

**MERCANTILE INVESTMENTS & FINANCE PLC**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30TH JUNE 2021**

## Mercantile Investments and Finance PLC Income Statement

	For the 3 months Ended	
	30.06.2021	30.06.2020
	Rs.'000	Rs.'000
Interest Income	1,731,274	1,722,723
Interest Expense	(639,256)	(941,999)
<b>Net Interest Income</b>	<b>1,092,018</b>	<b>780,723</b>
Fee and Commission Income	11,018	17,007
<b>Net fee and commission income</b>	<b>11,018</b>	<b>17,007</b>
Other operating Income	46,899	4,668
<b>Total Operating Income</b>	<b>1,149,935</b>	<b>802,398</b>
Impairment gain/(loss) for loan and receivable	(325,480)	(236,952)
<b>Net operating income</b>	<b>824,455</b>	<b>565,446</b>
<b>Less: Operating Expenses</b>		
Personnel Expenses	315,961	212,297
Depreciation of PPE and Right-of-use assets	30,653	30,539
Amortization of intangible assets	6,327	4,629
Amortization of leasehold property	117	117
Define benefit plans	10,154	9,659
Other operating expenses	216,649	183,102
<b>Operating Profit Before VAT on financial services</b>	<b>244,594</b>	<b>125,103</b>
VAT on financial services	(72,836)	(37,470)
<b>Operating Profit after VAT on financial services</b>	<b>171,759</b>	<b>87,632</b>
Share of Associates company profit /(loss)	(9,968)	(16,379)
<b>Profit Before Taxation</b>	<b>161,791</b>	<b>71,254</b>
Income Tax Expenses	(55,886)	(31,552)
<b>Profit After Taxation</b>	<b>105,905</b>	<b>39,702</b>
<b>Earnings per Share</b>	<b>35.23</b>	<b>13.21</b>
<b>Dividend per Share</b>	<b>-</b>	<b>-</b>

Note - Above figures are provisional and subject to audit

**Mercantile Investments and Finance PLC**  
**Statement of Other Comprehensive Income**

	<b>For the 3 months Ended</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Profit/ (Loss) for the period</b>	105,905	39,702
<b>Other comprehensive income</b>		
<b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>		
Changes in fair value of financial instruments through OCI	(8,852)	179,209
Share of other comprehensive income of associate	(3,801)	3,500
<b>Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>	<b>(12,653)</b>	<b>182,709</b>
<b>Total Other Comprehensive Income for the period ( net of tax)</b>	<b>(12,653)</b>	<b>182,709</b>
<b>Total comprehensive income for the period</b>	<b>93,252</b>	<b>222,411</b>

**Note - Above figures are provisional and subject to audit**

**Mercantile Investments and Finance PLC**  
**Statement of Financial Position**

As at	Unaudited	Audited
	30.06.2021	31.03.2021
	Rs.'000	Rs.'000
<b>Assets</b>		
Cash and cash equivalents	2,451,555	1,916,905
Placement with other banks at Amotised cost	78,079	77,139
Financial investments - at FVOCI (quoted)	4,147,142	4,138,128
Financial investments - at FVPL	45,567	51,248
Loans and Advances at Amortised cost	14,104,598	14,867,319
Finance Lease Receivables at Amortised cost	14,462,954	14,221,461
Hire Purchase Receivable at Amortised cost	567,623	649,860
Financial investments - at FVOCI(unquoted)	70,427	70,427
Other Financial Assets	362,139	423,949
Inventories	20,110	8,700
Other Assets	139,886	225,526
Current tax refunds	67,844	79,130
Investment in Associates	1,220,812	1,234,582
Investments Properties	236,965	237,381
Property, Plant & Equipment	3,246,015	3,279,866
Right-of-use assets	178,775	180,357
Leasehold Property	40,153	40,270
Intangible Assets	47,054	47,299
<b>Total Assets</b>	<b>41,487,699</b>	<b>41,749,548</b>
<b>Liabilities</b>		
Bank overdraft	168,949	86,451
Deposits due to customers at Amortised cost	23,404,051	23,060,274
Debt instruments issued and other borrowings at Amortised cost	5,590,215	6,357,692
Other Financial Liabilities	400,355	552,252
Deferred tax liabilities	742,672	742,672
Other liabilities	106,593	82,704
Retirement benefit obligations	332,468	322,501
Lease Liability	227,956	235,431
<b>Total Liabilities</b>	<b>30,973,258</b>	<b>31,439,978</b>
<b>Equity</b>		
Stated capital	36,000	36,000
Revaluation reserve	1,997,538	1,997,538
Associated company reserves	588,525	592,326
Statutory reserve fund	796,400	796,400
General reserve	4,086,430	4,086,430
Fair Value through OCI reserve	68,841	77,693
Retained earnings	2,940,708	2,723,183
<b>Total Equity</b>	<b>10,514,441</b>	<b>10,309,570</b>
<b>Total Liabilities &amp; Equity</b>	<b>41,487,699</b>	<b>41,749,548</b>
Net Assets Per Share	3,498	3,430

Note - Above figures are provisional and subject to audit

These financial statements have been prepared and presented in compliance with the requirements of the companies Act ,No 07 of 2007

Deva Anthony  
Chief Financial Officer/ Senior General Manager

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements  
Approved and signed for and on behalf of the Board

Travice Ondaatjie  
Director  
13th August 2021

Shermal H.Jayasuriya  
Director - Finance

**Mercantile Investments and Finance PLC**  
**Statement of Changes in Equity**

	Issued Capital Rs.'000	Revaluation Reserves Rs.'000	Associate Company Reserve Rs.'000	Statutory Reserves Rs.'000	General Reserves Rs.'000	Fair Value through OCI Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
<b>As at 1 April 2020</b>	36,000	1,744,351	581,234	761,400	4,086,430	(327,238)	2,016,150	8,898,327
<b>Total Comprehensive Income For the Year</b>								
Profit for the period							39,702	39,702
Other comprehensive income			3,500			179,209		182,709
<b>Total comprehensive income</b>			3,500			179,209	39,702	222,411
<b>As at 30th June 2020</b>	36,000	1,744,351	584,734	761,400	4,086,430	(148,028)	2,055,852	9,120,737
<b>As at 1 April 2021</b>	36,000	1,997,538	592,326	796,400	4,086,430	77,693	2,723,183	10,309,570
<b>Total Comprehensive Income For the Year</b>								
Profit for the period							105,905	105,905
Other comprehensive income			(3,801)			(8,852)		(12,653)
<b>Total comprehensive income</b>			(3,801)			(8,852)	105,905	93,252
Transfer to Retained Earnings							111,620	111,620
<b>As at 30th June 2021</b>	36,000	1,997,538	588,525	796,400	4,086,430	68,841	2,940,708	10,514,441

**Note - Above figures are provisional and subject to audit**

**Mercantile Investments and Finance PLC**  
**Statement of Cash Flow**  
**For the Three Months ended 30th June**

**Cash flow from operating activities**

	2021 Rs'000	2020 Rs'000
Interest & Commission Receipts	1,742,292	1,739,729
Interest Payments	(639,256)	(941,999)
Cash receipts from customers	13,192	4,279
Cash payments to employees & suppliers	(605,633)	(433,917)

**Operating profit /loss before changes in operating assets and liabilities (Note A)**

	510,595	368,092
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**(Increase) / decrease in operating assets**

Deposits held for regulatory or monetary control purposes	(22,383)	334,056
Funds advance to customers	41,994	728,264
Other receivables	354,315	(32,365)

**Increase / (Decrease) in operating liabilities**

Deposits from customers	343,777	(811,762)
Other payables	(135,595)	(31,756)

	1,092,703	554,529
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Income Tax Paid

	(44,490)	(11,133)
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**Net Cash generated from operating activities**

	1,048,213	543,396
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**Cash flow from Investment Activities**

Dividend received	19,387	439
Proceeds from sale of non - dealing securities	264,808	-
Purchase of non - dealing securities	(125,882)	-
Sale proceeds on Disposal of Property plant and equipment	57,637	37
Acquisition of Property plant and equipment	(38,453)	(2,562)
Acquisition of Intangible Assets	(6,081)	(3,772)

**Net Cash generated from investments activities**

	171,416	(5,858)
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**Cash flow from finance Activities**

Net Increase /(Decrease) Borrowings obtained during the year	(767,477)	276,151
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**Net Cash generated from financing activities**

	(767,477)	276,151
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**Net Cash Flow generated from all activities**

	452,152	813,689
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**Cash & Cash equivalents at the beginning of the period**

	1,830,454	1,727,415
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**Cash & Cash equivalents at the end of the period (Note B)**

	2,282,607	2,541,104
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**(Note A)**

**Reconciliation of Profit before Tax with cash inflow from operating Activities**

Profit Before tax	161,791	71,254
<b>Adjustments for</b>		
Dividend from investing activities	(19,387)	(439)
Capital gain from sale of shares and treasury bonds	(19,371)	-
Unrealized loss from investments of FVPL	9,453	-
Share of Associates company Loss	9,968	16,379
(Profit) /Loss on Disposal of Fixed Assets	(4,402)	50
Depreciation of PPE and right of use of assets	30,653	30,539
Amortization of Leased Hold Assets	117	117
Amortization of Intangible Assets	6,327	4,629
Impairment Provision	325,480	236,952
Retirement Benefits provision	10,154	9,659
Retirement Benefits paid	(188)	(1,049)
<b>Cash flows from operating activities before changes in operating assets</b>	<b>510,595</b>	<b>368,092</b>

**(Note B)**

**Cash & Cash equivalents at the end of period**

Cash in hand	128,208	264,163
Balances with banks	2,323,347	2,282,825
Bank Overdraft	(168,949)	(5,883)
	<b>2,282,607</b>	<b>2,541,104</b>

**Note - Above figures are provisional and subject to audit**

**Mercantile Investments and Finance PLC**
**Segments Information**
**For the period ended 30th June**

	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Revenue</b>												
Interest	856,961	744,753	34,383	81,743	791,611	836,409	48,319	59,818			1,731,274	1,722,723
Gains from FVPL Investments							9,917				9,917	-
Dividends							19,387	439			19,387	439
Others									28,613	21,236	28,613	21,236
<b>Total Income from external operations</b>	<b>856,961</b>	<b>744,753</b>	<b>34,383</b>	<b>81,743</b>	<b>791,611</b>	<b>836,409</b>	<b>77,624</b>	<b>60,257</b>	<b>28,613</b>	<b>21,236</b>	<b>1,789,191</b>	<b>1,744,397</b>
Profit before Tax , VAT on Financial Services											244,594	125,103
Share of Associates company profit/(loss)											(9,968)	(16,379)
Tax , VAT on Financial Services											(128,721)	(69,022)
Profit After Tax											105,905	39,702
<b>Other Information</b>												
Segment Assets	14,462,954	13,492,979	567,623	1,483,577	14,104,598	16,817,403	5,562,027	4,128,100	6,790,496	6,811,080	41,487,699	42,733,139
Segment Liabilities	10,797,534	10,613,108	423,768	1,166,930	10,529,997	13,227,985	4,152,414	3,247,020	5,069,546	5,357,359	30,973,258	33,612,402
<b>Net Assets</b>	<b>3,665,421</b>	<b>2,879,870</b>	<b>143,856</b>	<b>316,647</b>	<b>3,574,601</b>	<b>3,589,418</b>	<b>1,409,613</b>	<b>881,080</b>	<b>1,720,950</b>	<b>1,453,721</b>	<b>10,514,441</b>	<b>9,120,736</b>

**Information on cash Flows**
**For the period ended 30th June**

	2021	2020
Cash flows from operating activities	1,048,213	543,396
Cash flows from investing activities	209,869	(3,296)
Cash flows from financing activities	(767,477)	276,151
Capital expenditure	(38,453)	(2,562)
<b>Net cash flow</b>	<b>452,152</b>	<b>813,689</b>

**Mercantile Investments and Finance PLC**  
**Selected Performance Indicators**

Indicator	As at 30.06.2021	As at 31.03.2021
	Unaudited	Audited
	Rs ' 000	Rs ' 000
<b>Liquidity Rs.('000)</b>		
Required minimum amount of liquid assets	<b>1,410,610</b>	1,390,067
Available amount of liquid assets	<b>4,409,717</b>	3,937,098
Required minimum amount of Government securities	<b>1,113,930</b>	1,055,003
Available amount of Government securities	<b>1,778,881</b>	1,765,165
<b>Capital Adequacy</b>		
Core capital to risk weighted assets ratio (Minimum 6.5%)	<b>16.20%</b>	15.31%
Total capital to risk weighted assets ratio (Minimum 10.5%)	<b>17.90%</b>	17.07%
Capital funds to total deposits liability ratio	<b>39.92%</b>	39.58%
<b>Profitability</b>		
Return on assets (%) *	<b>1.02%</b>	1.45%
Return on equity (%) *	<b>4.07%</b>	6.39%

\* Annualized figures



## Notes to the Financial Statements

1) These interim Financial Statements are presented in accordance with Sri Lanka Accounting Standard - LKAS 34 (Interim Financial Reporting) and provide the information as required in terms of Rule 7.4 of Stock exchange

1.1) There were no changes to the Accounting Policies and methods of computation since the publication of the Audited Financial Statements for the year ended 31st March 2021

2) There have been no material events occurring after the balance sheet date that require adjustments to or disclosures in the Financial Statements.

3) All known expenses have been provided for in the financial statements.

4) The company has declared and paid Rs 65 per share as dividends.

5) During the interim period there were no material changes in the composition of assets ,liabilities and contingent liabilities.

### 6) Comparative Information Impact of COVID 19 pandemic on business operations

COVID 19 outbreak which emerged in March 2020 impacted the economy in an unprecedented manner impacting most industries including Licensed Finance Companies (LFC) sector. Though this crisis continued to persist with the emergence of the second and third wave, with the relief measures introduced by the government to address both health and economic priorities led the way for the NBF sector to remain resilient in times of this difficult pandemic. To support the national priorities in this pandemic situation, the company took steps to provide moratorium relief with concessionary rates to borrowers falling in line with regulatory conditions.

### 7) Share Information

7.1) Directors' and Chief Executive officer's shareholdings in shares as at 30th June 2021

	Number of shares	%
1) Mr. P D D Perera ( Acting Chairman)	NIL	-
2) Mr.G.G.Ondaatjie (Managing Director)	477,213	15.88
3) Mrs.A.M.Ondaatjie	477,213	15.88
4) Mr.T.J.Ondaatjie	477,213	15.88
5) Mr. S H Jayasuriya	NIL	-
6)Mr. P C Guhashanka	NIL	-
7) Mr. A L N Dias	NIL	-
8) Mrs. E D Wickramasuriya	NIL	-

7.2) Stated Capital

Stated capital is presented by the number of shares in issue as set out below

	30.06.2021	31.03.2021
Ordinary Shares	3,006,000	3,006,000

7.3) The 20 largest shareholders of the company as at 30th June 2021 were as follows

	Number of shares	%
1) Nilaveli Beach Hotels (pvt) Ltd	629,580	20.94%
2) Mr.G.G.Ondaatjie	477,213	15.88%
3) Mrs.A.M.Ondaatjie	477,213	15.88%
4) Mr.T.J.Ondaatjie	477,213	15.88%
5) Mercantile Fortune (pvt) Ltd	415,162	13.81%
6) Mr. G.L.A.Ondaatjie (Deceased)	268,535	8.93%
7) Tangerine Tours (pvt) Ltd	203,809	6.78%
8) P.R.Divitotawela/R.D.Madugalle	12,525	0.42%
9) P.R.Divitotawela/ A.D.Galagoda	12,525	0.42%
10) R.M.D.Abeygunewardena	10,020	0.33%
11) J.A.S.S.Adhihetty	10,020	0.33%
12) N.H.V.Perera	10,020	0.33%
13) C.A.Ondaatjie	2,004	0.07%
14) A.M.Dominic & J.S.Dominic	151	0.01%
15) R Vaseeharan	10	0.00%
	<u>3,006,000</u>	<u>100%</u>

7.4) The percentage of the shares held by public on 30th June 2021 was 10.84% (2020 - 10.51%)

7.5) The number of public shareholders as at 30th June 2021 was 9 (2020-8)

The Company is not fully compliant with the minimum public holding requirement as of this date.

Float Adjusted Market Capitalisation as at 30th June 2021 was Rs. 847,211,040/-

7.6) Information on Ratios ,Market Prices

Description	30.06.2021	30.06.2020
Dividend per Share (Rs.)	-	-
Net Assets per Share (Rs.)	3,498	3,034
Market Prices		
- Highest	Not Traded	Not Traded
- Lowest	Not Traded	Not Traded
- Last traded price	Not Traded	Not Traded