



Mercantile Investments  
and Finance PLC

# Mercantile Investments and Finance PLC

236, Galle Road, Colombo 03

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Celebrating  
**54**  
years of  
Financial  
Excellence

## STATEMENT OF COMPREHENSIVE INCOME

For the 6 Months Ended	30.09.2018 Rs. '000	30.09.2017 Rs. '000
Interest income	3,758,613	3,116,527
Interest expenses	(1,907,798)	(1,798,252)
<b>Net Interest Income</b>	<b>1,850,815</b>	<b>1,318,275</b>
Fee and commission income	56,810	43,746
<b>Net Fee and Commission Income</b>	<b>56,810</b>	<b>43,746</b>
Other operating income	67,317	156,941
<b>Total Operating Income</b>	<b>1,974,942</b>	<b>1,518,962</b>
Impairment gain/(loss) for loans and receivables	(369,954)	(236,554)
<b>Net Operating Income</b>	<b>1,604,988</b>	<b>1,282,408</b>
<b>Less: Operating Expenses</b>		
Personnel expenses	492,258	445,316
Depreciation of property plant and equipment	40,524	38,127
Amortisation of intangible assets	7,848	6,622
Amortisation of leasehold property	234	234
Defined benefit plan	17,562	15,374
Other operating expenses	412,687	376,162
<b>Operating Profit Before Value Added Tax &amp; NBT on Financial Services</b>	<b>633,874</b>	<b>400,573</b>
Value Added Tax & NBT on financial services	(153,087)	(117,323)
<b>Operating Profit After Value Added Tax and NBT on Financial Services</b>	<b>480,787</b>	<b>283,250</b>
Share of associate company's profit/ (loss)	21,109	30,143
<b>Profit Before Taxation</b>	<b>501,896</b>	<b>313,394</b>
Income tax expenses	(243,724)	(97,692)
<b>Profit After Taxation</b>	<b>258,172</b>	<b>215,702</b>
<b>Basic Earnings Per Share (Rs.)</b>	<b>85.89</b>	<b>71.76</b>
<b>Diluted Earnings Per Share (Rs.)</b>	<b>85.89</b>	<b>71.76</b>

## STATEMENT OF OTHER COMPREHENSIVE INCOME

For the 6 Months Ended	30.09.2018 Rs. '000	30.09.2017 Rs. '000
<b>Profit for the period</b>	<b>258,172</b>	<b>215,702</b>
<b>Other Comprehensive Income</b>		
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods		
Changes in fair value of available-for-sale financial assets	(245,002)	20,241
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods		
Share of other comprehensive income of associate	(11,310)	8,464
<b>Total Other Comprehensive Income for the period ( net of tax)</b>	<b>(256,312)</b>	<b>28,706</b>
<b>Total comprehensive income for the period</b>	<b>1,860</b>	<b>244,408</b>

## SELECTED PERFORMANCE INDICATORS

	30.09.2018	30.09.2017
<b>Regulatory Capital Adequacy</b>		
Core Capital (Tier 1 Capital), Rs. '000	*5,990,363	5,753,830
Total Capital Base, Rs. '000	*6,906,186	6,168,028
Core capital adequacy ratio, as % of risk weighted assets (Minimum requirement, 2018 - 6% / 2017 - 5%)	*13.64	16.30
Total capital adequacy ratio, as % of risk weighted assets (Minimum requirement, 10%)	*15.72	17.47
Capital funds to total deposits liability ratio (Minimum requirement, 10%)	41.61	39.90
<b>Asset Quality (Quality of Loan Portfolio)</b>		
Gross Non-Performing Accommodations, Rs. '000	3,046,052	2,315,443
Total accommodations, Rs. '000	34,265,630	31,460,145
Gross Non-Performing Accommodations Ratio, %	8.89	7.36
Net Non-Performing Accommodations Ratio, %	2.96	2.36
<b>Profitability ( % )</b>		
Interest Margin - Annualized	10.40	8.25
Return on assets (before Tax) - Annualized	1.27	1.13
Return on equity (after Tax) - Annualized	5.95	5.33
<b>Regulatory Liquidity (Rs. '000)</b>		
Required minimum amount of liquid assets	2,111,081	2,080,794
Available amount of liquid assets	2,380,765	2,999,193
Required minimum amount of Government securities	1,485,822	1,242,297
Available amount of Government securities	1,664,944	1,335,714
<b>Memorandum Information</b>		
Number of employees	1013	934
Number of branches	29	29
Number of service centers	7	7

\*Calculated based on the new capital adequacy framework issued by Central Bank of Sri Lanka for Licensed Finance Companies with effect from 01st July 2018. Minimum Tier 01 Capital requirement increased to 6% from 5%.

## STATEMENT OF FINANCIAL POSITION

As at	30.09.2018 Rs. '000	30.09.2017 Rs. '000
<b>Assets</b>		
Cash & Short Term Funds	490,738	1,070,289
Placement with other banks	229,413	206,866
Financial Investments-Available for Sale	2,865,607	3,585,199
Loan and Advances	15,449,799	13,128,401
Lease Receivable	12,528,821	11,199,650
Hire Purchase Receivable	4,708,793	5,942,859
Financial Investments-Available for Sale (unquoted)	70,427	70,427
Other Financial Assets	518,243	195,167
Inventories	8,909	8,855
Other Assets	130,982	94,007
Current tax Receivable	-	82,617
Investment in Associates	1,016,304	1,034,584
Investments Properties	199,263	173,628
Property, Plant & Equipment	2,718,822	1,781,932
Leasehold Property	41,438	41,906
Intangible Assets	41,227	57,238
<b>Total Assets</b>	<b>41,018,786</b>	<b>38,673,625</b>
<b>Liabilities</b>		
Bank overdraft	397,004	231,664
Deposits due to customers	20,869,905	20,275,133
Debt instruments issued and other borrowings	8,765,016	8,692,347
Other Financial Liabilities	917,681	775,764
Current tax liabilities	35,356	-
Deferred tax liabilities	1,072,434	361,223
Other liabilities	84,969	63,846
Retirement benefit obligations	191,474	183,018
<b>Total Liabilities</b>	<b>32,333,839</b>	<b>30,582,996</b>
<b>Equity</b>		
Stated capital	36,000	36,000
Revaluation reserve	1,916,940	1,543,525
Statutory reserve fund	711,400	661,400
General reserve	4,086,430	4,086,430
Available for sale reserve	(44,516)	276,885
Retained earnings	1,978,693	1,486,390
<b>Total Equity</b>	<b>8,684,946</b>	<b>8,090,630</b>
<b>Total Liabilities &amp; Equity</b>	<b>41,018,786</b>	<b>38,673,625</b>
<b>Net Assets Per Share (Rs.)</b>	<b>2,889</b>	<b>2,691</b>

### Certification

We, the undersigned, being the Managing Director and the Finance Director of Mercantile Investments and Finance PLC jointly certify that;

(A) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

(B) the information contained in these statements have been extracted from the unaudited financial statements of the licensed finance company unless indicated as audited.

Sgd  
**G.G.Ondaatjie**  
Managing Director  
23rd October 2018

Sgd  
**S.H. Jayasuriya**  
Finance Director



**Mercantile Investments  
and Finance PLC**

Long-term Financial Institution Rating at  
BBB-(lka)(stable outlook) by Fitch Ratings