

MERCANTILE INVESTMENTS & FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2020

Mercantile Investments and Finance PLC

Income Statement

	For the 3 months Ended	
	30.06.2020	30.06.2019
	Rs.'000	Rs.'000
Interest Income	1,722,723	1,870,607
Interest Expense	(941,999)	(989,193)
Net Interest Income	780,723	881,414
Fee and Commission Income	17,007	14,197
Net fee and commission income	17,007	14,197
Other operating Income	4,668	15,336
Total Operating Income	802,398	910,948
Impairment gain/(loss) for loan and receivable	(236,952)	(161,089)
Net operating income	565,446	749,858
Less: Operating Expenses		
Personnel Expenses	212,297	269,762
Depreciation of property and equipment and right of use assets	30,539	22,198
Amortization of intangible assets	4,629	5,009
Amortization of leasehold property	117	117
Define benefit plans	9,659	9,659
Other operating expenses	183,102	236,576
Operating Profit Before VAT,NBT & DRL on financial services	125,103	206,537
VAT & NBT on financial services	(37,470)	(79,473)
Debt Repayment Levy (DRL) on financial services	-	(39,047)
Operating Profit after VAT , NBT & DRL on financial services	87,632	88,017
Share of Associates company profit /(loss)	(16,379)	(7,964)
Profit Before Taxation	71,254	80,053
Income Tax Expenses	(31,552)	(57,831)
Profit After Taxation	39,702	22,222
Earnings per Share	13.21	7.39
Dividend per Share	-	-

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC
Statement of Other Comprehensive Income

	For the 3 months Ended	
	30.06.2020	30.06.2019
	Rs.'000	Rs.'000
Profit/ (Loss) for the period	39,702	22,222
Other comprehensive income		
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		
Changes in fair value of financial instruments through OCI	179,209	(89,067)
Share of net gain/loss of associate company investments designated at FV through OCI	3,500	(8,488)
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods	182,709	(97,555)
Total Other Comprehensive Income for the period (net of tax)	182,709	(97,555)
Total comprehensive income for the period	222,411	(75,333)

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC
Statement of Financial Position

As at	Unaudited	Audited
	30.06.2020	31.03.2020
	Rs.'000	Rs.'000
Assets		
Cash and cash equivalents	2,546,987	1,813,985
Placement with banks at Amotised cost	289,080	282,359
Financial investments - at Fair Value through OCI	2,521,329	2,682,898
Loan and Advances at Amortised cost	16,817,403	17,407,591
Lease Receivable at Amortised cost	13,492,979	13,746,155
Hire Purchase Receivable at Amortised cost	1,483,577	1,605,426
Financial investments - at Fair Value through OCI(unquoted)	70,427	70,427
Other Financial Assets	451,304	438,638
Inventories	9,966	9,540
Other Assets	65,264	45,984
Current tax refunds	104,670	146,042
Investment in Associates	1,247,265	1,260,144
Investments Properties	245,750	246,166
Property, Plant & Equipment	3,086,938	3,105,781
Right-of-use assets	214,450	223,255
Leasehold Property	40,622	40,739
Intangible Assets	45,130	45,987
Total Assets	42,733,139	43,171,119
Liabilities		
Bank overdraft	5,883	86,567
Deposits due to customers at Amortised cost	22,003,162	22,814,923
Other Borrowings at Amortised cost	9,405,135	9,128,983
Other Financial Liabilities	541,871	855,247
Deferred tax liabilities	807,835	807,835
Other liabilities	321,969	54,865
Retirement benefit obligations	263,006	254,385
Lease Liability	263,542	269,986
Total Liabilities	33,612,402	34,272,792
Equity		
Stated capital	36,000	36,000
Revaluation reserve	1,744,350	1,744,351
Associated company reserves	584,734	581,234
Statutory reserve fund	761,400	761,400
General reserve	4,086,430	4,086,430
Fair Value through OCI reserve	(148,028)	(327,238)
Retained earnings	2,055,850	2,016,150
Total Equity	9,120,736	8,898,327
Total Liabilities & Equity	42,733,139	43,171,119
Net Assets Per Share	3,034	2,960

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

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

S.M.S.S. Bandara
Chairman
14-Aug-20

S.H.Jayasuriya
Finance Director

Mercantile Investments and Finance PLC
Statement of Changes in Equity

	Issued Capital	Revaluation Reserves	Associate Company Reserve	Statutory Reserves	General Reserves	Fair Value through OCI Reserve	Retained Earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April 2019	36,000	1,527,486	597,049	736,400	4,086,430	(75,529)	1,765,028	8,672,864
Total Comprehensive Income For the Year								
Profit for the period							22,222	22,222
Other comprehensive income			(8,488)			(89,067)		(97,555)
Total comprehensive income			(8,488)			(89,067)	22,223	(75,333)
Dividends to Equity owners							-	-
As at 30th June 2019	36,000	1,527,486	588,561	736,400	4,086,430	(164,596)	1,787,251	8,597,531
As at 1 April 2020	36,000	1,744,350	581,234	761,400	4,086,430	(327,238)	2,016,149	8,898,327
Total Comprehensive Income For the Year								
Profit for the period							39,702	39,702
Other comprehensive income			3,500			179,209		182,709
Total comprehensive income			3,500			179,209	39,702	222,411
Dividends to Equity owners								
As at 30th June 2020	36,000	1,744,350	584,734	761,400	4,086,430	(148,028)	2,055,851	9,120,736

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

	2020 Rs'000	2019 Rs'000
Interest & Commission Receipts	1,739,729	1,884,805
Interest Payments	(941,999)	(989,193)
Cash receipts from customers	4,279	6,846
Cash payments to employees & suppliers	(433,917)	(626,482)

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

368,092 **275,975**

(Increase) / decrease in operating assets

Deposits held for regulatory or monetary control purposes	334,056	(52,373)
Funds advance to customers	728,264	(9,282)
Other receivables	(32,365)	71,304

Increase / (Decrease) in operating liabilities

Deposits from customers	(811,762)	(512,546)
Other payables	(31,756)	(175,632)

554,529 **(402,554)**

Income Tax Paid

(11,133) (33,702)

Net Cash generated from operating activities

543,396 **(436,256)**

Cash flow from Investment Activities

Dividend received	439	3,951
Purchase of non - dealing securities	-	(349)
Sale proceeds on Disposal of Property plant and equipment	37	6,995
Sale proceeds on Disposal of Investment Properties	-	23,290
Acquisition of Property plant and equipment	(2,562)	(22,339)
Acquisition of Investments Properties	-	(18,120)
Acquisition of Intangible Assets	(3,772)	(176)

Net Cash generated from investments activities

(5,858) **(6,748)**

Cash flow from finance Activities

Net Increase / (Decrease) Borrowings obtained during the year	276,151	396,334
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Net Cash generated from financing activities

276,151 **396,334**

Net Cash Flow generated from all activities

813,689 **(46,669)**

Cash & Cash equivalents at the beginning of the period

1,727,415 **1,009,950**

Cash & Cash equivalents at the end of the period

2,541,104 **963,281**

(Note A)

Reconciliation of Profit before Tax with cash inflow from operating Activities

Profit Before tax	71,254	80,053
Adjustments for		
Dividend from investing activities	(439)	(3,951)
Share of Associates company profit/(Loss)	16,379	7,964
Profit /Loss on Disposal of Fixed Assets	50	(4,539)
Depreciation of PPE and rihgt of use of assets	30,539	22,198
Amortization of Leased Hold Assets	117	117
Amortization of Intangible Assets	4,629	5,009
Impairment Provision	236,952	161,089
Retirement Benefits provision	9,659	9,659
Retirement Benefits paid	(1,049)	(1,623)
Cash flows from operating activities before changes in operating assets	368,092	275,975

(Note B)

Cash & Cash equivalents at the end of period

Cash in hand	264,163	399,382
Balances with banks	2,282,825	611,366
Bank Overdraft	(5,883)	(47,467)
Cash & Cash equivalents at the end of period	2,541,104	963,281

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue												
Interest	744,753	754,022	81,743	182,422	836,409	882,576	59,818	51,588			1,722,723	1,870,607
Dividends							439	3,951			439	3,951
Others									21,236	25,582	21,236	25,582
Total Income from external operations	744,753	754,022	81,743	182,422	836,409	882,576	60,257	55,539	21,236	25,582	1,744,397	1,900,141
Profit before Tax , VAT, NBT & DRL on Financial Services											125,103	206,537
Share of Associates company profit/(loss)											(16,379)	(7,964)
Tax , VAT, NBT & DRL on Financial Services											(69,022)	(176,352)
Profit After Tax											39,702	22,222
Other Information												
Segment Assets	13,492,979	12,834,253	1,483,577	2,799,881	16,817,403	16,158,536	4,128,100	4,389,493	6,811,080	4,698,559	42,733,139	40,880,722
Segment Liabilities	10,613,108	10,135,110	1,166,930	2,211,044	13,227,985	12,760,270	3,247,020	3,466,349	5,357,359	3,710,416	33,612,402	32,283,189
Net Assets	2,879,870	2,699,143	316,647	588,837	3,589,418	3,398,265	881,080	923,144	1,453,721	988,143	9,120,736	8,597,533

Information on cash Flows

For the period ended 30th June

	2020	2019
Cash flows from operating activities	543,396	(436,256)
Cash flows from investing activities	(3,296)	15,591
Cash flows from financing activities	276,151	396,334
Capital expenditure	(2,562)	(22,339)
Net cash flow	813,690	(46,669)

Selected Performance Indicators

Indicator	As at 30.06.2020	As at 31.03.2020
	Unaudited	Audited
	Rs ' 000	Rs ' 000
Liquidity Rs.(‘000)		
Required minimum amount of liquid assets	1,330,861	1,433,617
Available amount of liquid assets	4,236,630	3,793,901
Required minimum amount of Government securities	1,050,833	1,043,806
Available amount of Government securities	1,366,419	1,697,557
Capital Adequacy		
Core capital to risk weighted assets ratio (Minimum 6%)	13.31%	13.56%
Total capital to risk weighted assets ratio (Minimum 10%)	15.02%	15.25%
Capital funds to total deposits liability ratio	41.45%	39.00%
Profitability		
Return on assets (%) *	0.37%	0.88%
Return on equity (%) *	1.74%	4.18%

* Ratios have been prepared based on 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.
- 2) 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 2020
- 3) There have been no material events occurring after the balance sheet date that require adjustments to or disclosures in the Financial Statements.
- 4) **Impact of COVID 19 pandemic on first quarter business operations**
 COVID 19 outbreak which emerged in March 2020 impacted the economy in an unprecedented manner. Though this crisis continued to persist during the quarter ended 30th June 2020, the easing of lockdown measures in May 2020 and the gradual revival of economic activity since then supported by the government measures 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.
 The company foresees gradual economic revival bolstering revenues and collection levels, moreover in the backdrop of political stability arising from the post-election period and forming of a majority government. Furthermore, we foresee the stock market indices picking up with positive sentiments and expected macro-economic policies that is forthcoming, bound to boost most sectors with cascading effect on the finance sector
- 5) All known expenses have been provided for in the financial statements.
- 6) During the interim period under consideration, no dividends were declared and paid.
- 7) During the interim period there were no material changes in the composition of assets, liabilities and contingent liabilities.
- 8) The Company has re-classified comparative information wherever necessary to conform to the current period's presentation.

9) Share Information

9.1) Directors' and Chief Executive officer's shareholdings in shares as at 30th June 2020

	Number of shares	%
1) Mr. Mr. S M S S Bandara (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.N.H.V.Perera	10,020	0.33
6) Mr. S H Jayasuriya	NIL	-
7) Mr. P M Amarasekara	NIL	-
8) Mr. P C Guhashanka	NIL	-
9) Ms. P T K Navaratne	NIL	-
10) Mr. P D D Perera	NIL	-

9.2) Stated Capital

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

	30.06.2020	31.03.2020
Ordinary Shares	3,006,000	3,006,000

9.3) The 20 largest shareholders of the company as at 30th June 2020 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>

9.4) The percentage of the shares held by public on 30th June 2020 was 10.51% (2019 - 10.51%)

9.5) The number of public shareholders as at 30th June 2020 was 8 (2019-9)

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

Float Adjusted Market Capitalisation as at 30th June 2020 was Rs. 821,419,560/-

9.6) Information on Ratios ,Market Prices

	30.06.2020	30.06.2019
Dividend per Share (Rs.)	-	-
Net Assets per Share (Rs.)	3,034	2,860
Market Prices		
- Highest	Not Traded	2600
- Lowest	Not Traded	2600
- Last traded price	Not Traded	2600