



The Merchant Bank

*A Subsidiary of Bank of Ceylon
In Alliance with SBI Capital Markets Limited of India*

UNAUDITED ACCOUNTS

For the Period ended 30 June 2009

Merchant Bank of Sri Lanka PLC
Income Statement
Company
Group

	Note	Quarter ended		Six Months Period ended			Quarter ended		Six Months Period ended		
		30-06-2009	30-06-2008	30-06-2009	30-06-2008	Variance	30-06-2009	30-06-2008	30-06-2009	30-06-2008	Variance
		LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000	%	LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000	%
INCOME	01	263,735	248,111	521,511	489,178	6.61	541,165	392,139	974,806	766,998	27.1
Interest income	02	235,479	219,696	471,016	448,961	4.91	475,657	354,308	881,415	711,080	24.0
Less: Interest expense	03	146,994	132,483	292,459	258,176	-13.28	319,504	220,530	577,504	431,186	-33.9
Net interest income		88,485	87,213	178,557	190,785	-6.41	156,153	133,778	303,911	279,894	8.6
Fee and commission income	04	17,420	11,451	28,240	18,442	53.13	20,800	15,657	34,104	23,171	47.2
Dividend income		745	2,351	1,612	2,628	-38.66	822	2,356	1,903	2,633	-27.7
Other income	05	10,091	14,613	20,643	19,147	7.81	43,886	19,818	57,384	30,114	90.6
		116,741	115,628	229,052	231,002	-0.84	221,661	171,609	397,302	335,812	18.3
Less:											
OPERATING EXPENSES											
Personnel costs	06	32,417	30,262	64,475	57,110	-12.90	77,288	45,834	130,136	87,459	-48.8
Premises, equipment and establishment expenses	07	8,814	7,868	17,464	15,137	-15.37	20,300	13,564	35,076	26,621	-31.8
Fee and commission expenses	08	794	821	1,753	1,248	-40.46	3,584	1,572	6,181	3,673	-68.3
Provision for staff retirement benefits		900	900	1,800	1,800	0.00	1,980	1,371	3,810	2,742	-38.9
Provision for loan losses	09	17,906	27,295	32,471	31,052	-4.57	35,921	37,545	56,889	64,269	11.5
Provision/reversal for disposal assets	10	4,292	2,764	13,293	14,722	9.71	6,628	3,558	15,750	15,882	0.8
Provision for (appreciation)/fall in value of investments	11	(15,608)	(5,896)	(20,603)	(6,792)	203.34	(24,121)	(5,896)	(30,381)	(6,792)	347.31
Value Added Tax on financial services	12	8,605	6,215	14,935	13,637	-9.52	14,152	9,389	25,009	17,157	-45.8
Other overhead expenses	13	16,314	15,400	31,556	30,440	-3.67	46,328	25,435	73,065	50,881	-43.6
		74,434	85,629	157,144	158,354	0.76	182,060	132,372	315,535	261,892	-20.5
PROFIT FROM OPERATIONS		42,307	29,999	71,908	72,648	-1.02	39,601	39,237	81,767	73,920	10.6
Share of Associate Company profit/(loss) before taxation		7,701	9,637	6,758	11,841	-42.93	7,701	9,637	6,758	11,841	-42.9
PROFIT BEFORE TAXATION		50,008	39,636	78,666	84,489	-6.89	47,302	48,874	88,525	85,761	3.2
Less: Income tax expenses		6,907	1,326	11,907	10,326	-15.31	7,507	1,701	13,107	11,076	-18.3
PROFIT AFTER TAXATION		43,101	38,310	66,759	74,163	-9.98	39,795	47,173	75,418	74,685	1.0
Attributable to:											
Equity Holders of the parent		43,101	38,310	66,759	74,163	-9.98	36,374	42,830	66,134	74,429	-11.1
Minority interest		-	-	-	-		3,421	4,343	9,284	256	3526.6
PROFIT FOR THE PERIOD		43,101	38,310	66,759	74,163	-9.98	39,795	47,173	75,418	74,685	1.0

Merchant Bank of Sri Lanka PLC
Balance Sheet

As at	Company				Group			
	30-Jun-09	30-Jun-08	31 December 2008	Change	30-Jun-09	30-Jun-08	31 December 2008	Change
	LKR ' 000	LKR ' 000	LKR ' 000	%	LKR ' 000	LKR ' 000	LKR ' 000	%
ASSETS								
Cash in hand and cash at bank	51,900	15,860	38,236	227.2	137,395	42,174	39,733	225.8
Government treasury bills	146,661	126,159	131,084	16.3	888,601	426,159	446,084	108.5
Dealing securities	71,938	88,539	51,505	-18.7	142,895	104,139	55,649	37.2
Investment securities	5,024	5,024	5,024	0.0	5,044	5,034	5,034	0.2
Loans & advances								
Bills receivable	411,697	313,805	329,320	31.2	411,925	306,749	329,549	34.3
Loans & advances	410,675	495,164	478,149	-17.1	2,083,840	951,118	1,342,942	119.1
Lease / Hire purchase receivable	3,062,601	3,147,004	3,128,124	-2.7	5,298,021	4,710,332	4,660,299	12.5
Investment in real estate	-	-	-	0.0	29,922	35,199	31,159	-15.0
Other assets	170,560	177,994	131,467	-4.2	466,458	225,862	207,986	106.5
Investments in Associates	87,328	82,139	82,977	6.3	87,328	82,139	82,977	6.3
Investments in Subsidiary	159,524	20,918	20,918	662.6	-	-	-	0.0
Investment properties	300,131	339,961	339,087	-11.7	587,493	339,961	339,087	72.8
Property, Plant and Equipment	30,646	30,876	30,519	-0.7	127,005	41,316	44,466	207.4
Intangible assets	1,450	1,028	1,718	41.1	140,810	4,640	4,063	2,934.7
Total Assets	4,910,135	4,844,471	4,768,128	1.4	10,406,737	7,274,822	7,589,028	43.1
LIABILITIES								
Customer deposits	-	-	-		4,280,664	1,832,598	2,199,270	-133.6
Interest bearing borrowings								
Non-Current	151,136	386,330	380,665	60.9	151,136	386,330	380,665	60.9
Current	1,540,345	1,331,306	1,173,284	-15.7	1,635,726	1,583,877	1,301,707	-3.3
Long-term insurance fund	-	-	-		36,444	-	-	
Non-Life insurance reserve	-	-	-		130,717	-	-	
Current tax liability	47,373	60,472	37,873	21.7	47,373	60,472	37,873	21.7
Debentures	1,144,160	1,164,160	1,144,160	1.7	1,242,094	1,164,160	1,144,160	-6.7
Deferred tax liability	31,295	56,230	31,295	44.3	31,295	56,230	31,295	44.3
Retirement benefit obligation	51,553	46,413	50,612	-11.1	70,221	58,831	63,975	-19.4
Other liabilities	287,720	250,681	270,445	-14.8	786,261	290,713	420,171	-170.5
Total Liabilities	3,253,582	3,295,592	3,088,334	1.3	8,411,931	5,433,211	5,579,116	-54.8
Equity								
Stated capital	1,067,000	1,067,000	1,067,000	0.0	1,067,000	1,067,000	1,067,000	0.0
Reserve fund	45,716	31,361	45,716	45.8	45,716	31,361	45,716	45.8
Statutory reserve fund	-	-	-	0.0	37,942	34,066	37,942	11.4
Retained earnings	543,837	450,518	567,078	20.7	663,180	555,294	687,046	19.4
Total equity	1,656,553	1,548,879	1,679,794	7.0	1,813,838	1,687,721	1,837,704	7.5
Minority Interest	-	-	-		180,968	153,890	172,208	17.6
Total equity and minority interest	1,656,553	1,548,879	1,679,794	7.0	1,994,806	1,841,611	2,009,912	8.3
Total liabilities, equity and minority interest	4,910,135	4,844,471	4,768,128	1.4	10,406,737	7,274,822	7,589,028	43.1

I certify that the Financial Statements of the Company give a true and fair view of the state of affairs as at 30 June 2009 and of its profits for the period then ended.

Priyantha Herath
Asst. Director - Finance & Treasury Management

Approved and signed for and on behalf of the Board

Mr. Janaka Ratnayake
Chairman

Ms. W A Nalani
Director

29 July 2009

Merchant Bank of Sri Lanka PLC**Statement of Changes in Equity**

For the period ended 30 June 2009

	Stated Capital LKR ' 000	Reserve fund LKR ' 000	Statutory Reserves LKR ' 000	Accumulated Profit/(Loss) LKR ' 000	Total LKR ' 000
Company					
Balance as at 01.01.2008	1,067,000	31,361	-	466,355	1,564,716
Net Profit for the period	-	-	-	74,163	74,163
Transfers to Reserve fund	-	-	-	-	-
Dividend Paid	-	-	-	(90,000)	(90,000)
Transfers during the period	-	-	-	-	-
Balance as at 30.06.2008	1,067,000	31,361	-	450,518	1,548,879
Balance as at 01.01.2009	1,067,000	45,716	-	567,078	1,679,794
Net Profit for the period	-	-	-	66,759	66,759
Transfers to Reserve fund	-	-	-	-	-
Dividend Paid	-	-	-	(90,000)	(90,000)
Balance as at 30.06.2009	1,067,000	45,716	-	543,837	1,656,553

Group

Balance as at 01.01.2008	1,067,000	31,361	34,066	570,865	1,703,292
Net profit for the period	-	-	-	74,429	74,429
Transfers to Reserve fund	-	-	-	-	-
Transfers to Statutory Reserve	-	-	-	-	-
Dividend Paid	-	-	-	(90,000)	(90,000)
Transfers during the period	-	-	-	-	-
Balance as at 30.06.2008	1,067,000	31,361	34,066	555,294	1,687,721
Balance as at 01.01.2009	1,067,000	45,716	37,942	687,046	1,837,704
Net profit for the period	-	-	-	66,134	66,134
Transfers to Reserve fund	-	-	-	-	-
Transfers to Statutory Reserve	-	-	-	-	-
Dividend Paid	-	-	-	(90,000)	(90,000)

Merchant Bank of Sri Lanka PLC
Cash Flow Statement

For the period ended 30 June	Company		Group	
	2009 LKR ' 000	2008 LKR ' 000	2009 LKR ' 000	2008 LKR ' 000
Cash Flow from Operating Activities				
Interest and commission receipts	393,865	370,809	725,029	589,546
Interest payments	(249,481)	(206,270)	(391,572)	(301,261)
Receipts from other operating activities	20,643	22,465	103,317	32,404
Cash payments to employees and suppliers	(85,701)	(81,497)	(201,146)	(139,831)
Payments on other operating activities	(38,187)	(45,217)	(143,322)	(50,763)
Operating profit before changes in operating assets	41,139	60,290	92,306	130,095
(Increase)/Decrease in operating assets:				
(Increase)/Decrease in operating assets	14,437	(73,178)	(3,086)	(13,183)
Funds advanced to customers	50,621	(237,227)	(75,924)	(269,559)
Increase/(Decrease) in operating liabilities				
Operating liabilities	17,276	(14,656)	56,036	(15,066)
Deposits from customers	-	-	498,663	(24,083)
Net cash from operating activities before income tax	123,473	(264,771)	567,995	(191,796)
Income tax paid	(8,516)	(8,710)	(14,206)	(13,297)
Net cash inflow/(outflow) from operating activities	114,957	(273,481)	553,789	(205,093)
Cash Flows from Investing Activities				
Purchase of Property, Plant & Equipment	(2,794)	(9,216)	(9,144)	(10,194)
Dividend income	1,612	2,628	1,903	2,633
Purchase of investments	(177,602)	(25,309)	(353,927)	(40,909)
Proceeds from Sale of Property, Plant & Equipment	-	-	7,826	41
Proceeds from sale of investments	45,535	18,550	60,227	18,550
Net cash inflow/(outflow) from investing activities	(133,249)	(13,347)	(293,115)	(29,879)
Cash flows from financing activities				
Dividend paid	(90,000)	(90,000)	(90,000)	(90,000)
Cash inflow from long term loans	151,885	250,000	151,885	250,000
Repayment of long term loans	(532,113)	(277,689)	(532,113)	(290,073)
Proceeds from short term loans	1,048,999	1,587,807	1,048,999	1,587,807
Repayment of short term loans	(358,095)	(904,332)	(523,419)	(904,332)
Net cash inflow/(outflow) from financing activities	220,676	565,786	55,352	553,402
Net increase / (decrease) in cash and cash equivalents	202,384	278,958	316,026	318,430
Cash and cash equivalents at beginning of the period	(65,852)	(207,956)	582,560	71,313
Cash and cash equivalents at end of the period (Note. 1)	136,532	71,002	898,586	389,743
Note 1 Reconciliation of cash and cash equivalents				
Government treasury bills	146,661	126,159	888,601	426,159
Cash in hand and at bank	51,900	15,860	137,395	42,174
Bank overdrafts	(62,029)	(71,017)	(127,410)	(78,590)
	136,532	71,002	898,586	389,743

Merchant Bank of Sri Lanka PLC
SEGMENT REPORTING

Company

For the period ended 30 June	Leasing		Trade Finance		Corporate Finance		Money Market		Eliminations / Unallocated		Total	
	2009 LKR'000	2008 LKR'000	2009 LKR'000	2008 LKR'000	2009 LKR'000	2008 LKR'000	2009 LKR'000	2008 LKR'000	2009 LKR'000	2008 LKR'000	2009 LKR'000	2008 LKR'000
Revenue from external customers												
Interest	28,415	33,796	87,945	66,736	1,788	2,268	12,634	4,307	789	635	131,571	107,742
Lease income	339,445	341,219	-	-	-	-	-	-	-	-	339,445	341,219
Commissions	5,774	6,560	957	1,188	-	9,029	-	-	-	-	6,731	16,777
Others	6,782	7,630	6,874	676	20,914	14,115	-	-	9,194	1,019	43,764	23,440
Total revenue from external customers	380,416	389,205	95,776	68,600	22,702	25,412	12,634	4,307	9,983	1,654	521,511	489,178
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Segment results	12,082	40,216	11,058	13,500	28,824	19,521	26,116	1,077	586	10,175	78,666	84,489
Unallocated expenses											(9,397)	8,521
Profit before interest, tax and associate company's profit											364,367	330,824
Interest expense											(292,459)	(258,176)
Profit from Associate company											6,758	11,841
Income tax expense											(11,907)	(10,326)
Minority interest											-	-
Net profit for the year											66,759	74,163
Other Information												
Segment assets	3,096,063	3,172,750	1,086,983	1,035,769	100,214	120,312	211,235	226,498	168,788	186,085	4,663,283	4,741,414
Investment in Associate/Subsidiary	-	-	-	-	-	-	-	-	246,852	103,057	246,852	103,057
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	3,096,063	3,172,750	1,086,983	1,035,769	100,214	120,312	211,235	226,498	415,640	289,142	4,910,135	4,844,471
Segment liabilities	69,723	61,972	34,086	41,516	-	165	2,986,450	3,006,097	163,323	185,842	3,253,582	3,295,592
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	69,723	61,972	34,086	55,048	-	165	2,986,450	3,006,097	163,323	185,842	3,253,582	3,295,592
Information on Cash Flows												
Cash flows from operating activities	83,528	(52,860)	(2,198)	(149,881)	39,110	(9,655)	25,670	31,112	(31,153)	(92,197)	114,957	(273,481)
Cash flows from investing activities	-	-	-	-	(130,455)	(4,131)	-	-	-	-	(130,455)	(4,131)
Cash flows from financing activities	-	-	-	-	-	-	220,676	565,786	-	-	220,676	565,786
Capital expenditure	-	-	-	-	-	-	-	-	(2,794)	(9,216)	(2,794)	(9,216)

Notes to the Financial Statements

- There were no changes in the accounting policies and methods of computation since the publication of financial statements in the Annual Report - 2008. These interim financial statements are presented in accordance with the SLAS 35 -interim Financial Reporting.
- There were no material events that took place since June 30, 2009, that require disclosure in these financial statements.
- During the quarter there were no material changes in the composition of assets, liabilities and use of funds raised through debentures.

4. Share Information	As at 30.06.2009	As at 31.12.2008
	LKR	LKR
Net Asset per share - Company	18.41	18.66
- Group	20.15	20.42

	As at 30.06.2009	As at 30.06.2008
Market price per share		
-High	18.25 (19.06.2009)	17.75 (01.04.2008)
-Low	9.00 (07.04.2009)	13.00 (17.06.2008)
-Last Transaction	16.50 (30.06.2009)	13.25 (30.06.2008)
Number of shares issued	90,000,000	90,000,000

5. Ratios	As at 30.06.2009	As at 31.12.2008
Debt/Equity Ratio	1.71	1.61
Liquidity Ratio	0.87	1.19
Interest Cover	1.27	1.37

- To facilitate the comparison, relevant balances pertaining to the previous years have been re-classified to confirm to current classifications and presentation.
- During the period the Company acquired the following companies.
100% of the ordinary shares of ABC Insurance Company Ltd on 07 April 2009.
78% of the voting shares of Ceylinco Savings Bank Ltd on 30 April 2009.

8. Twenty largest share holders

	Name of the share holder	No. Shares	Holding %
01.	Bank of Ceylon No. 1 Account	68,400,000	76.00%
02.	Bank of Ceylon A/C Ceybank Unit Trust	5,136,640	5.71%
03.	Distilleries Company of Sri Lanka PLC	959,911	1.07%
04.	Waldock Mackenzie Limited / Mr. Lalith Prabash Hapangama	850,100	0.94%
05.	Employees Trust Fund Board	636,876	0.71%
06.	Mr. M. Premajayanth	250,001	0.28%
07.	Sri Lanka Shipping Company limited	250,000	0.28%
08.	Mr R. Veerasundaram	249,100	0.28%
09.	Freudenberg Shipping Agency Limited	198,000	0.22%
10.	Mr. D. N. sellamuttu	177,177	0.20%
11.	Sampath Bank Limited - Account No. 3	174,000	0.19%
12.	First Capital Markets Limited/ Mr. M. A. U. Gnanathi	158,600	0.18%
13.	Mr. A. M. Weerasinghe	156,500	0.17%
14.	Commercial Bank of Ceylon PLC A/C No. 02	153,614	0.17%
15.	Mr. M. E. A. A. Perera	145,784	0.16%
16.	Mr. S. S. C. Fernando	143,800	0.16%
17.	Mr. H. A. Van Starrex	141,924	0.16%
18.	Mr. M. M. Udeshi	133,883	0.15%
19.	Waldock Mackenzie Limited / Hi-Line Trading (Pvt) Limited	116,603	0.13%
20.	The Bishop of Galle	111,583	0.12%