

SEYLAN MERCHANT BANK PLC

INTERIM REPORT

QUARTER ENDED 31ST DECEMBER 2009

SEYLAN MERCHANT BANK
INCOME STATEMENT

BANK						
For the Period Ended	3 Months ended 31 st December 2009	3 Months ended 31 st December 2008	Change	12 Months ended 31 st December 2009	12 Months ended 31 st December 2008	Change
	Rs.	Rs.	%	Rs.	Rs.	%
Gross Income	47,016,124	73,076,972	(35.66)	400,365,327	349,923,443	14.42
Interest Income	34,483,347	68,245,168	(49.47)	156,238,980	309,719,059	(49.55)
Less: Interest Expenses	(36,122,656)	108,081,245	(133.42)	170,241,656	406,098,084	(58.08)
Net Interest Income	70,606,003	(39,836,077)	277.24	(14,002,676)	(96,379,024)	(85.47)
Other Income	12,532,777	4,831,804	159.38	244,126,347	40,204,384	507.21
Net Income	83,138,780	(35,004,273)	337.51	230,123,671	(56,174,640)	509.66
Less: Operating Expenses						
Personnel Costs	6,983,364	2,814,374	148.13	17,680,791	15,938,968	10.93
Premises, Equipment & Establishment Exp.	3,675,043	3,957,199	(7.13)	11,831,685	15,373,809	(23.04)
Provision for Staff Retirement Benefits	-	-	-	-	-	-
Other Overhead Expenses	4,218,369	6,661,117	(36.67)	16,930,601	30,229,149	(43.99)
	14,876,777	13,432,690	10.75	46,443,077	61,541,926	(24.53)
Profit Before Provisions & Taxation	68,262,003	(48,436,963)	240.93	183,680,594	(117,716,566)	256.04
Less: Provision for Diminution in Value of Shares		-	-		-	-
Less: Loan Loss Provision and Write-off	(60,260,096)	4,907,936	1,127.81	2,748,413	13,199,537	79.18
Operating Profit Before Taxation	128,522,098	(53,344,899)	340.93	180,932,181	(130,916,103)	238.20
Less :Tax on Profit on Ordinary Activities	-	37,944	-	37,986	37,944	-
VAT on Profit	-	110,019	-	-	1,141,324	-
Deferred Taxation	-	-	-	-	-	-
Profit After Taxation	128,522,098	(53,492,862)	340.26	180,894,195	(132,095,373)	236.94
Basic Earnings per share -Voting	2.36	(0.98)		3.32	(2.42)	
Basic Earnings per share - Non Voting	0.24	(0.10)		0.33	(0.24)	

Figures in brackets indicate deductions
The Above figures are provisional and subject to audit

CONSOLIDATED INCOME STATEMENT

For the Period Ended	GROUP					
	3 Months ended 31 st December 2009	3 Months ended 31 st December 2008		12 Months ended 31 st December 2009	12 Months ended 31 st December 2008	Change
	Rs.	Rs.	%	Rs.	Rs.	%
Gross Income	52,972,488	231,374,376	(77.11)	620,931,876	916,991,098	(32.29)
Interest Income	34,483,347	195,923,778	(82.40)	335,653,018	756,704,020	(55.64)
Less: Interest Expenses	(36,101,320)	199,955,063	(118.05)	298,729,446	711,854,169	(58.04)
Net Interest Income	70,584,667	(4,031,285)	(1,850.92)	36,923,571	44,849,851	(17.67)
Other Income	18,489,141	35,450,598	(47.85)	285,278,859	160,287,077	77.98
Net Income	89,073,808	31,419,313	183.50	322,202,430	205,136,929	57.07
Less: Operating Expenses						
Personnel Costs	9,960,161	34,801,184	(71.38)	69,621,227	118,174,511	(41.09)
Premises, Equipment & Establishment Exp.	4,263,082	18,296,848	(76.70)	38,393,967	67,730,045	(43.31)
Provision for Staff Retirement Benefits	-	761,245		-	2,128,799	(100.00)
Other Overhead Expenses	6,532,424	33,923,972	(80.74)	54,507,436	125,399,020	(56.53)
	20,755,667	87,783,250	(76.36)	162,522,630	313,432,374	(48.15)
Profit Before Provisions & Taxation	68,318,142	(56,363,937)	221.21	159,679,800	(108,295,445)	247.45
Add: Profit of Associate Company	(2,945,529)	1,295,773		(4,693,787)	5,053,508	192.88
Less: Loan Loss Provision and Write-off	50,595,049	4,201,831	1,104.12	64,593,297	23,369,895	176.40
Operating Profit Before Taxation	14,777,564	(59,269,995)	124.93	90,392,715	(126,611,833)	171.39
Less :Tax on Profit on Ordinary Activities	-	52,053		-	52,053	
VAT on Profit	1,126,304	624,665		1,651,304	2,566,747	
Deferred Taxation	-	-		-	-	
Profit After Taxation	13,651,260	(59,946,713)	122.77	88,741,411	(129,230,632)	168.67
Minority Interest	(505,768)	804,873	162.84	(180,045)	3,288,895	105.47
Profit for the Period	14,157,028	(60,751,585)	123.30	88,921,457	(132,519,527)	167.10
Basic Earnings per share -Voting	0.26	(1.11)		1.63	(2.43)	
Basic Earnings per share - Non Voting	0.03	(0.11)		0.16	(0.24)	

Figures in brackets indicate deductions
The Above figures are provisional and subject to audit

R.S.W. Senanake
Non Executive Deputy Chairman

M.S.I. Peiris
Director

M. Jayasuriya
CFO

10th February 2010

CONSOLIDATED BALANCE SHEETS

As At	GROUP		BANK	
	31st December 2009	31st December 2008	31st December 2009	31st December 2008
	RS.		RS.	
ASSETS				
Cash and Short Term Funds	7,993,475	17,636,423	6,841,038	10,068,966
Placements with and Loans to Other Banks & Finance Compani	-	198,887,623	-	-
Placements with and Loans to Non Financial Institutions		59,003,102		59,003,102
Treasury Bills and Bonds held as Investment		225,916,744		47,896,922
Other Investment Securities	1,059,532	9,893,704	1,059,532	17,571,914
Loans and Advances	708,428,284	1,232,700,815	708,428,284	928,252,418
Lease Rental Receivable	383,523,884	2,230,190,742	383,523,884	688,373,694
Less : Provision for Possible Credit Losses	284,235,661	429,089,244	284,235,661	357,476,399
Interest in Suspense	80,852,374	90,290,961	80,852,374	61,893,723
Net Loan, Advances and Leases	726,864,133	2,943,511,352	726,864,133	1,197,255,990
Interest and Fees Receivable	206,958,516	325,592,358	206,774,189	253,036,887
Investment in Subsidiary Company		-	12,750,000	324,196,825
Investments in Associate Companies	124,588,409	54,314,942	129,282,196	49,000,000
Investment Properties	49,856,000	16,316,000	49,016,000	16,316,000
Property, Plant and Equipment	8,047,627	50,096,568	7,010,218	8,054,878
Group Balance Receivable				
Other Assets	107,708,696	323,388,042	91,174,202	43,358,083
Differed Assets	252,317			-
Total Assets	1,233,328,705	4,224,556,857	1,230,771,508	2,025,759,566
FINANCED BY:				
LIABILITIES				
Deposits	-	1,568,863,611	-	-
Borrowings	619,996,988	1,808,681,657	619,996,988	1,721,268,185
Securities Sold Under Repurchase Agreements	-			
Group Balances Payable	197,848,000	197,848,000	197,848,000	197,848,000
Differed Taxation	-	-		-
Other Liabilities	197,123,827	386,807,818	194,744,287	63,408,061
Debentures	232,790,225	340,308,507	232,790,224	255,174,402
Bank Over Draft	16,436,896		16,436,896	
	1,264,195,936	4,302,509,593	1,261,816,396	2,237,698,649
SHAREHOLDERS' FUNDS				
Stated Capital	565,786,045	565,786,045	565,786,045	565,786,045
Statutory Reserve Fund	1,239,777	4,420,527	1,239,777	1,239,777
Revenue Reserves	(633,564,657)	(722,486,114)	(598,070,710)	(778,964,904)
Shareholders' Funds	(66,538,835)	(152,279,542)	(31,044,888)	(211,939,082)
Minority Interest	35,671,605	74,326,806		-
Total Equity	(30,867,231)	(77,952,736)		
Total Liabilities and Funds Employed	1,233,328,705	4,224,556,857	1,230,771,508	2,025,759,566
Net Assets Per Ordinary Shares Rs.	(1.22)	(2.79)	(0.57)	(3.89)

The Above figures are provisional and subject to audit

R.S.W. Senanake
Non Executive Deputy Chairman

M.S.I. Peiris
Director

M. Jayasuriya
CFO

10th February 2010

CASH FLOW STATEMENTS

For the 12 Months Ended 31st December

Cash Flow from Operating Activities

	Group		BANK	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
Interest Received	137,280,329	822,157,046	137,280,329	255,392,291
Interest Payments	(170,320,544)	(763,043,988)	(170,241,656)	(410,292,935)
Fees and Commission Receipts	119,858,241	112,192,622	84,113,626	74,589,746
Profits from Other Operating Activities	-	-	-	-
Cash Payments to Employees and Suppliers	(75,359,412)	(347,944,337)	(46,443,077)	(70,371,788)

Net Profit before Changes in Operating Assets **11,458,613** **(176,638,658)** **4,709,222** **(150,682,683)**

Funds Advanced to Customers	486,602,095	31,606,968	486,602,095	233,573,069
Other Assets	(18,087,915)	(10,153,645)	(1,553,421)	115,711,342

Cash Generated from Operations **479,972,794** **(155,185,335)** **489,757,897** **198,601,728**

Tax Paid	52,053	(41,946,552)	37,986	(35,601,511)
Gratuity Paid	-	-	-	-

Net Cash used in Operating Activities **480,024,847** **(197,131,887)** **489,795,883** **163,000,217**

Cash Flow from Investing Activities

Investment in Associate Companies	-	(4,365,092)	-	-
Sale of shares in Subsidiary Companies	387,100,040	-	387,100,040	18,760,000
Proceeds from Sale of Dealing Securities	-	132,481	-	132,481
Net (Increase)/Decrease of Treasury Bills & Bonds	47,896,922	25,096,599	47,896,922	826,995
Purchase of Investment Securities.	-	144,479,451	-	123,382,561
Proceeds from Sale of Investment Securities	16,512,382	(81,225,813)	16,512,382	-
Net (Increase)/Decrease in Other Non Dealing Investments	59,003,102	39,335,740	59,003,102	39,335,740
Purchase of Property, Plant & Equipments	6,022,473	23,751,728	3,408,620	2,055,372
Proceeds from Disposal of Property, Plant & Equipments	-	4,121,720	-	39,000
Intangible Assets	-	1,438,284	-	-
Purchase of Investment Properties	(32,700,000)	11,189,400	(32,700,000)	11,189,400
Sales Proceeds of Investment Properties	-	-	-	-

Net Cash from/(Used in) Investing Activities **483,834,919** **163,954,498** **481,221,066** **195,721,550**

Cash Flow from Financing Activities

Increase/(Decrease) in Debentures	(22,384,178)	(166,460,078)	(22,384,178)	(140,552,183)
Increase/(Decrease) in Liabilities	150,152,662	(27,732,409)	147,773,123	(167,225,394)
Increase/(Decrease) in Other Borrowings	(1,101,271,197)	171,713,336	(1,101,271,197)	(101,136,953)
Increase/(Decrease) in Minority Interest	-	(706,265)	-	-

Net Cash from / (used in) Financing Activities. **(973,502,713)** **(23,185,416)** **(975,882,253)** **(408,914,530)**

Net Increase or (Decrease) in Cash and Cash Equivalents **(9,642,948)** **(56,362,805)** **(4,865,304)** **(50,192,764)**

Cash and Cash Equivalents at the beginning of the year	17,636,423	73,999,228	10,068,966	60,261,731
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Cash and Cash Equivalents at the end of the year **7,993,475** **17,636,423** **5,203,661** **10,068,966**

Reconciliation of Cash and Cash Equivalents

Cash and Short Term Funds	7,993,475	17,636,423	5,203,662	10,068,966
Government Securities - Under Re-purchase Agreement	-	-	-	-

7,993,475 **17,636,423** **5,203,662** **10,068,966**

The Accounting Policies and the Notes form an integral part of these financial statements.

Figures in brackets indicate deduction

STATEMENTS OF CHANGES IN EQUITY

For the 12 Month Period Ended 31st December 2009

GROUP	Stated Capital	Reserve on Scrip Issue	Statutory Reserve Fund	Retained Loss	Total Share Holders' fund	Minority Interest	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01.01.2008	565,786,045	8,316,030	4,420,527	(42,701,579)	535,821,023	73,620,541	609,441,564
Adjustment on Change in Minority Interest	-	-	-	-	-	12,972,098	12,972,098
Dividend Paid	-	-	-	-	-	(3,287,431)	(3,287,431)
Net Profit attributable to Shareholders	-	-	-	(688,100,565)	(688,100,565)	(8,978,402)	(697,078,967)
Transfer to Statutory Reserve Fund	-	-	-	-	-	-	-
As at 31.12.2008	565,786,045	8,316,030	4,420,527	(730,802,144)	(152,279,542)	74,326,806	(77,952,736)
As at 01.01.2009	565,786,045	8,316,030	4,420,527	(730,802,144)	(152,279,542)	74,326,806	(77,952,736)
Adjustment on Change in Minority Interest	-	-	-	-	-	(38,475,156)	(38,475,156)
Net Profit attributable to Shareholders	-	-	(3,180,750)	88,921,457	85,740,707	(180,045)	85,560,661
As at 31.12.2009	565,786,045	8,316,030	1,239,777	(641,880,687)	(66,538,835)	35,671,605	(30,867,231)

For The Year Ended 31st December 2008

BANK	Stated Capital	Statutory Reserve Fund	Retained Loss	Total Share Holders' fund
	Rs.	Rs.	Rs.	Rs.
Share Issue Expenses				
As at 01.01.2008	565,786,045	1,239,777	(160,289,375)	406,736,447
Adjustment on Change in Minority Interest	-	-	-	-
Issue of Non-Voting Ordinary Shares	-	-	-	-
Share Issue Expenses	-	-	-	-
Dividend Paid	-	-	-	-
Net Profit attributable to Shareholders	-	-	(618,675,530)	(618,675,530)
Right Issue made during the year	-	-	-	-
Transfer to Statutory Reserve Fund	-	-	-	-
As at 31.12.2008	565,786,045	1,239,777	(778,964,905)	(211,939,083)
As at 01.01.2009	565,786,045	1,239,777	(778,964,905)	(211,939,083)
Net Profit attributable to Shareholders	-	-	180,894,195	180,894,195
Transfer to Statutory Reserve Fund	-	-	-	-
As at 31.12.2009	565,786,045	1,239,777	(598,070,710)	(31,044,888)

The Accounting Policies and the Notes form an integral part of these financial statements.

01 The Above figures are provisional and subject to audit

02 General

There are no changes to the accounting policies and methods of computation since the publication of the annual accounts for the year 2007.

03 Market Price of Shares

	For the Quarter ended 31st Dec. 2009		For the Quarter ended 31st Dec. 2008	
	Voting Shares	Non Voting Shares	Voting Shares	Non Voting Shares
Market Value of Share Closing (Rs.)	4.80	0.70	3.00	0.40
Highest Prices per Share for the period (Rs.)	7.00	1.00	6.00	0.60
Lowest Prices per Share for the period (Rs.)	4.50	0.70	2.60	0.30
Number of Shares Traded		5,504		750
Number of Transaction		102,427,500		9,611,300
Value of Shares Traded		142,300,975		5,637,405
Other Ratios	2009 December	2008 December		
Debt Equity Ratio (%)	(34.04)	(50.23)		
Interest Cover (Times)	1.16	0.77		
Quick Assets Ratio (Times)	0.80	0.75		

4 Stated capital consist of 44,503,120 voting ordinary shares of Rs. 10 each & 100,000,000 non voting ordinary shares of Rs. 1 each

5 Other

Total stake of 84.5% of Seylan Merchant Leasing PLC. was sold in May 2009 to Peoples Leasing Ltd for a consideration of LKR 441 Mn.

There are no other material events that have taken place subsequent to the interim accounts, which require disclosure. The interim Financial Statements are in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.

CORPORATE INFORMATION

Legal Status

A Public Limited Liability Company in Sri Lanka on 3/9/1992 under the Companies Act No. 17 of 1982 & quoted on the Colombo Stock Exchange in 1993

Registered as a Finance Leasing Establishment under the provision of the Finance Leasing Act No. 56 of 2000.

Company Registration No. PQ 91
Place of Incorporation - Colombo

BOARD OF DIRECTORS

Non Executive Deputy Chairman

Mr. R. S. W. Senanayake
ACMA. FCMA.

Director

Mr. M. S. I. Peiris
A.I.C.M.(SL)

Mr. R. Renganathan
F.C.A

Mr. E.T.L.Ranasinghe
Dip. In Mkt.(UK), Master of B/Admin

Mr. P.A. Jayawardena
F.C.A.M., F.S.C.M.A.,F.M.A.A.T

SECRETARIES

International Consultancy & Corporate Services (Pvt) Ltd.,
No. 29/23, Vihaka Lane,
Colombo 04

AUDITORS

M/s. KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants,
Colombo

REGISTERED OFFICE

Landmark Building , No. 385, Galle Road, Colombo 03.

HEAD OFFICE

Landmark Building , No. 385, Galle Road, Colombo 03.

LAWYERS

M/s. De Livera Associates
Attorneys-at-Law & Notary Public, Colombo.

M/s. Julius & Creasy
Attorneys-at-Law & Notary Public, Colombo.

Aklaw Associates
Attorneys-at-Law & Notary Public, Colombo.

BANKERS

Seylan Bank Ltd.
Bank of Ceylon
Sampath Bank Ltd
People's Bank

SUBSIDIARY COMPANY

SMB Money Brokers (Pvt) Ltd
Seylan Merchant Leasing PLC (Up to May 2009)
SMB Real Estate Ltd (Up to 06th Feb 2009)
SMB Securities (Pvt) Ltd. (Up to 06th Feb 2009)

ASSOCIATE COMPANIES

SMB Kenanga Investment Corporation Ltd.
SMB Real Estate Ltd (From 06th Feb 2009)
SMB Securities (Pvt) Ltd. (From 06th Feb 2009)

BRANCHES

Deniyaya Branch
Central Tyre House Building, 1st Floor, Main Street, Deniyaya

Mahiyanganaya Branch
24, Kandy Road, Mahiyanganaya.

SEGMENT REPORTING-GROUP

	Banking		Leasing		Treasury		Property/Investments		Eliminations/Unallocated		Consolidated	
	2009 Rs.'000	2008 Rs.'000	2009 Rs.'000	2008 Rs.'000	2009 Rs.'000	2008 Rs.'000	2009 Rs.'000	2008 Rs.'000	2009 Rs.'000	2008 Rs.'000	2009 Rs.'000	2008 Rs.'000
Revenue												
Interest	84,060,534	145,524,210	251,592,484	587,908,728		44,371,908		75,844,147		15,204,720	335,653,018	838,444,273
Lease Income/Broking					35,744,615					-	35,744,615	-
Commissions & Fee Income	14,698,895	13,936,939	12,747,684	28,038,862							27,446,579	41,975,801
Other	222,087,664	34,615,990		18,118,477		17,418,905		9,183,328		10,283,601	222,087,664	69,053,099
Total Revenue from External Customers	320,847,093	194,077,139	264,340,168	634,066,067	35,744,615	61,790,813	-	85,027,475	-	25,488,321	620,931,876	949,473,173
Total Revenue	320,847,093	194,077,138	264,340,168	634,066,067	35,744,615	61,790,813	-	85,027,475	-	25,488,321	620,931,876	949,473,174
Segment result	50,194,231	(118,886,037)	43,611,834	(480,292,171)	4,679,953	(14,043,413)		(23,057,262)	2,641,792		95,844,227	949,473,174
Unallocated Income/Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Less Depreciation charged for the year	2,387,996	3,214,020	2,151,658	12,984,442	260,397	979,990		1,675,080			4,800,051	18,853,532
Profit from Operations	47,806,235	(122,100,057)	41,460,176	(493,276,613)	4,419,556	(15,023,402)	-	(24,732,342)	3,293,253	-	90,392,715	(655,132,415)
Income tax expense		35,601,511		490,973	1,651,304	(101,375)		5,955,443		-	1,651,304	41,946,552
Profit After Income tax	47,806,235	(157,701,568)	41,460,176	(493,767,586)	2,768,252	(14,922,027)	-	(30,687,785)	3,293,253	-	88,741,411	(697,078,966)
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit for the year	47,806,235	(157,701,568)	41,460,176	(493,767,586)	2,768,252	(14,922,027)	-	(30,687,785)	3,293,253	-	88,741,411	(697,078,966)
OTHER INFORMATION												
Segment assets	649,467,887	833,211,495	585,190,556	3,366,122,455	70,820,679	254,055,211		434,252,248		560,930,314	1,305,479,122	4,326,711,095
Less Accumulated Depreciation	35,894,391	17,414,552	32,341,951	70,353,703	3,914,074	5,309,886		9,076,097			72,150,416	102,154,238
Investment in Subsidiaries	12,750,000	324,196,825		-	-	3,995,418		48,001,072	12,750,000	376,193,315	-	-
Total Assets	626,323,495	1,139,993,768	552,848,605	3,295,768,752	66,906,605	252,740,744	-	473,177,223	12,750,000	937,123,629	1,233,328,705	4,224,556,857
Segment liabilities	628,929,754	765,860,995	566,685,066	3,094,030,637	68,581,116	233,519,314		399,150,588		190,051,941	1,264,195,936	4,302,509,593
Shareholders Funds	(20,134,844)	49,935,948	(18,142,114)	201,738,114	(2,195,587)	15,226,012		26,025,562	26,066,290	445,205,178	(66,538,835)	(152,279,542)
Minority Interest									(35,671,605)	74,326,806	(35,671,605)	74,326,806
Total liabilities	608,794,910	815,796,943	548,542,952	3,295,768,751	66,385,529	248,745,326	-	425,176,151	(9,605,315)	709,583,925	1,233,328,705	4,224,556,857
Cash flows from												
Operating activities	238,809,428	(33,605,688)	215,174,645	(135,764,884)	26,040,773	(10,246,738)		(17,514,576)		-	480,024,847	(197,131,887)
Cash flows from Investing activities	240,704,916	27,949,835	216,882,538	112,915,591	26,247,465	8,522,208		14,566,864		-	483,834,919	163,954,498
Cash flows from Financing activities	(484,311,652)	(3,952,490)	(436,379,705)	(15,967,814)	(52,811,356)	(1,205,157)		(2,059,955)		-	(973,502,713)	(23,185,416)
Capital Expenditure	2,996,143	2,055,372	2,699,617	18,196,713	326,712	3,499,643		-	-	-	6,022,473	23,751,728

TOP TEN SHAREHOLDERS

Seylan Merchant Bank PLC

Major Shareholdings as at 31st December 2009 (Ordinary Shares)

	Name of the Company	Folio No.	Non-CDS	CDS	Total	%
1	Seylan Merchant Bank	CS0274	21,760,966.00	302,600.00	22,064,566.00	49.58
2	Mr. A Sithanpalam	CS0420	-	1,986,200.00	1,986,200.00	4.46
3	Grauson &	CP0344	-	1,000,000.00	1,000,000.00	2.25
4	Dr.C. A. Twerenbold	CT0117	-	613,000.00	613,000.00	1.38
5	The Finance Co. PLC	00282	600,000.00	6,666.00	606,666.00	1.35
6	Mr.S N C W M B C Kandegedara	CK0044	-	348,400.00	348,400.00	0.78
7	Lalith Prabash Hapangama	CW0012	-	276,100.00	276,100.00	0.62
8	Mr.M.A.U. Gnanathi	CF0208	-	263,566.00	263,566.00	0.59
9	Mr.E M R Egodawatte	CE0024	-	231,100.00	231,100.00	0.52
10	Mr.K R U Gunawardena	CG0212	-	200,500.00	200,500.00	0.45