MERCANTILE INVESTMENTS & FINANCE PLC

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2025

Mercantile Investments and Finance PLC

Statement of Profit or Loss and Other Comprehensive Income

(All amounts in Sri Lankan Rupees thousands)

For the Six months ended 30 September	For the Six months ended			For the quarter ended		
	30 September 2025 (Unaudited)	30 September 2024 (Unaudited)	Change %	30 September 2025 (Unaudited)	30 September 2024 (Unaudited)	Change %
Interest income	6,781,472	5,360,601	26.51%	3,733,424	2,781,332	34.23%
Interest expenses	(3,297,827)	(2,551,337)	29.26%	(1,770,756)	(1,247,898)	41.90%
Net interest income	**3,483,645**	**2,809,264**	**24.01%**	**1,962,668**	**1,533,434**	**27.99%**
Fee and commission income	46,797	40,360	15.95%	26,539	23,695	12.00%
Net fee and commission income	**46,797**	**40,360**	**15.95%**	**26,539**	**23,695**	**12.00%**
Other operating income	468,946	104,322	349.52%	281,781	54,557	416.49%
Total operating income	**3,999,389**	**2,953,946**	**35.39%**	**2,270,988**	**1,611,686**	**40.91%**
Impairment charge for loans and receivables	(128,943)	(33,761)	281.92%	(64,477)	(1,786)	3509.22%
Net operating income	**3,870,446**	**2,920,185**	**32.54%**	**2,206,511**	**1,609,900**	**37.06%**
Less: operating expenses						
Personnel expenses	(1,257,768)	(996,851)	26.17%	(673,394)	(512,065)	31.51%
Depreciation of PPE and leasehold properties, Amortization of Right-of-use-assets and Intangible assets	(166,453)	(114,514)	45.36%	(89,826)	(61,957)	44.98%
Other operating expenses	(1,229,673)	(924,262)	33.04%	(674,852)	(485,069)	39.12%
Operating profit before VAT on financial services	**1,216,552**	**884,558**	**37.53%**	**768,439**	**550,809**	**39.51%**
Value Added Tax on financial services	(399,711)	(290,490)	37.60%	(266,829)	(171,155)	55.90%
Social security contribution levy	(68,046)	(39,787)	71.03%	(38,058)	(22,738)	67.38%
Operating profit after VAT on financial services	**748,795**	**554,281**	**35.09%**	**463,552**	**356,916**	**29.88%**
Share of associate company's profit, net of tax	88,668	68,749	28.97%	57,065	37,544	51.99%
Profit before taxation from operations	**837,463**	**623,030**	**34.42%**	**520,617**	**394,460**	**31.98%**
Income tax expenses	(333,412)	(248,427)	34.21%	(218,800)	(155,333)	40.86%
Profit for the year	**504,051**	**374,603**	**34.56%**	**301,817**	**239,127**	**26.22%**
Other comprehensive income						
Other Comprehensive Income/(expenses) not to be reclassified to profit or loss in subsequent periods						
Changes in fair value of financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	1,122,096	59,846	1774.96%	858,815	(89,129)	-1063.57%
Share of other comprehensive income of associate, net of tax	41,337	(4,746)	-970.98%	28,811	(9,939)	-389.88%
Total Other Comprehensive Income/(expenses) for the period, net of tax	**1,163,433**	**55,100**	**2011.48%**	**887,626**	**(99,068)**	**-995.98%**
Total comprehensive income for the period, net of tax	**1,667,484**	**429,704**	**288.05%**	**1,189,444**	**140,060**	**749.24%**
Basic/ Diluted Earnings per Share	**167.68**	**124.62**		**100.40**	**79.55**	
Dividend per share	**16.60**	**-**		**16.60**	**-**	

The notes on pages 5 to 8 form an integral part of these financial statements.

Mercantile Investments and Finance PLC

Statement of Financial Position

(All amounts in Sri Lankan Rupees thousands)

	30 September 2025 (Unaudited)	31 March 2025 (Audited)
<u>Assets</u>		
Cash and cash equivalents	5,861,069	2,720,258
Placement with banks at amortized cost	21,011	41,040
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - quoted	7,148,651	7,199,933
Financial assets measured at Fair Value through Profit or Loss (FVTPL)	345,652	344,772
Financial assets at amortized cost - Loans and advances	49,368,326	27,931,006
Financial assets at amortized cost - Finance lease receivables	26,340,376	25,060,964
Financial assets at amortized cost - Hire purchase receivables	65,368	80,718
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - unquoted	70,427	70,427
Other financial assets	439,483	284,227
Inventories	155,588	73,839
Other assets	289,389	222,488
Investment in associates	1,846,587	1,716,582
Investment property	257,558	258,390
Property, plant and equipment	4,625,255	4,512,331
Right-of-use assets	339,285	327,439
Leasehold property	38,163	38,397
Intangible assets	56,358	51,167
Total assets	**97,268,546**	**70,933,978**
<u>Liabilities</u>		
Bank overdraft	567,129	687,242
Financial liabilities at amortised cost - Deposits due to customers	51,424,404	42,775,086
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	26,840,317	11,418,919
Other financial liabilities	1,061,700	350,288
Current tax liabilities	110,954	194,269
Deferred tax liabilities	671,999	685,588
Other liabilities	295,085	94,975
Retirement benefit obligations	507,213	489,083
Lease liability	335,628	401,997
Total liabilities	**81,814,429**	**57,097,447**
<u>Shareholders' funds</u>		
Stated capital	36,000	36,000
Revaluation reserve	3,038,876	2,997,540
Statutory reserve fund	941,400	941,400
General reserves	4,086,430	4,086,430
Retained earnings	5,664,044	4,829,865
Regulatory loss allowance reserve	-	336,894
Fair Value through OCI reserve	1,687,367	608,402
Total shareholders' funds	**15,454,117**	**13,836,531**
Total liabilities and shareholders' funds	**97,268,546**	**70,933,978**
Net Assets Per Share (Rs.)	5,141	4,603

I certify that these financial statements have been prepared and presented in compliance with the requirements of the Companies Act , No. 07 of 2007.

(Sgd.)
Deva Anthony
Chief Financial Officer/Director (Non- Board)

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 of Directors by;

(Sgd.)
Gerard G. Ondaatjie
Managing Director

(Sgd.)
Shermal H. Jayasuriya
Director - Finance

November 14, 2025
Colombo

The notes on pages 5 to 8 form an integral part of these financial statements.

Mercantile Investments and Finance PLC

Statement of Changes in Equity

(All amounts in Sri Lankan Rupees thousands)

	Stated Capital	Revaluation Reserves - Land & Buildings	Associate Company Reserve	Statutory Reserves	General Reserves	Fair Value through OCI Reserve	Regulatory Loss Allowance Reserve	Retained Earnings	Total
Balance as at 1 April 2024	**36,000**	**2,279,152**	**605,297**	**887,400**	**4,086,430**	**80,812**	**1,067,522**	**3,122,457**	**12,165,068**
Total comprehensive income for the year									
Profit for the period	-	-	-	-	-	-	-	1,074,666	**1,074,666**
Other comprehensive income	-	-	113,091	-	-	622,395		(63,539)	**671,947**
Total comprehensive income		-	**113,091**			**622,395**		**1,011,128**	**1,746,614**
Dividends paid to ordinary shareholders	-	-	-	-		-	-	(75,150)	**(75,150)**
Transfer to retained profits	-	-	-	-	-	(94,802)	-	94,802	-
Transfer from regulatory loss allowance reserve	-	-	-	-	-	-	(730,628)	730,628	-
Transfer to Statutory Reserve	-	-	-	54,000	-	-	-	(54,000)	-
Balance as at 31 March 2025	**36,000**	**2,279,152**	**718,388**	**941,400**	**4,086,430**	**608,405**	**336,894**	**4,829,865**	**13,836,533**
Balance as at 1 April 2025	**36,000**	**2,279,152**	**718,388**	**941,400**	**4,086,430**	**608,405**	**336,894**	**4,829,865**	**13,836,533**
Total Comprehensive Income for the Period									
Profit for the period	-	-	-	-	-	-	-	504,051	**504,051**
Other comprehensive income	-	-	41,337	-	-	1,122,096	-	-	**1,163,433**
Total comprehensive income	-	-	**41,337**	-	-	**1,122,096**		**504,051**	**1,667,484**
Dividends paid to equity shareholders	-	-	-	-	-	-	-	(49,900)	**(49,900)**
Transfer to retained profits	-	-	-	-	-	(43,134)	-	43,134	-
Transfer from regulatory loss allowance reserve	-	-	-	-	-	-	(336,894)	336,894	-
Balance as at 30 September 2025	**36,000**	**2,279,152**	**759,724**	**941,400**	**4,086,430**	**1,687,367**	**-**	**5,664,044**	**15,454,117**

	Stated Capital	Revaluation Reserves - Land & Buildings	Associate Company Reserve	Statutory Reserves	General Reserves	Fair Value through OCI Reserve	Regulatory Loss Allowance Reserve	Retained Earnings	Total
Balance as at 1 April 2024	**36,000**	**2,279,152**	**605,297**	**887,400**	**4,086,430**	**80,812**	**1,067,522**	**3,122,457**	**12,165,068**
Total Comprehensive Income for the period									
Profit for the period	-	-						374,603	**374,603**
Other comprehensive income	-	-	(4,746)	-	-	59,846			**55,100**
Total comprehensive income	-	-	**(4,746)**	-	-	**59,846**	-	**374,603**	**429,704**
Transfer from retained profits	-	-	-	-	-	80,023	-	(80,023)	-
Transfer from regulatory loss allowance reserve	-	-	-	-	-		(65,193)	65,193	-
Balance as at 30th September 2024	**36,000**	**2,279,152**	**600,550**	**887,400**	**4,086,430**	**220,682**	**1,002,329**	**3,482,229**	**12,594,772**

The notes on pages 5 to 8 form an integral part of these financial statements.

Mercantile Investments and Finance PLC
Statement of Cash Flows
(All amounts in Sri Lankan Rupees thousands)

For the Six months ended 30 September	2025 (Unaudited)	2024 (Unaudited)
Cash flow from operating activities		
Profit before income tax	**837,463**	**623,030**
Adjustments for:		
Unrealized loss from investments of FVTPL	9,769	7,520
Dividend from investing securities	(26,448)	(57,647)
Share of profit of associate investments	(88,668)	(68,749)
Profit on sale of Property, Plant and Equipment	(1,180)	(3,411)
Depreciation of Property, Plant and Equipment and ROU assets	133,248	101,811
Amortization of leasehold property	233	234
Amortization of intangible assets	32,972	12,469
Provision for impairment of loans and receivables	128,943	33,761
Provision for retirement benefit obligations	49,270	50,092
Interest expense	3,297,827	2,551,337
Retirement benefit paid	(31,140)	(24,584)
Operating profit before changes in operating assets and liabilities	**4,342,290**	**3,225,863**
(Increase) / decrease in operating assets		
Deposits held for regulatory purposes	1,018,622	99,644
Funds advanced to customers	(22,830,325)	(6,136,362)
Other receivables	(304,254)	(996,676)
Increase / (decrease) in operating liabilities		
Deposits from customers	8,840,694	3,144,937
Other payables	871,629	136,635
	(8,061,344)	**(525,959)**
Income taxes paid	(432,782)	(414,622)
Interest paid	(3,045,651)	(2,851,381)
Payment of lease liabilities	(123,444)	(65,235)
Net cash used in operating activities	**(11,663,221)**	**(3,857,196)**
Cash flows from investing activities		
Dividends received	26,448	57,647
Proceeds from sale of equity securities	177,734	83,784
Purchase of Equity shares	(13,599)	-
Purchase of Property, Plant and Equipment	(190,606)	(104,782)
Proceeds from sale of Property, Plant and Equipment	7,776	32,136
Acquisition of intangible assets	(35,344)	(18,714)
Net cash (used in)/ from investing activities	**(27,591)**	**50,071**
Cash flows from financing activities		
Borrowings obtained during the year	18,500,000	3,050,000
Borrowings repaid during the year	(3,498,364)	(597,002)
Dividends paid	(49,900)	-
Net Cash from financing activities	**14,951,736**	**2,452,998**
Net increase /(decrease) in cash and cash equivalents	**3,260,924**	**(1,354,127)**
Cash and cash equivalents at the beginning of the period	**2,033,016**	**2,174,935**
Cash and cash equivalents at the end of the period (Note A)	**5,293,940**	**820,808**
Note A		
Cash and cash equivalents at the end of the period		
Cash and cash equivalents	5,861,069	1,052,503
Bank overdrafts	(567,129)	(231,695)
	5,293,940	**820,808**
Operational Cash flow from Interest		
Interest received	**6,212,515**	**5,364,831**
Interest payments	**(3,045,651)**	**(2,851,381)**

The notes on pages 5 to 8 form an integral part of these financial statements.

Mercantile Investments and Finance PLC

Segments Information

(All amounts in Sri Lankan Rupees thousands)

	Finance Lease		Hire Purchase		Loans & Advances		Investments		Others		Total	
For the Six months ended 30 September	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
External operating income												
Interest income	3,118,266	2,910,810	1,674	(757)	3,361,673	2,132,603	299,859	317,944	-	-	6,781,472	5,360,601
Dividends from FVTPL and FVOCI Investments	-						26,448	57,647			26,448	57,647
Others	-	-		-		-			489,296	87,035	489,296	87,035
Total Income from external operations	3,118,266	2,910,810	1,674	(757)	3,361,673	2,132,603	326,307	375,591	489,296	87,035	7,297,216	5,505,283
Profit before Taxes on Financial Services											1,216,552	884,558
Share of Associates company profit											88,668	68,749
Tax , VAT & SSCL on Financial Services											(801,169)	(578,704)
Profit After Tax											504,051	374,603
Other Information												
Segment Assets	26,340,376	22,190,752	65,368	94,582	49,368,326	20,813,196	9,432,327	7,606,509	12,062,149	8,098,558	97,268,546	58,803,598
Segment Liabilities	22,155,393	17,437,855	54,982	74,324	41,524,640	16,355,349	7,933,710	5,977,319	10,145,703	6,363,979	81,814,429	46,208,826
Net Assets	4,184,983	4,752,897	10,386	20,258	7,843,685	4,457,847	1,498,617	1,629,190	1,916,445	1,734,579	15,454,117	12,594,772

Information on cash Flows

For the period ended 30th September	2025	2024
Cash flows from operating activities	(11,663,221)	(3,857,196)
Cash flows from investing activities	198,359	173,567
Cash flows from financing activities	14,951,736	2,452,998
Capital expenditure	(225,950)	(123,496)
Net cash flow	3,260,924	(1,354,127)

Mercantile Investments and Finance PLC

Selected Performance Indicators

Indicator	September 30, 2025	March 31, 2025
Liquidity Rs.('000)		
Required minimum amount of liquid assets	5,189,635	4,323,445
Available liquid assets	10,536,500	8,546,627
Required minimum amount of Government securities	2,977,712	2,519,039
Available amount of Government securities	4,403,956	5,734,012
Capital Adequacy (%)		
Core capital to risk weighted assets ratio (Minimum 8.5%)	11.55%	15.60%
Total capital to risk weighted assets ratio (Minimum 12.5%)	17.49%	17.27%
Capital funds to total deposits liability ratio (Minimum 10%)	23.44%	28.34%
Profitability		
Return on assets (%), after tax*	1.20%	2.59%
Return on equity (%)*	6.88%	8.27%

*Annualized figures

Mercantile Investments and Finance PLC

Notes to the condensed interim financial statements

1. General Information

Mercantile Investment and Finance PLC ('the Company') is a public limited liability company, listed on the Colombo Stock Exchange, incorporated on 15th June 1964, and domiciled in Sri Lanka. It is a licensed finance company regulated under the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is located at No. 236, Galle Road, Colombo 03.

2. Basis of preparation

The condensed interim financial statements for the quarter ended September 30, 2025 of the Company have been prepared in accordance with Sri Lanka Accounting Standard - LKAS 34, 'Interim Financial Reporting'. These information should be read in conjunction with the audited financial statements for the year ended March 31, 2025.

3. Accounting policies and estimates

The accounting policies are in line with the policies published in the audited financial statements for the year ended March 31, 2025.

In preparing the condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the sources of uncertainty in estimates are consistent with the audited financial statements for the year ended March 31, 2025.

4. Stated Capital

The number of shares representing the stated capital is 3,006,000 ordinary shares as of September 30, 2025.

5. Proposed Share Sub-division

The Company has proposed a subdivision of its Ordinary Shares in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares, pursuant to the approval of the Board of Directors on 22 September 2025. An announcement in respect of the proposed subdivision was made to the Colombo Stock Exchange (CSE) on 23 September 2025.

Prior to the proposed share subdivision, at present, the Company has 3,006,000 Ordinary Shares in issue (“Pre-Subdivision Shares”). Pursuant to the proposed subdivision in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares, the number of issued Ordinary Shares will increase to 601,200,000 Ordinary Shares (“Post-Subdivision Shares”), with no change in the stated capital of the Company.

Pursuant to the CSE circular on the procedure to be followed by listed companies for a sub-division of shares without increasing stated capital, the Company has informed the CSE of the relevant dates, including the Extra Ordinary General Meeting date (9th December 2025), the commencement and last date of trading suspension (10th and 16th December 2025), the date of entitlement or the record date (11th December 2025), and the date of resumption of trading (17th December 2025), in order to facilitate the share sub-division process.

6. Dividends

A dividend of Rs. 16.60 per share on ordinary shares was approved as the second interim dividend for the financial year ended 31st March 2025 and this was paid on 14th July 2025.

7. Contingent liabilities

There has not been a significant change in the nature of contingent liabilities, which we were disclosed in the audited financial statements for the year ended March 31, 2025.

8. Significant unusual events or transactions affecting assets, liabilities, equity, net income or cash flows

There were no other unusual events or transactions affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incident for the quarter ended 30 September 2025. All the known expenses have been provided for.

9. Events after the reporting period

No circumstances have arisen since the statement of financial position date that require adjustments to or disclosure in the financial statements.

Mercantile Investments and Finance PLC
Share Information

1. Public shareholdings

As per Rule No. 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange, the information pertaining to public shareholding is as follows.

	30 September 2025	30 September 2024
Public holding percentage	10.10%	10.10%
Number of public shareholders	10	10
Float adjusted market capitalisation (Rs.)	789,375,600	789,375,600

a) Minimum Public Holding

The float-adjusted market capitalisation of the Company falls under option 2 of Rule 7.13.1 (i) (b) of the Listing Rules of the Colombo Stock Exchange and the Company is not fully compliant with the minimum public holding requirement applicable under the said option as of 30 September 2025. The Company's shares had been transferred from the Diri Savi Board to the Second Board of the Colombo Stock Exchange due to the aforementioned non-compliance.

b) Disclosure on Compliance with Minimum Public Holding Requirement

With effect from 6 November 2025, the Company is in compliance with Rule 7.13.1 of the Colombo Stock Exchange (CSE) Listing Rules relating to the Minimum Public Holding requirement. The status with respect to the said rule as at 6 November 2025 is as follows:

	6 November 2025
Public holding percentage	16.09%
Number of public shareholders	240
Float adjusted market capitalisation (Rs.)	4,199,908,500.90

Accordingly, the Company meets the Minimum Public Holding requirement under Option 1 of Rule 7.13.1(b) of the CSE Listing Rules.

Consequent to achieving compliance, the Securities of the Company was transferred out from the Second Board of the CSE with effect from 12 November 2025, in line with the requirements stipulated under the said rule.

2. Directors' and Chief Executive Officer's shareholding

The details of shares held directly by the directors as of 30th September 2025 are as follows.

Name of the Director	Number of shares	%
Mr. G. G. Ondaatjie (Managing Director/CEO)	484,615	16.12%
Ms. A. M. Ondaatjie	484,615	16.12%
Mr. T. J. Ondaatjie	484,614	16.12%

None of the Directors other than those disclosed above directly held any shares in the Company.

3. Twenty largest ordinary shareholders of the Company

	Name of Shareholders	No. of Shares	%
1	Nilaveli Beach Hotels (Pvt) Ltd	629,580	20.94%
2	G G Ondaatjie	484,615	16.12%
3	A M Ondaatjie	484,615	16.12%
4	T J Ondaatjie	484,614	16.12%
5	Mercantile Fortunes (Pvt) Ltd	415,162	13.81%
6	Tangerine Tours (Pvt) Ltd	203,809	6.78%
7	C A Ondaatjie	166,224	5.53%
8	A S G H Jafferjee	41,055	1.37%
9	S S Jafferjee	41,055	1.37%
10	P R Divitotawela & A D Galagoda	12,525	0.42%
11	P R Divitotawela & R D Madugalle	12,525	0.42%
12	N H V Perera	10,020	0.33%
13	R M D Abeygunawardena	10,020	0.33%
14	J A S S Adhihetty	10,020	0.33%
15	A M Dominic & J S Dominic	151	0.01%
16	R Vaseeharan & V Vaseeharan	10	0.00%
	Total number of shares	**3,006,000**	**100.00%**

4. Market Price per share

For the Six months ended 30th September 2025

	2025 (Rs.)	2024 (Rs.)
Highest Market Price	Not traded	Not traded
Lowest Market Price	Not traded	Not traded
Last Traded Price	Not traded	Not traded

Corporate Information

Name of the Company
Mercantile Investments and Finance PLC

Legal Form
Public Limited Liability Company incorporated in Sri Lanka under the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 07 of 2007. A licensed finance company under the Finance Business Act No. 42 of 2011.

Company Registration Number
PB 76 PQ

Tax Payer Identification Number
104021794

VAT Registration Number
104021794 7000

Registered Office
No. 236, Galle Road, Colombo 3

Head Office
No. 236 Galle Road, Colombo 3
Telephone: 2343720 – 7
Fax: 2434524
Email: mercantile@mi.com.lk
Website: https://www.mi.com.lk

Board of Directors
Pandithasundara Dinuka Dilhan Perera - Chairman
Gerard George Ondaatjie - Managing Director
Shermal Hemaka Jayasuriya - Finance Director
Angeline Myrese Ondaatjie
Travice John Ondaatjie
Anil Lasantha Naomal Dias
Eranjalie Deepthie Wickramasuriya
Malwattage Kanchana Sujeewa Pieris
Brandon Philip Morris
Sugeeth Saranga Jasenthu Patabendige
Graham Anthony Fedrick Marshall
Egoda Wiyannala Vajira Arjuna Wijesinghe

Company Secretary
Sonali Pethiyagoda

External Auditors
Messrs. Ernst & Young, Chartered Accountants
Rotunda Towers, No. 109, Galle Road
Colombo 03

Credit Rating
Long-term institution rating at BBB-(lka) (stable outlook) by Fitch Ratings