

මර්කන්ටයිල් ඉන්වෙස්ට්මන්ට්ස් ඇන්ඩ් ෆයිනෑන්ස් පී.එල්.සී

236, ගාලු පාර, කොළඹ 03. දුරකථනඃ 011-2343720-7



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BW/UM/DM

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MERCANTILE INVESTMENTS AND FINANCE PLC

Report on the audit of the Financial Statements

We have audited the financial statements of Mercantile Investments and Finance PLC ("The Company"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matters specific to Company

Key Audit Matter

Impairment allowance for loans & receivables and lease rentals receivable & hire purchase.

As described in Note(s) 23 to 25, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments

This was a key audit matter due to:

- materiality of the reported impairment allowance which involved complex calculations; and
- the degree of assumptions, judgements and estimation uncertainty associated with the calculations

Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following;

- the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures
- granted by the Company); and

 forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.

IT systems and controls relevant to financial reporting

The Company uses multiple IT systems in its operations. We selected IT systems and controls relevant to financial reporting as a key audit matter due to:

- The Company's financial reporting process being heavily dependent on information derived from its IT systems and
- Key financial statement disclosures involving the use of multiple system generated reports and calculations there on
- A changed working environment of increased remote access

Impact of moratoriums and other relief measures on recognition of interest income

Moratoriums and other relief measures were granted by the Company to customers affected by the ${\rm COVID}$ – 19 Pandemic.

Impact of moratoriums and other relief measures on the recognition of interest income on loans & receivables, lease rentals receivable & hire purchase was a key audit matter due to:

- Significant judgments that were applied in determining whether such moratoriums and other relief measures have resulted in substantial modifications or not, to contracts with customers as set out in Note 3.2 (iii) to the financial statements
- Use of various calculations by management to quantify the impacts of such moratoriums and other relief measures on the amount of revenue recognized for the period

How our audit addressed the matter

We assessed the alignment of the Company's expected credit loss computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID 19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following:

- We evaluated the design and implementation of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management.
- We assessed the completeness and relevance of the underlying information used in the impairment calculations; Our procedures included
 - or evaluating whether the underlying historical information was up to the reporting date testing the accuracy of underlying calculations. or checking the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting.
- computations by agreeing significant details to source documents and accounting records of the Company

 As relevant, we assessed the reasonableness of the basis for and data used by
- management to determine overlays in consideration of the probable effects of the COVID -19 pandemic including the provisions that were made by the Company with a particular focus on the impact of COVID-19 on high risk industries

 We also considered the reasonableness of macro-economic factors used by comparing
- them with publicly available data and information sources. Our considerations included evaluating assumptions and estimates made by management, forward-looking information used, and weightages assigned to possible economic scenarios.

We assessed the adequacy of the related financial statement disclosures as set out in note(s), 23 to 25 of the financial statements.

Our audit procedures included the following;

- Understanding the security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access
- Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and gathering of required information in calculating the significant information for financial statements disclosures
- Checking the source data of the reports used to generate significant disclosures for accuracy and completeness
- Assessing the reasonability of management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant

Our audit procedures (amongst others) included the following

- We gained an understanding of the process adopted by the Company to grant, record and account for moratoriums and other relief measures provided to customers
- We assessed the reasonableness of judgements applied by management in determining whether moratoriums and other relief measures have resulted in substantial modifications or not, to customer contracts, on a sample basis. This included evaluating whether interest income on modified contracts have been recognized in line with its accounting policy for interest income recognition
- We tested the accuracy of underlying calculations. Our procedures included testing the completeness and accuracy of the data used in such calculations, by agreeing to source documents and moratorium customer returns, on a sample basis

Other information included in the 2021 Annual Report

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon

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

Responsibilities of management and those charged with governance for the financial statements

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 Company'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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs 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 SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 controls of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the

Report on Other Legal and Regulatory Requirements

Report on Other Legal and Regulatory Requirements
As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our expressions proper security in a people of the property of the pr

CASri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.



07 June 2021 Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA. Ms. L K H L Fonseka FCA A P A Cunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCM Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

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ආදායම් පුකාශය		
මාර්තු 31 දිනෙන් අවසන් වන වර්ෂය සඳහා	2021 (රු. '000)	2020 (රු. '000)
දළ ආදායම	6,496,631	7,610,170
පොලී ආදායම	6,273,624	7,475,320
පොලී ව්යදම	(3,219,671)	(3,842,380)
ශුද්ධ පොලී ආදායම	3,053,953	3,632,940
ගාස්තු සහ කොමිස් ආදායම	74,378	82,943
ශුද්ධ ගාස්තු සහ කොමිස් ආදායම	74,378	82,943
වෙනත් මෙහෙයුම් ආදායම	148,630	51,906
මුළු මෙහෙයුම් ආදායම	3,276,961	3,767,789
හානිකරන අඩු කිරීම්	(42,134)	(484,009)
ශුද්ධ මෙතෙයුම් ආදායම	3,234,827	3,283,780
අඩු කළා: මෙහෙයුම් වියදම්		(222 222)
පුද්ගල පිරිවැය	(988,823)	(989,859)
භාවිතයට ඇති අයිතිය ක්ෂය කිරීම සහ අස්පෘශ වත්කම් කුමක්ෂය කිරීම	(136,725)	(144,478)
වෙනත් මෙහෙයුම් වියදම්	(956,702)	(1,013,253)
මුළු මෙහෙයුම් වියදම්	(2,082,250)	(2,147,590)
මූලූත සේවාවන් මත VAT, NBT සහ DRL වලට පෙර මෙහෙයුම් ලාභය/(අලාභය) මූලූත සේවාවන් මත VAT, NBT සහ DRL බද	1,152,577	1,136,190
මූලය සේවාවන් මත VAT, NBT සහ DRL වලට පසු මෙහෙයුම් ලාභය/(අලාභය)	(288,422) 864,155	(460,859) 675,331
එකතු කළා: ආශිත සමාගම්වල ලාභය/(අලාභය)	(36,654)	16,459
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බදු පැනවීමට පෙර මෙහෙයුම් වලින් ලාභය	827,501	691,790
අඩු කළා: ආදායම් බදු වියදම් බදු පසු ශුද්ධ ලාභය	(213,358) 614,143	(320,082)
වෙනත් විස්තීරණ ආදායම්/(වියදම්)	014,143	3/1,/00
අදාළ කාලයෙන් පසු ලාභයට සහ අලාභයට පුනිවර්ගීකරණය කළ යුතු අනෙකුන් විස්තීරණ ආදායම්/(වියදම්)		
විකුණුම් මූලෳ වත්කම් සඳහා පවතින වෙලඳපොල වටිනාකමේ වෙනස්කම්	1-	-
අදාළ කාලයෙන් පසු ලාභයට සහ අලාභයට පුතිවර්ගීකරණය කළ යුතු අනෙකුත් විස්තීරණ		
ආදායම්/(වියදම්) අදාළ කාලයෙන් පසු ලාභයට සහ අලාභයට පුතිවර්ගීකරණය නොකළ අනෙකුත් විස්තීරණ	-	-
ආදායම්/(වියදම්)	550.005	(054.700)
අනෙකුත් විස්තීරණ ආදායම හරහා මූලූ ආයෝජනවල සාධාරණ වටිනාකමේ වෙනස්වීම	556,625	(251,709)
ඉඩම් සහ ගොඩනැගිලිවල පුතනගණන අතිරික්තයේ ශුද්ධ වෙනස	213,337	301,201
ඉඩම් සහ ගොඩනැගිලිවල පුතහගණන අතිරික්තය සඳහා විලම්බිත බදු බලපෑම ආශිත සමාගම්වල වෙනත් විස්තීරණ ආදායමේ කොටස (ශුද්ධ බදු)	39,850 11,092	(84,336) (15,815)
විශුාම පාරිතෝෂික වගකීම මත කාලගණන ලාභය/(අලාභය)	(39,609)	22.339
කාලගණන ලාභය මත විලම්බිත බදවල බලපෑම	15,805	(13,104)
අදාළ කාලයෙන් පසු ලාභයට සහ අලාභයට පුතිවර්ගීකරණය නොකළ ශුද්ධ අනෙකුත්	10,000	(13,104)
විස්තීරණ ආදායම්/(වියදුම්)	797,100	(41,423)
වර්ෂය සඳහා වෙනත් විස්තීරණ ආදායම්/(වියදම්) (ශුද්ධ බදු)	797,100	(41,423)
වර්ෂය සඳහා මුළු විස්තීර්ණ ආදායම/(ව්යදම්) (ශුද්ධ බදු)	1,411,243	330,285
කොටසකට ඉපැයීම්		
සාමානෳ කොටසකට මූලික ඉපැයීම් (රු.)	204.31	123.66
සාමානෳ කොටසකට මිශු ඉපැයීම් (රු.)	204.31	123.66
සාමානස කොටසකට ලාභාංශ (රු.)	-	20.00

මූලන තත්ත්ව පුකාශය		
මාර්තු 31 දිනව	2021 (රු. '000)	2020 (රු. '000)
වත්කම්		
මුදල් සහ මුදල් සමානතා	1.916.905	1,813,985
කුමක්ෂය පිරිවැයට බැංකු සමඟ කළ තැන්පතු	77,139	282,359
මුලූූූූ ආයෝජන - FVOCI (පුකාශිත)	4,138,128	2,682,898
මුලූූූූ ආයෝජන - FVPL	51,248	-
කුමක්ෂය පිරිවැය යටතේ ණය සහ ලැබිය යුතු දේ	14,867,319	17,407,591
කුමක්ෂය පිරිවැය යටතේ ලැබිය යුතු මූලූූූූූ කල් බදු	14,221,461	13,746,155
කුමක්ෂය පිරිවැය යටතේ ලැබිය යුතු කුලී සින්නක්කර	649,860	1,605,426
මුලූ ආයෝජන - FVOCI (අපුකාශිත)	70,427	70,427
වෙනත් මූලූූූ වත්කම්	423,949	438,638
තොගය	8,700	9,540
වෙනත් වත්කම්	225,526	45,984
ලැබිය යුතු බදු	79,130	146,042
ආශුිත සමාගම්වල ආයෝජනය	1,234,582	1,260,144
ආයෝජන වත්කම්	237,381	246,166
දේපල පිරියත සහ උපකරණ	3,279,866	3,105,781
පාවිච්චි කිරීමේ අයිතියට නතු වත්කම්	180,357	223,255
කල්බදු දේපල	40,270	40,739
අස්පෘශ වත්කම්	47,299	45,987
මුළු වන්කම්	41,749,548	43,171,119
වගකීම්		
බැංකු අයිරාව	86,451	86,567
කුමක්ෂය පිරිවැය යටතේ පාරිභෝගික තැන්පතු	23,060,274	22,814,923
කුමක්ෂය පිරිවැය යටතේ නිකුත් කළ ණය උපකරණ සහ වෙනත් ණය ගැනීම්	6,357,692	9,128,983
වෙනත් මූලූ වගකීම්	552,252	855,247
ව්ලම්බිත බදු වගකීම්	742,672	807,835
වෙනත් වගකීම්	82,704	54,865
ව්ශුාම පාරිතෝෂික වගකීම්	322,501	254,385
කල් බදු වගකීම්	235,431	269,986
මුළු වගකීම්	31,439,978	34,272,792
කොටස් හිමියන්ගේ අරමුදල	00,000	00.000
පුකාශිත පාග්ධනය	36,000	36,000
පුතනරණන සංචිතය	2,589,864	2,325,585
වනවස්ථාපිත සංචිත අරමුදල	796,400	761,400
පොදු සංචිත රඳවා ගත් ඉපැයුම්	4,086,430 2,723,183	4,086,430
		2,016,150
OCI සංචිතය තුලින් සාධාරණ වටිනාකම මුළු කොටස් හිමියන්ගේ අරමුදැල්	77,693 10,309,570	(327,238)
මුළු කොටස හමයනගෙ අරමුදල මුළු වගකීම් සහ කොටස්කරුවන්ගේ අරමුදල්	41,749,548	8,898,327 43,171,119
මුව වගකම සහ කොටසකටදවනගේ අරමුදල කොටසකට ශුද්ධ වත්කම් (රු)	3,430	2,960
කොටසකට ශ්රීක දුරානක (උද)	3,430	2,900

කොටසකට ශුද්ධ වත්කම් (රු) 3,430 2,960

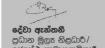
සහතික කිරීම
2007 අංක 07 දරණ සමාගම් පනතේ අවශානාවයන්ට අනුකූලව මෙම මූලා ප්‍රකාශන පිළියෙල කර ඇති බව මම සහතික කරමි.

දේවා ඇන්තනී
ප්‍රධාන මූලා නිළධාරී/පේසෂ්ඨ සාමානනාධිකාර්
මෙම මූලා ප්‍රකාශන සඳහා අධාසකෂ මණ්ඩලය වගකීම් දරනු ලැබේ.
2021 මැයි මස 31 වන දින අධාසකෂකවරු විසින් මෙම මූලා ප්‍රකාශන නිකුත් කිරීම අනුමත කරන ලදී. මූලා ප්‍රකාශන සංශෝධනය කිරීම සහ නැවත නිකුත් කිරීම සඳහා බලය අධාසකෂක මණ්ලය සතුය. මණ්ඩලය සඳහා වෙනුවෙන් අත්සන් කළේ,
මේත්ති සි. ඔන්ඩජීවී
කළමනාකාර අධාසකෂ
2021.05.31

2021.00.01						
ළබාන කාර්ය සාඛන දර්ශක						
අයිතමය	31.03.2021 දිනට		31.03.2020 දිනට			
නියාමන පුාග්ධන පුමාණාත්මකතාවය 1 වන ස්ථරයේ පාග්ධන පුමාණාත්මකතා අනුපාතය සමස්ථ පුාග්ධන පුමාණාත්මකතා අනුපාතය තැන්පතු වගකීම් අනුපාතය වෙත පුාග්ධන අරමුදල්	තථස 15.31% 17.07% 39.58	අවශ ප 6.50% 10.5% 10.0%	තථස 13.56% 15.25% 35.31	අවශ න 6.50% 10.5% 10.0%		
ණය කළඹේ ගුණාත්මකතාවය (%) දළ අඛ්ය ණය අනුපාතය ශුද්ධ අඛ්ය ණය අනුපාතය මූලික පාග්ධන අනුපාතය වෙත ශුද්ධ අඛ්ය ණය පුතිපාදන ආවරණ අනුපාතය		14.13% 2.97% 14.94% 61.99%		11.69% 3.22% 19.23% 56.66%		
ලාතදායීත්වය (%) ශුද්ධ පොලී ආන්තිකය වත්කම් මත පුතිලාභය හිමිකම් මත පුතිලාභය ආදායම් මත පිරිවැය අනුපාතය		8.16% 1.98% 5.96% 72.34%		9.71% 1.60% 4.18% 69.23%		
දුවශීලතාවය (%) අවශෘතා දුවශීල වත්කම් සඳහා පවතින දුවශීල වත්කම් අනුපාතය (අවම 100%) බාහිර අරමුදල් සඳහා දුවශීල වත්කම්		283.25 13.34		264.64 11.84		
නාමික නොරතුරු ශාඛා ගණන බාහිර ණය ලේණිය	BBB) (lka) (සෘ දිගු කාලීන §	39 ත කිරීම් අනුව ණ දැක්ම) හි මූලඃ ආයතන ත කිරීම	BBB) (lka) (සෘ දිගු කාලීන §	39 ත කිරීම් අනුව ණ දැක්ම) හි මූලඃ ආයතන ත කිරීම		

සහතික කිරීම:

පුධාන මූලුප නිලධාරී, මූලුප අධපසෂ, කළමනාකාර අධපසෂ සහ අනුකූලතා නිලධාරී ලෙස අපි ඒකාබද්ධව අත්සන් කර ඇත. (අ) ශී ලංකා මහ බැංකුව (සිබීවස්වල්) විසින් නියම කර ඇති ආකෘතියට හා අර්ථ දැක්වීම්වලට අනුකලව ඉහත පකාල සැ







ජෙරාඩ් පී. ඔන්ඩජීචි කළමනාකාර අධනකෂ