මර්චන්ට් බෑන්ක් ඔෆ් ශ්‍රී ලංකා ඇන්ඩ් ෆිනෑන්ස් පීඑල්සී
2019 දෙසැම්බර් 31 අවසන් වර්ෂය සඳහා
මූල්‍ය ප්‍රකාශන

"CCC+" [Ref:] BBB- (Negative Outlook)"
Co.Reg.No. PQ10

ලාභාලාභ ප්‍රකාශය

රු. '000

	2019	2018
ආදායම්	6,839,015	6,549,905
පොළී සහ සමාන ආදායම්	6,532,729	6,194,937
පොළී සහ සමාන වියදම්	(4,331,275)	(3,752,471)
ශුද්ධ පොළී ආදායම්	**2,201,454**	**2,442,466**
ගාස්තු සහ කොමිස් ආදායම්	208,928	210,175
ගාස්තු සහ කොමිස් වියදම්	(25,847)	(2,033)
ශුද්ධ ගාස්තු සහ කොමිස් ආදායම්	**183,081**	**208,142**
ශුද්ධ වෙළඳ ආදායම්	9,652	(2,337)
ණය නොගිණුම්කරණ සහ වෙනත් මූල්‍ය උපකරණ මත ශුද්ධ ලාභ/අලාභ	18,768	(29,999)
වෙනත් මෙහෙයුම් ආදායම්	68,938	177,129
මුළු මෙහෙයුම් ආදායම්	**2,481,893**	**2,795,401**
ණය හානිකරණය සහ වෙනත් අලාභයන්	(279,673)	(134,531)
ශුද්ධ මෙහෙයුම් ආදායම්	**2,202,220**	**2,660,870**
සේවක ප්‍රතිලාභ පිරිවැය	(1,143,504)	(1,096,230)
ක්‍රියාවලි හා ඉඩප්‍රස්ථය	(278,100)	(119,806)
අනෙකුත් මෙහෙයුම් වියදම්	(700,713)	(789,583)
සමස්ත මෙහෙයුම් වියදම්	**(2,122,317)**	**(2,005,619)**
මූල්‍ය සේවා මත ව.ආ. මත බදු සහ සමූහයේ සහකමත් වල ආයෝජන ක්‍රමවේදයකට පෙර මෙහෙයුම් ලාභය	**79,903**	**655,251**
පරපාර්ශ්ව සමාගම් වල ආයෝජන ක්‍රමවේදය	270,692	58,160
ආශ්‍රිත සමාගම් වල ආයෝජන ක්‍රමවේදය	(5,058)	-
සමූහයේ සමාගම් වල ආයෝජන ක්‍රමවේදයට පසු මෙහෙයුම් ලාභය උප සමාගමෙහ	**345,537**	**713,411**
මූල්‍ය සේවා සඳහා විකුණ කළ ණය ඇතැ මත බදු	(288.343)	(266,735)
ආදායම් බදු වලට පෙර ලාභය	**57,194**	**446,676**
ආදායම් බදු (වියදම්)/ආපසු කැරවීම්	45,390	(265,391)
වර්ෂයට ලදාළ ලාභය	**102,584**	**181,285**
කොටසක ඉපයුම්		
කොටසක මූලික/ගලපූ ඉපයුම්: රු.ය	0.62	1.09

චක්තිවාණ ආදායම් ප්‍රකාශය

රු. '000

	2019	2018
වර්ෂයට ලදාළ ලාභය	102,584	181,285
අනෙකුත් සවිස්තරණ ආදායම්/(වියදම්)		
ඉදිරි කාලවකවන්හි ලාභ/අලාභ වලට නැවත වර්ගය කරනු ලබන අනෙකුත් සවිස්තරණ ආදායම්/(වියදම්) බදු වලට ඇදිරා		
සාධාරණ අගයට හඳ කළ මූල්‍ය වත්කම් මත ප්‍රතිලාභ/අලාභ/අලාභය)	3,299	(14,038)
ඉදිරි කාලවකවන්හි ලාභ/අලාභ වලට නැවත වර්ග කරනු ලබන අනෙකුත් ඇදිරා සවිස්තරණ ආදායම්/(වියදම්)	3,299	(14,038)
ඉදිරි කාලවකවන්හි ලාභ/අලාභ වලට නැවත වර්ග කෙරෙනු ලබන අනෙකුත් සවිස්තරණ ආදායම්/(වියදම්) බදු වලට ඇදිරා		
නිරීක්ෂණ කරන ලද ප්‍රතිලාභ සැලසුම් මත වෙනි ගණන ලාභ/අලාභ)	(30,822)	27,670
අදහසෙන් සවිස්තරණ ආදායම් සංරක්ෂණ වලට ලදාළ බදුවලින බදු	8,630	(12,750)
ඉදිරි කාලවකවන්හි ලාභ/අලාභ වලට නැවත වර්ග කෙරෙනු ලබන අනෙකුත් ඇදිරා සවිස්තරණ ආදායම්/(වියදම්)	(22,192)	14,920
වර්ෂයට ලදාළ වෙනත් සවිස්තරණ ආදායම්, බදු ලදිල පසු	**(18,893)**	**882**
වර්ෂයට ලදාළ සමස්ත සවිස්තරණ ආදායම්, බදු ලදිල පසු	**83,691**	**182,167**

මූල්‍ය තත්ත්ව ප්‍රකාශනය

රු. '000

	2019	2018
වත්කම්		
මුදල් සහ මුදල් සමාන දෑ	1,355,785	1,587,292
බැංකු සහ මූල්‍ය ආයතනවල තැන්පතු	1,477,103	670,575
ගාහනලාභ සමාන් සාධාරණ අගයට හඳ කළ මූල්‍ය වත්කම්	945,199	267,106
ණය සහ අත්තිකාරම් මූල්‍යමය පිරිවැය ගරහන්	29,228,215	30,721,147
තෙහෙත් විද්‍යාත්මක ආදායම් හරහා සාධාරණ අගයට නම් කළ ණයට නම් කළ ණයට වත්කම්	1,216,478	1,180,998
ඉඩම් ගොඩනැඟිලි පිරිවැය ගරහන්	1,513	60,828
දේපල වෙළඳ පොළය	297,075	78,503
තාවිත සමාගමේ ආයෝජන	76,026	81,084
පරිගණකයන් හි ආයෝජන	849,968	79,276
දේපල ආයෝජන	117,276	120,181
වේලෙ. උකසකරණ සහ නමාගයට සම්බන්ධ සැකි වත්කම්	895,799	320,113
අත්කරගෙ වත්කම්	180,255	193,121
වෙනත් වත්කම්	334,431	299,303
මුළු වත්කම්	**36,975,123**	**35,659,527**
වගකීම්		
බැංකුවලට ගෙවිය යුතු	7,749,021	5,869,317
ගණුදෙනුකරුවන්ට ගෙවිය යුතු තුණකිය පිරිවැය ගරහන්	22,755,930	20,831,021
නිගුග්ධාල ණය සහ දානෙකුල් ණය ගැනීම් ගුණාංකය පිරිවැය ගරහෙ	2,466,268	5,331,077
වර්තමාන බදු වගකීම්	14,851	424
විලම්බිත බදු වගකීම්	212,520	340,444
අනෙකුත් වගකීම්	897,039	515,432
විශුමිත ප්‍රතිලාභ බැඳීම	271,699	247,708
මුළු වගකීම්	**34,367,328**	**33,135,423**
හිමිකම්		
ප්‍රකාශිත ප්‍රාග්ධනය	2,124,457	2,124,457
වාරණ්ඩාරික සංචිත අරමුදල	234,613	214,096
රඳවා ගත් ඉපයුම්	252,887	193,012
අවලව කල හැකි සංචිත	(4,162)	(7,461)
මුළු හිමිකම්	**2,607,795**	**2,524,104**
මළු හිමිකම් සහ වගකීම්	**36,975,123**	**35,659,527**
අකම්කාරය වගකීම් සහ බැඳීම්	121,337	124,250
කොටසකට ඉඳිධ වත්කම් අගය (රු.)	15.72	15.22

තෝරාගත් කාරිය සාධක දර්ශක

රු. '000

	31/12/2019 දුසැ	31/12/2018 දුසැ
නියාමන ප්‍රාග්ධන ප්‍රමාණාත්මකාවය		
ඉලිය ප්‍රාග්ධනය පරමු පලල ප්‍රාග්ධනය), (රු.'000)	1,881,523	1,678,667
මුළු ප්‍රාග්ධනය, රු.'000	2,949,093	3,208,643
අවදානම මත බර කැබලි වත්කම් මත මූලික ප්‍රාග්ධන ප්‍රමාණාත්මකා අනුපාතය % (අවම අවශ්‍යතාව 4.5%)	5.60%	4.70%
අවදානම මත බර කැබලි සමස්ත ප්‍රාග්ධන ප්‍රමාණාත්මකා අනුපාතය (අවම අවශ්‍යතාව, 10.5%)	8.78%	8.98%
ප්‍රාග්ධන අරමුදල් තාන්ත්‍රික වගකීම් අනුපාතය (අවම අවශ්‍යතාවය, 10%)	12.09%	12.67%
වත්කම්වල ගුණාත්මය (ණය සඳහති තත්වය)		
දළ අසිරිය ණය, රු.'000)	4,744,019	3,818,929
දළ අසිරිය ණය අනුපාතය%	14.77%	11.46%
ශුද්ධ අසිරිය ණය අනුපාතය %	7.02%	5.94%
ආකෘතිගීවීමය (%)		
වොළී ආන්තිකය	6.52%	7.83%
වත්කම් මත ප්‍රතිලාභය (බදු පෙර)	0.78%	0.51%
හිමිකම් මත ප්‍රතිලාභය (බදු පසු)	3.93%	7.18%
නියාමන දළිමිකුණාත්මය (රු.'000)		
අවශ්‍ය අවම දුරිමිල වත්කම් ප්‍රමාණය	2,870,890	2,859,480
පවත්නා දුරිමිල වත්කම් ප්‍රමාණය	3,479,769	2,872,282
අවශ්‍ය අවම රැසෙයි සුරැකුම්කරණ ප්‍රමාණය	2,040,948	2,163,857
පවත්නා රැසෙයි සුරැකුම්කරණ ප්‍රමාණය	2,060,240	2,296,457
ශාඛා සංඛ්‍යාවල		
දේශීය සංඛ්‍යාව	1,000	1,023
ශාඛා සංඛ්‍යාව	40	40
අනෙකුත් මධ්‍යස්ථාන ගණන	9	9

ප්‍රාග්ධන ප්‍රමාණාත්මකා අනුපාතයන්ට අනුකූලව සටහන් කිරීම සඳහා පිටිවෙනින් ශ්‍රී ලංකා මහ බැංකුව විසින් 2019 ජෙදිසැ සහ 2019 මැයි මස සිව් වැනුපැවැත්වෙන පරිදි ණය සහ අත්තිකාරම් රූ.බිලියන 35ත් අත්තිවූවිම සඳහා ඉඳිධ පෙන්වා මහා සහ රූ. බිලියන 2.3 තෘප්තිකූ මාර්ගින් ද සමාහරව පෙළ්ඛ ඇත. .

සහතික කිරීම:

මර්චන්ට් බැන්ක් ඔෆ් ශ්‍රී ලංකා ඇන්ඩ් ෆිනෑන්ස් පීඑල්සී හි ප්‍රධාන මූල්‍ය සඳහණකාරු සහ වයඹසඳහන ප්‍රධාන විධායක නිලධාරි වශයෙන් පහත සඳහන් අත්සන් තබන ලදි:

(අ) ඉහත මූල්‍ය ප්‍රකාශන ශ්‍රී ලංකා මහ බැංකුව විසින් නිර්දේශ කරන ලද ආකෘතීන් හා නිර්වචන වලට අනුව පිළියෙල කර ඇති බවත්,

(ආ) මෙම ප්‍රකාශයන් හි අඩංගු තොරතුරු උපදාරණය ඇත්තේ බ්‍රධාදිගේ කල මූල්‍ය සමාගම් විගණනය කරන ලද වාර්ෂික මූල්‍ය ප්‍රකාශන වලින්. මෙ විසේ නම් විගණනය කෙරෙන බව සඳහන් කර ඇත.

(අත්සන් කළේ)
පී අයි සන්දසාරාවිච්චි
ප්‍රධාන මූල්‍ය සඳහණකාරු
31 අගෝස්තු 2020

(අත්සන් කළේ)
ජේ ගමිලත්
ප්‍රධාන විධායක නිලධාරි (වැඩ බලන)
31 අගෝස්තු 2020

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

NAO/BOC-4/MBSL/2019 | 09 September 2020

The Chairman
Merchant Bank of Sri Lanka and Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Merchant Bank of Sri Lanka and Finance PLC for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Merchant Bank of Sri Lanka and Finance PLC ("the Company") and the consolidated financial statements of the company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matters

I draw attention to Note 51.1 of the financial statements, which describes the Company's level of compliance with stipulated minimum capital adequacy ratios, and the remedial actions taken by the Company there of. My opinion is not modified in respect of these matter.

1.4 Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key audit matter	How my audit addressed the key audit matter
Impairment Allowance for Loans & receivables at amortised cost: My audit considered impairment for Loans & receivables at amortised cost as a key audit matter. The materiality of the reported amounts of those balances (and impairment thereof), the subjectivity associate with management's impairment estimation, complex manual calculations of impairment underpinned my basis for considering it as a key Audit Matter. As at 31 December 2019, 75% of total assets of the Group consisted of Loans & receivables at amortised cost amounting to LKR 28,074 Million (Note 28) net of impairment allowance of LKR 2,856 Million (Note 23). Significant estimates and assumptions used by the management in such calculations, their sensitivities and basis for allowance for impairment are discussed in Note 3.5.12 & Note 50.2.	designed my audit procedures to obtain sufficient appropriate audit evidence on the reasonableness of the impairment allowance, that included the following procedures; • I evaluated the design, implementation and operating effectiveness of key internal controls over estimation of Impairment for Loans & receivables, which included assessing the level of oversight, reviews and approval of impairment policies by the Board Audit Committee and management. • I evaluated the effectiveness of the Company's process around modifications to terms after initial granting, focusing on identification of rescheduled and restructured credit facilities. • I test-checked the underlying calculations and data used in such calculations. In addition to the above, following focused procedures were performed: For those individually assessed for impairment: - I assessed the main criteria used by the management for determining whether an impairment event had occurred. - where impairment indicators existed, I assessed the reasonableness of management's estimated future recoveries including the expected future cash flows and discount rates. I also compared the actual recoveries against previously estimated amounts of future recoveries. For those collectively assessed for impairment: - I tested the completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT systems. - I also considered reasonableness of macroeconomic and other factors used by management in their judgmental overlays, by comparing them with relevant publicly available data and information sources. • I assessed the adequacy of the related financial statement disclosures as set out in Note 3.5.12, 50.2 and 13.
Deferred Tax Asset of Subsidiary As detailed in Note 16.4.1 and Note 58.2 to the financial statements, the brought forward tax losses of the Merchant Bank of Sri Lanka Insurance Company Ltd (MBSLI), as of 31 December 2019 amounted to Rs. 1,804 Million. Deferred tax asset of the Group includes Rs. 264 Million recognized based on such tax losses. Management has exercised critical judgments and estimates described in Note 58.2 and Note 16.4, in estimating the Deferred Tax Asset as of the reporting date. Due to the significant assumptions and judgements involved, recognition and measurement of deferred tax asset relating to subsidiary is considered to be a key audit matter.	My procedures included the following; • Assessing the reasonableness of the estimates and judgements made by, the management on the assessments of the recover ability of the Deferred Tax Asset by comparing industry data where applicable. • Assessing the business plans used and thus the likelihood that taxable profits would be available to utilise the tax losses in the future. • I independently assessed the future cash flows prepared by management and used my professional judgement corroborated with external information sources to make appropriate adjustments to the cash flows. • Assessing the adequacy of disclosures stated in Note 58 and Note 16.4.

1.5 Other Information Included in the 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and my auditor's report thereon. Management is responsible for other information.

My opinion on the financial statements does not cover the other information and I do not and will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

1.6 Responsibilities of the Management and Those Charged with Governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.7 Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also;

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and the Group.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

• Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act No. 7 of 2007 include specific provisions for following requirements.

• I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of the section 163 (2) (d) of the Companies Act, No. 7 of 2007 and the section 12 (a) of National Audit Act, No. 19 of 2018.

• The financial statements of the Company comply with the requirement of the section 151 of the Companies Act, No. 07 of 2007.

• The financial statements presented is consistent with the preceding year as per the requirement of the section 6 (1) (d) (ii) of the National Audit Act, No. 19 of 2018.

• The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of the section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

• to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

• to state that the Company has not complies with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of the section 12 (f) of the National Audit Act, No. 19 of 2018 except for non-compliances that are material are given below,

Reference to Law/ Direction	Description
Direction No. 05 of 2018 issued by the Central Bank of Sri Lanka (Risk Weighted Average Capital Adequacy Requirements.)	Non-compliance with the Risk Weighted Capital Adequacy Ratios as disclosed in Note 51.1 of the financial statements.

• to state that the Company has not performed according to its powers, functions and duties as per the requirement of the section 12 (g) of the National Audit Act, No. 19 of 2018.

• to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of the section 12 (h) of the National Audit Act, No. 19 of 2018.

W.P.C Wickramaratne
Auditor General