2020	2019
<b>Impairment charges from loans and other losses</b>				
Impairment from Loans and advances_individual impairment (Note 4.1)	192,377	223,833	192,377	223,833
Impairment from Loans and advances_collective impairment (Note 4.2)	(16,949)	(11,510)	(16,949)	(11,510)
Cash and cash equivalent	(4)	(0)	(4)	(0)
Placements with banks & financial institutions	(4)	(1,826)	(4)	(1,826)
Above 90 days seized interest receivables*	-	(54,776)	-	(54,776)
	<b>175,421</b>	<b>155,720</b>	<b>175,422</b>	<b>155,720</b>
<b>4.1 Individual impairment charges</b>				
As at 01 January	1,695,130	1,374,155	1,374,155	719,267
Charge to income statement from loans and advances	192,377	223,833	192,377	223,833
<b>As at 30th June</b>	<b>1,887,507</b>	<b>1,597,988</b>	<b>1,566,532</b>	<b>943,100</b>
<b>4.2 Collective impairment charges</b>				
As at 01 January	1,161,106	1,200,498	1,200,498	591,289
Charge to income statement from loans and advances	(16,949)	(11,510)	(16,949)	(11,510)
<b>As at 30th June</b>	<b>1,144,157</b>	<b>1,188,988</b>	<b>1,183,549</b>	<b>579,779</b>
<b>Loans and advances impairment</b>	<b>3,031,664</b>	<b>2,786,976</b>	<b>2,750,082</b>	<b>1,522,879</b>

## 8 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 30th June 2020 and comparative figures for the period ended 30th June 2019.

Group	Leasing		Corporate & Retail Credit		Corporate Advisory & Capital Markets		Insurance		Eliminations / Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the Period ended 30th June	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000
<b>Revenue from external customers</b>												
Interest and similar income	1,233,348	1,634,864	1,124,849	1,262,145	19,447	18,915	90,138	72,997	181,091	225,689	2,648,873	3,214,610
Interest and similar expenses	742,675	858,280	777,510	815,872	60,937	36,545	26,358	27,079	365,617	459,329	1,973,097	2,197,105
<b>Net interest income</b>	<b>490,673</b>	<b>776,584</b>	<b>347,339</b>	<b>446,273</b>	<b>(41,490)</b>	<b>(17,630)</b>	<b>63,780</b>	<b>45,918</b>	<b>(184,526)</b>	<b>(233,639)</b>	<b>675,776</b>	<b>1,017,506</b>
<b>Net fee and commission income</b>	<b>16,934</b>	<b>28,147</b>	<b>5,203</b>	<b>14,130</b>	<b>1,618</b>	<b>676</b>	<b>3,167</b>	<b>272</b>	<b>18,536</b>	<b>29,442</b>	<b>45,457</b>	<b>72,667</b>
Net gain/(loss) on financial assets at FVTPL	-	-	-	-	103,214	(12,409)	(1,065)	645	(81,429)	(29,131)	20,720	(40,895)
Other income	1,707	5,750	955	13,690	2,646	9,399	3,167	272	34,999	14,707	43,474	43,818
<b>Total operating income</b>	<b>509,314</b>	<b>810,481</b>	<b>353,497</b>	<b>474,093</b>	<b>65,988</b>	<b>(19,964)</b>	<b>69,049</b>	<b>47,107</b>	<b>(212,420)</b>	<b>(218,621)</b>	<b>785,427</b>	<b>1,093,096</b>
Impairment charges for loans and other losses	(82,439)	(114,700)	(92,981)	(41,020)	(43,196)	(41,540)	-	-	43,196	41,540	(175,420)	(155,720)
<b>Net operating income</b>	<b>426,875</b>	<b>695,781</b>	<b>260,516</b>	<b>433,073</b>	<b>22,792</b>	<b>(61,504)</b>	<b>69,049</b>	<b>47,107</b>	<b>(169,224)</b>	<b>(177,081)</b>	<b>610,007</b>	<b>937,376</b>
Personnel expenses	(215,438)	(233,548)	(225,543)	(222,008)	(17,677)	(9,944)	(72,815)	(37,172)	(113,541)	(124,988)	(645,015)	(627,661)
Depreciation and amortisation	(55,076)	(62,964)	(57,659)	(50,347)	(4,519)	(2,255)	(7,000)	(5,343)	(29,026)	(28,345)	(153,280)	(139,254)
Other operating expenses	(95,740)	(125,280)	(100,231)	(119,090)	(7,856)	(5,334)	(52,941)	(47,588)	(50,457)	(67,047)	(307,226)	(364,340)
<b>Segment result</b>	<b>60,621</b>	<b>283,989</b>	<b>(122,917)</b>	<b>41,628</b>	<b>(7,260)</b>	<b>(79,037)</b>	<b>(63,707)</b>	<b>(42,996)</b>	<b>(362,248)</b>	<b>(397,461)</b>	<b>(495,514)</b>	<b>(193,879)</b>
<b>Profit/(loss) from operations after impairment from subsidiary investments</b>											<b>(495,514)</b>	<b>(193,879)</b>
Value added tax on financial services											(16,211)	(88,736)
Debt repayment levy											-	(45,812)
Share of associate company's profit/(loss) before tax											(1,276)	(5,821)
<b>Profit/(loss) before income tax</b>											<b>(513,001)</b>	<b>(334,247)</b>
Income tax expense											-	-
<b>Profit/(loss) for the period</b>											<b>(513,001)</b>	<b>(334,247)</b>
<b>Total segment assets</b>	<b>13,548,976</b>	<b>14,097,195</b>	<b>13,777,834</b>	<b>15,165,077</b>	<b>1,290,816</b>	<b>977,588</b>	<b>2,585,035</b>	<b>2,977,792</b>	<b>3,963,254</b>	<b>5,396,112</b>	<b>35,165,915</b>	<b>38,613,765</b>
<b>Total segment liabilities</b>	<b>12,060,561</b>	<b>12,546,896</b>	<b>12,264,278</b>	<b>13,497,342</b>	<b>1,149,014</b>	<b>870,081</b>	<b>1,377,593</b>	<b>1,437,588</b>	<b>5,762,683</b>	<b>7,208,233</b>	<b>32,614,128</b>	<b>35,560,140</b>

## 9 Information on Debentures

Debenture Categories	CSE Listing	Interest Payable Frequency	Face Value as at 30/6/2020 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
<b>Fixed Rate</b>															
May 2017 - May 2022	Listed	Annually	805,760	Not traded during the quarter			15.00%	15.00%	8.76%	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%	8.76%	Not traded during the quarter			Not traded during the quarter		
May 2017 - May 2022	Listed	Bi Annually	1,010	Not traded during the quarter			10.00%	10.25%	8.76%	Not traded during the quarter			Not traded during the quarter		
Total Debentures			2,000,000												

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 30th June 2020

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%.					800,000,000	40%	Approved unsecured subordinated term debt are limited to 50% of Total Tier 1 Capital of the Company.

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

There were no material events that took place since 30th June 2020 that require disclosure in these Financial Statements.

**11 Information on ordinary shares**

As at	6/30/2020	12/31/2019
Net asset per share (LKR)		
- Company	12.95	15.72
- Group	11.84	14.80
Market price per share recorded during the quarter ended 30th June (LKR)	2020	2019
-High	8.50 (21-5-2020)	10.70 (1-4-2019)
-Low	5.60 (12-5-2020)	8.30 (7-6-2019)
-Last Transaction	8.00 (30-6-2020)	8.50 (28-6-2019)
As at	6/30/2020	12/31/2019
Number of shares issued	165,874,541	165,874,541
Stated capital (LKR)	2,124,457,307	2,124,457,307
Ratios as at	6/30/2020	12/31/2019
Debt / Equity Ratio	3.5	3.9
Statutory Liquid Asset Ratio	7.44%	12.30%
Ratios for the period ended	6/30/2020	6/30/2019
Interest Cover	0.767	0.950

**The Float adjusted market capitalization as at 30th June 2020 - Rs. 338,497,920**

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.

**12 Twenty largest share holders as at 30th June 2020**

	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	11,798,960	7.11%
03	People's Leasing & Finance PLC / Mr. D. M. P. Disanayake	1,479,247	0.89%
04	Mr. R. E. Rambukwella	830,913	0.50%
05	Mr. D. F. G. Dalpethado	739,231	0.45%
06	J. B. Cocoshell (Pvt) Ltd	537,530	0.32%
07	Merrill J Fernando & Sons (Pvt) Ltd	526,165	0.32%
08	Seylan Bank PLC / Spice of Life (Pvt) Ltd	405,234	0.24%
09	Mr. W. L. T. Anandawansa	400,100	0.24%
10	Hatton National Bank PLC / Mr. D. N. Sellamuttu	386,301	0.23%
11	Mr. N. Balasingam	381,400	0.23%
12	Seylan Bank PLC / Ms.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. M. F. Ozman	304,146	0.18%
17	Mr. D. S. Tennakoon	303,600	0.18%
18	Mrs. S. Tennakoon	300,000	0.18%
19	People's Leasing & Finance PLC / Mr. L. P. Hapangama	300,000	0.18%
20	Bartleet Produce Marketing (Pvt) Ltd	300,000	0.18%

The percentage of shares held by the public as at 30th June 2020 was 25.51% and the number of public shareholders as at 30th June 2020 were 11,160

**13 Directors' shareholding as at 30th June 2020**

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. D. N. L. Fernando	24
Mr. C. Amarasinghe	Nil
Mr. M. P. R. Kumara (Alternate Director to Mr. W. P. R. P. H. Fonseka)	Nil
Mr. G. A. Jayashantha (Alternate Director to Mr. K. B. S. Bandara)	Nil

**14 ACT. CEO's shareholding as at 30th June 2020**

Mr. G. M. J. A. R. Gamalath	Nil
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**15 Appointment and resignation of Directors'**

Mr. A. M. A. Perera, Dr. N. S. Punchihewa and Mr. W. N. P. Surawimala appointed as Directors of the Company with effect from 16th July 2020.

Dr. S. Lokuhewa, Mr. K. B. S. Bandara, Mr. S. N. Dayaratne, Mr. S. P. Arsakularatne and Mr. G. A. Jayashantha (Alternate Director to Mr. K. B. S. Bandara) resigned from their directorate of the Company with effect from 16th July 2020 and Mr. C. Amarasinghe resigned from his directorate of the Company with effect from 9th September 2020.