

MERCANTILE INVESTMENTS & FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH SEPTEMBER 2021

Mercantile Investments and Finance PLC
Income Statement

	For the 6 months Ended		For the 3 months Ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income	3,501,991	3,230,460	1,770,717	1,507,737
Interest expense	(1,249,171)	(1,801,121)	(609,915)	(859,121)
Net Interest Income	2,252,819	1,429,339	1,160,802	648,616
Fee and commission Income	27,553	37,556	16,535	20,549
Net fee and commission income	27,553	37,556	16,535	20,549
Other operating income	106,265	44,360	59,366	39,692
Total Operating Income	2,386,637	1,511,254	1,236,702	708,857
Impairment gain/(loss) for loans and receivables	(606,726)	(143,631)	(281,247)	93,320
Net operating income	1,779,911	1,367,623	955,456	802,177
Less: Operating Expenses				
Personnel expenses	602,849	461,799	286,888	249,502
Depreciation of PPE and Right-of-use-assets	61,192	60,535	30,539	29,996
Amortization of intangible assets	13,008	9,615	6,682	4,986
Amortization of leasehold property	234	234	117	117
Defined benefit plans	20,308	19,318	10,154	9,659
Other operating expenses	458,018	408,428	241,369	225,326
Operating Profit Before VAT on financial services	624,301	407,694	379,706	282,591
VAT on financial services	(168,593)	(119,206)	(95,757)	(81,736)
Operating Profit after VAT on financial services	455,708	288,487	283,949	200,855
Share of Associates company Profit /(Loss) net of tax	(20,424)	(24,103)	(10,456)	(7,724)
Profit Before Taxation	435,284	264,384	273,493	193,131
Income Tax Expenses	(144,003)	(97,468)	(88,117)	(65,916)
Profit After Taxation	291,281	166,916	185,376	127,214
Earnings per Share	96.90	55.53	83.69	42.32
Dividend per Share	65.00	-	65.00	-

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC
Statement of Other Comprehensive Income

	For the 6 months Ended		For the 3 months Ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit/ (Loss) for the period	291,281	166,916	185,376	127,214
Other comprehensive income				
Other Comprehensive Income/(Expense) not to be reclassified to profit or loss in subsequent periods				
Changes in fair value of financial instruments through OCI	327,931	346,082	225,161	166,873
Share of other comprehensive income of associate (net of tax)	6,676	8,921	10,478	5,421
Net Other Comprehensive Income/(Expense) not to be reclassified to profit or loss in subsequent periods	334,607	355,003	235,639	172,294
Total Other Comprehensive Income/(Expense) for the period (net of tax)	334,607	355,003	235,639	172,294
Total comprehensive income for the period	625,888	521,919	421,015	299,508

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC
Statement of Financial Position

As at	Unaudited	Audited
	30.09.2021	31.03.2021
	Rs.'000	Rs.'000
Assets		
Cash and cash equivalents	2,341,034	1,916,905
Placement with banks at Amortized cost	79,019	77,139
Financial investments - at FVOCI (quoted)	4,123,143	4,138,128
Financial investments - at FVPL	206,552	51,248
Loans and receivables at Amortized Cost	14,489,733	14,867,319
Finance leases receivables at Amortized Cost	15,041,382	14,221,461
Hire purchase receivables at Amortized Cost	464,213	649,860
Financial investments - at FVOCI (unquoted)	70,427	70,427
Other financial assets	379,289	423,949
Inventories	87,188	8,700
Other assets	109,593	225,526
Current tax refunds	80,040	79,130
Investment in associates	1,220,834	1,234,582
Investment property	236,549	237,381
Property, plant and equipment	3,244,676	3,279,866
Right-of-use assets	169,079	180,357
Leasehold property	40,036	40,270
Intangible assets	40,372	47,299
Total Assets	42,423,159	41,749,548
Liabilities		
Bank overdraft	80,347	86,451
Financial liabilities at Amortosed cost – Due to customers	24,234,712	23,060,274
Financial liabilities at Amortised cost- Interest bearing Loans and borrowings	5,404,339	6,357,692
Other Financial Liabilities	523,545	552,252
Deferred tax liabilities	708,221	742,672
Other liabilities	175,394	82,704
Retirement benefit obligations	336,940	322,501
Lease Liability	219,594	235,431
Total Liabilities	31,683,092	31,439,978
Equity		
Stated capital	36,000	36,000
Revaluation reserve	1,997,538	1,997,538
Associated company reserves	599,002	592,326
Statutory reserve fund	796,400	796,400
General reserve	4,086,430	4,086,430
Fair Value through OCI reserve	232,589	77,693
Retained earnings	2,992,107	2,723,183
Total Equity	10,740,066	10,309,570
Total Liabilities & Equity	42,423,159	41,749,548
Net Assets Per Share	3,573	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

Angeline Ondaatjie
Director
10th November 2021

S.H.Jayasuriya
Director - Finance

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 2020	36,000	1,744,351	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							166,916	166,916
Other comprehensive income			8,921			346,082		355,003
Total comprehensive income			8,921			346,082	166,917	521,919
As at 30th September 2020	36,000	1,744,351	590,155	761,400	4,086,430	18,844	2,183,066	9,420,245
As at 1 April 2021	36,000	1,997,538	592,326	796,400	4,086,430	77,693	2,723,183	10,309,569
Total Comprehensive Income For the Year								
Profit for the period							291,281	291,281
Other comprehensive income			6,676			327,931		334,607
Total comprehensive income			6,676			327,931	291,281	625,887
Transfer to retained earnings						(173,034)	173,034	-
Dividend paid to equity shareholders							(195,390)	(195,390)
As at 30th September 2021	36,000	1,997,538	599,002	796,400	4,086,430	232,589	2,992,107	10,740,066

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC
Statement of Cash Flow
For the Six Months ended 30th September

Cash flows from Operating Activities

Interest and commission receipts	3,187,774	3,092,011
Interest payments	(1,329,417)	(2,066,021)
Cash receipts from customers	28,918	27,742
Cash payments to employees, suppliers and tax authorities	(1,140,452)	(961,018)

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

746,823 **92,713**

(Increase) / decrease in operating assets

Deposits held for regulatory purposes	4,801	222,110
Funds advanced to customers	(751,670)	3,001,243
Other receivables	284,865	(420,974)

Increase / (Decrease) in operating liabilities

Deposits from customers	1,230,085	(585,056)
Other payables	(46,890)	(96,183)

Income taxes paid

(179,230) (55,623)

Net Cash generated from operating activities

1,288,784 **2,158,230**

Cash flows from Investment Activities

Dividends received	30,634	14,962
Proceeds from sale of equity securities	668,876	-
Purchase of equity securities	(429,361)	(97,834)
Proceeds from sale of property plant and equipment	57,637	9,788
Proceeds from sale of investment properties	-	7,200
Purchase of property plant and equipment	(56,111)	(7,281)
Purchase of intangible assets	(6,081)	(3,950)

Net Cash generated from investments activities

265,593 **(77,114)**

Cash flows from Finance Activities

Net Increase / (Decrease) Borrowings obtained during the year	(928,754)	(1,365,043)
Dividend Paid	(195,390)	-

Net Cash generated from financing activities

(1,124,144) **(1,365,043)**

Net Cash Flow generated from all activities

430,234 **716,072**

Cash and cash equivalents at the beginning of the period

1,830,454 **1,727,415**

Cash and cash equivalents at the end of the period (Note B)

2,260,688 **2,443,487**

(Note A)

Reconciliation of Profit before Tax with cash inflow from operating activities

Profit Before tax	435,284	264,384
Adjustments for		
Dividend from investing activities	(30,634)	(14,962)
Capital gain from sale of shares and treasury bonds	(61,651)	-
Unrealized loss from investments of FVPL	19,296	-
Share of associates company Loss	20,424	24,103
(Profit) / Loss on Disposal of Fixed Assets	(4,358)	(1,656)
Depreciation of PPE and right of use assets	61,192	60,535
Amortization of leasehold assets	234	234
Amortization of Intangible assets	13,008	9,615
Impairment provision	606,726	143,631
Retirement benefit provision	20,308	19,318
Retirement benefit paid	(5,869)	(2,156)
Accrual for interest and commission income	(341,770)	(176,005)
Accrual for interest expense	(80,245)	(264,900)
Other accruals	94,877	30,570
Cash flows from operating activities before changes in operating assets	746,823	92,713

(Note B)

Cash and cash equivalents at the end of period

Cash in hand	192,350	275,001
Balances with banks	2,148,684	2,180,375
Bank Overdraft	(80,347)	(11,890)
	2,260,688	2,443,487

Note - Above figures are provisional and subject to audit

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

	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue												
Interest	1,782,664	1,390,084	63,484	127,169	1,558,374	1,592,672	97,468	120,535			3,501,991	3,230,460
Gains from FVPL Investments							42,355				42,355	-
Dividends							30,634	14,962			30,634	14,962
Others									60,829	66,954	60,829	66,954
Total Income from external operations	1,782,664	1,390,084	63,484	127,169	1,558,374	1,592,672	170,457	135,497	60,829	66,954	3,635,809	3,312,375
Profit before Tax and VAT on Financial Services											624,301	407,694
Share of associate company profit/(loss)											(20,424)	(24,103)
Tax , VAT on Financial Services											(312,595)	(216,674)
Profit After Tax											291,281	166,916
Other Information												
Segment Assets	15,041,382	13,397,535	464,213	1,112,476	14,489,733	15,272,419	5,699,975	4,502,451	6,727,856	6,965,834	42,423,159	41,250,716
Segment Liabilities	11,233,428	10,337,999	346,690	858,425	10,821,437	11,784,724	4,256,940	3,474,246	5,024,597	5,375,078	31,683,092	31,830,472
Net Assets	3,807,954	3,059,536	117,523	254,051	3,668,296	3,487,695	1,443,035	1,028,205	1,703,259	1,590,757	10,740,066	9,420,244

Information on cash Flows

For the period ended 30th September

	2021	2020
Cash flows from operating activities	1,288,784	2,158,230
Cash flows from investing activities	321,705	(69,833)
Cash flows from financing activities	(1,124,144)	(1,365,043)
Capital expenditure	(56,111)	(7,281)
Net cash flow	430,234	716,072

Mercantile Investments and Finance PLC
Selected Performance Indicators

Indicator	As at 30.09.2021	As at 31.03.2021
	Unaudited	Audited
	Rs ' 000	Rs ' 000
Liquidity Rs.('000)		
Required minimum amount of liquid assets	2,431,695	1,390,067
Available amount of liquid assets	4,341,187	3,937,098
Required minimum amount of Government securities	1,670,896	1,055,003
Available amount of Government securities	1,754,462	1,765,165
Capital Adequacy		
Core capital to risk weighted assets ratio (Minimum 7%)*	15.47%	15.31%
Total capital to risk weighted assets ratio (Minimum 11%)*	17.12%	17.07%
Capital funds to total deposit liability ratio (Minimum 10%)	37.66%	39.58%
Profitability		
Return on assets (%) **	1.38%	1.45%
Return on equity (%) **	5.54%	6.39%

* With effect from 01st July 2021, minimum requirement of Tier 1 capital has been increased from 6.5% to 7% and Total capital ratio has been increased from 10.5% to 11%.

** Annualized figures given

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 several waves, 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 September 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

	30.09.2021	30.09.2020
Ordinary Shares	3,006,000	3,006,000

7.3) The 20 largest shareholders of the company as at 30th September 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 September 2021 was 10.84% (2020 - 10.51%)

7.5) The number of public shareholders as at 30th September 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 September 2021 was Rs. 847,211,040/-

7.6) Share related other information

Description	30.09.2021	30.09.2020
Dividend per Share (Rs.)	65.00	-
Net Assets per Share (Rs.)	3,573	3,134
Market Prices		
- Highest	Not Traded	Not Traded
- Lowest	Not Traded	Not Traded
- Last traded price	Not Traded	Not Traded