

## මර්කන්ටයිල් ඉන්වෙස්ට්මන්ට්ස් ඇන්ඩ් ෆයිනෑන්ස් පීඑල්සී

මර්කන්ටයිල් ඉන්වෙස්ට්මන්ට්ස් ඇන්ඩ් ෆයිනෑන්ස් පීඑල්සී

236, ගාලු පාර කොළඹ, 03.

වෙබ් අඩවිය: www.mi.com.lk





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#### INDEPENDENT AUDITOR'S REPORT

#### TO THE SHAREHOLDERS OF MERCANTILE INVESTMENTS & FINANCE PLC

#### Report on the audit of the Financial Statements

We have audited the financial statements of Mercantile Investments & Finance PLC ("The Company"), which comprise the statement of financial position as at 31 March 2020, 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 2020, 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.

 $Key audit \, matters \, are \, those \, matters \, that, in our \, professional \, judgment, were \, of \, most \, significance \, in \, our \, audit \, of \, the \, financial \, statements \, of \, the \, current \, period. \, These \, matters \, are those \, matters \, are those \, matters \, are those \, matters \, that, in our \, professional \, judgment, were \, of \, most \, significance \, in \, our \, audit \, of \, the \, financial \, statements \, of \, the \, current \, period. \, These \, matters \, are those \, are those \, matters \, are those \, are th$ 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 misstateme 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 Matter**

#### Impairment allowance for Loans & receivables, Lease receivable & Hire Purchase receivables

We considered the impairment allowance for Loans & receivables, Lease receivable & Hire Purchase receivables as a key audit matter. Significant judgments and assumptions were used by the management to determine the impairment allowance and complex calculations were involved in its estimation. Probable impacts of COVID -19 outbreak on the economically impacted customers and related government relief measures on the key assumptions, the higher level of estimation uncertainty involved, and materiality of the amounts reported in the Company's financial

As at 31 March 2020, Loans & receivables, Lease receivable & Hire Purchase receivables net of impairment amounted to Rs.33 Bn. These collectively contributed 76% to the Company's total assets.

The Note 10 of the financial statements describes the basis of impairment allowance and assumptions used by

#### Revaluation of Land & Buildings:

As of 31 March 2020, the Company carried freehold land and buildings at fair value amounting to Rs.1.7 Bn and Rs 512 Mn respectively, of which Rs.301 million has been recognized through OCI.

Fair value was determined by an external valuer engaged by the Company. The valuation was significant to our audit due to the use of estimates in the valuation techniques, and valuation is judgmental and is based on certain key assumptions. Given the significance of assumptions associated with the valuation of these assets we have considered the valuation of freehold land and building as a key audit matter.

Refer note 31.4 to the financial statements for significant accounting judgements, estimates and assump related to valuation of freehold land and buildings.

# Management's use of significant judgements relating to the impacts of the evolving COVID-19 pandemic on the Company Management has assessed the impact of the evolving COVID-19 pandemic on its business and financial

statements of the Company as disclosed in Note (refer to

We considered such management's assessment in the wake of the evolving COVID-19 pandemic as a key audit matter, since it involved the use of significant management judgments and estimates considering future events, circumstances and impacts on cash flows, based on available information.

The nature of the significant assumptions involved, are disclosed in Note (refer to COVID-19 impact note 53) to

### How our audit addressed the matter

• We rechecked the underlying calculations.

#### We designed our audit procedures to obtain sufficient appropriate audit evidence on the reasonableness of the impairment allowance, these included the following procedures:

- We evaluated the design effectiveness of controls over impairment allowance, in the light of the requirements in SLFRS 9, focusing on the oversight, review and approval of impairment policies by the board audit committee and management.
- We evaluated the model used to calculate impairment allowance to assess its appropriateness.  $\bullet \ \ \text{We assessed the completeness and relevance of the underlying information used in the impairment}\\$ calculations by agreeing details to source documents and information in IT systems; Our assessment included evaluating whether the underlying historical information was up to the reporting date.
- We also considered the reasonableness of macro-economic factors used by comparing them with publicly available data and information sources. Our considerations included assessing the appropriateness of the
- We assessed the adequacy of the related financial statement disclosures as set out in note(s), 23 -25 of the

#### Our procedures amongst others included the following specific procedures;

- We have assessed the objectivity, competence and capabilities of the external valuer appointed by the
- We checked the valuation report to obtain an understanding of the work done by the valuer and evaluated the appropriateness as audit evidence for the recorded valuation of freehold land and buildings in the financial statements.
- We engaged internal specialists to evaluate the appropriateness of the valuation method and price range per perch with market data and other key assumptions applied by the external valuer in appraising the value.  $\bullet \ t ln \ addition, we evaluated \ the \ overall \ appropriateness \ of \ the \ related \ financial \ statement \ disclosures \ in \ note$

### Our audit procedures included the following;

- We gained an understanding of significant judgements used by the management related to the impact of t he COVID-19 pandemic on the business of the Company. • We obtained an understanding of the procedures adopted by the management to manage and mitigate the
- prevailing business interruption which are disclosed in (refer to COVID-19 impact note) • We evaluated the sensitivity of the projected available funding by considering assumed scenarios together
- with reasonable changes to the key assumptions. • We inspected the facility agreements for the Company's interest-bearing loans and assessed the Company's
- compliance with the covenants in understanding the availability of adequate funding  $\bullet$  We reviewed the adequacy of the disclosures made in Notes (refer to the judgements, COVID -19 impact and
- risk management note) in the financial statements

## Other information included in the 2020 Annual Report

onsible for the other information. The other information comprises the Company's 2020 annual report is expected to be made available to us after the

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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

#### 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 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 misstate from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal contents of the contents of the force of the contents of the contentObtain 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 opinior 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 public interest benefits of such communication. **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 examination, proper accounting records have been kept by the Company

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

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. Gunasekara FCA FCMA | A. Herath FCA | D. K. Hulangamuwa FCA FCMA LLB (Lond.) | H. M. A. Jayesinghe FCA FCMA | Ms. A. A. Ludowyke FCA FCMA | Ms. G. G. S. Manatunga FCA | Ms. P.V. K. N. Sajeewani FCA | N. M. Sulaiman ACA ACMA | B. E. Wijesuriya FCA FCMA

Principal: G. B. Goudian ACMA | A. A. J. R. Perera ACA ACMA | T. P. M. Ruberu FCMA FCCA

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ආදායම් පුකාශනය		
මාර්තු 31 දිනෙන් අවසන් වන වර්ෂය සඳහා	2020 රු. <b>'000</b>	2019 <b>රු.'000</b>
දුළ ආදායම	7,610,170	7,638,497
පොලී ආදායම - පොලී ආදායම	7,475,320	7,436,054
පොලී වියදම	(3,842,380)	(3,861,878)
	(3,042,300)	(3,001,070)
ශුද්ධ පොලී ආදා <b>ය</b> ම	3,632,941	3,574,176
ගාස්තු සහ කොමිස් ආදායම්	82,943	94,955
ශුද්ධ ගාස්තු සහ කොමිස් ආදායම්	82,943	94,955
අනෙකුත් මෙතෙයුම් ආදායම්	51,906	107,488
මුළු මෙහෙයුම් ආදායම	3,767,790	3,776,619
අපහයන අඩු කිරීම	(484,009)	(681,648)
ශුද්ධ මෙහෙයුම් ආදායම	3,283,780	3,094,971
අඩුකළා: මෙහෙයුම් වියදම්		
කාර්ය මණ්ඩල වියදම -	(989,859)	(923,352)
කෂය වීම් සහ කුමකෂය	(144,478)	(99,494)
අනෙකුත් මෙතෙයුම් වියදම	(1,013,253)	(962,135)
මුළු මෙහෙයුම් වියදම	(2,147,590)	(1,984,982)
මූලෘ සේවා සඳහා චිකතු කළ අගය මත වළ, ණය ආපසු ගෙවීමේ වද්දට සහ		
ජාතිය ගොඩනැගීමේ වද්දට පෙර මෙනෙයුම් ලාභය/(අලාභය)	1,136,190	1,109,988
මූලෘ සේවා සඳහා එකතු කළ අගය මත බදු සහ ජාතිය ගොඩනැගීමේ බදු	(460,859)	(403,059)
මූලප සේවා සදහා විකතු කළ අගය මත වදු සහ ජාතිය ගොඩනැගීමේ වැද්දට පසු මෙහෙයුම් ලාභය/(අලාභය)	675,331	706,929
<b>එකතු කළා:</b> ආශුිත සමාගම්වල ලාභය/(අලාභය)	16,459	79,724
බදු පෙර මෙහෙයුම් ලානය	691,791	786,653
<b>අඩුකළා:</b> ආදායම් බදු වියදම	(320,082)	(328,580)
බදු පසු ශුද්ධ ලාභය	371,708	458,073
අනෙකුත් විස්තීරණ ආදායම්/(වියදම්)		
අදාළ කාලයෙන් පසු ලාතයට සහ අලාභයට පුතිවර්ගීකරණය කළ යුතු අනෙකුත් විස්තීර්ණ ආදායම/(වියදම්)		
අනෙකුත් විස්තීර්ණ ආදායම් හරහා මූලූ ආයාජනවල සාධාරණ වටිනාකමේ වෙනස්වීම.		
අදාළ කාලයෙන් පසු ලාතයට සහ අලාභයට පුතිවර්ගීකරණය කළ යුතු අනෙකුත් විස්තීර්ණ ආදායම/(වියදම්)		<u>-</u>
අදාළ කාලයෙන් පසු ලාතයට සහ අලාතයට පුතිවර්ගීකරණය නොකළ අනෙකුත් විස්තීර්ණ ආදායම/(වියදම්)		
අනෙකුත් විස්තීර්ණ ආදායම් හරහා මූලෘ ආයා්ජනවල සාධාරණ වටිනාකමේ වෙනස්වීම.	(251,709)	(276,015)
පුතනගණන අතිරික්තය තුළ ශුද්ධ වෙනස	301,201	-
ඉඩම් සහ ගොඩනැගිලි සඳහා පුතമාගණන අතිරික්තය මත විලම්භීත බදු	(84,336)	-
ආශිුත සමාගම්වල අනෙකුත් විස්තීර්ණ ආදායම් කොටස්	(15,815)	196,285
විශුාම පාරිතෝෂික වගකීම මත කාලගණන ලාභය/(අලාභය)	22,339	(24,304)
කාලගණන ලාභය මත විලම්භීත බදුවල බලපෑම	(13,104)	10,752
අදාළ කාලයෙන් පසු ලාතයට සහ අලාහයට පුතිවර්ගීකරණය නොකළ ශුද්ධ අනෙකුත් විස්තීර්ණ ආදායම/(වියදම්)	(41,423)	(93,282)
වර්ෂය සඳහා බදු පසු අනෙකුත් විස්තීර්ණ ආදායම/(වියදම්) (බදු පසු ආදායම)	(41,423)	(93,282)
වර්ෂය සඳහා බදු පසු මුළු විස්තීරණ ආදායම/(වියදුම්) (බදු පසු ආදායම)	330,285	364,791
කොටසක මූලික ඉපයීම්		
සාමානෘ කොටසක මූලික ඉපයීම් (රු.)	123.66	152.39
සාමානෘ කොටසක මිශු ඉපයීම් (රු.)	123.66	152.39
සාමානෘ කොටසක ලාභාංශය (රු.)	20.00	-

මාර්තු 31 දිනට		
	2020	2019
වත්කම්	රු.'000	රු.'000
මුදල් හා කෙටි කාලීන අරමුදල්	1,813,985	1,196,226
කුමකෂය පිරිවැයට බැංකු සමඟ කළ තැන්පතු	282,359	241,376
මූලූූූූූූූූූූූූූූූූූූූූූූූූූූූූූූූූූූූ	,	,
මූලූ වත්කම් විකුණුම් සඳහා වන (පුකාශිත)	2,682,898	2,863,058
කුමඤය පිරිවැයට දැක්වෙන ණය සහ අනෙකුත් ලැබිය යුතු දෑ	17,407,591	15,913,287
කුමඤය පිරිවැයට දැක්වෙන ලැබිය යුතු මූලෳ කල්බදු	13,746,155	12,722,875
කුමකෂය පිරිවැයට දැක්වෙන ලැබිය යුතු කුලී සින්නක්කර	1,605,426	3,308,315
මූලූ ආයෝජන - අනෙකුත් විස්තරාත්මක ආදායම් තුලින් සාදාරන අගයට අගයකරන ලද		
මූලූ වත්කම් විකුණුම් සඳහා වන (පුකාශිත)	70,427	70,427
අනෙකුත් මූලූ වත්කම්	438,638	499,594
තොගය තොගය	9,540	23,231
අනෙකුත් වත්කම්	45,984	96,740
ලැබීය යුතු බදු	146,042	-
ආශිුත සමාගම්වල ආයෝජන	1,260,144	1,267,430
ආයෝජන වත්කම්	246,166	198,431
දේපොළ, පිරියත හා උපකරණ	3,105,781	2,848,159
භාවිතයට ඇති වත්කම් වල අයිතිය	223,255	-
බදු දේපළ	40,739	41,207
අස්පෘශන වත්කම්	45,987	64,211
මුළු වත්කම්	43,171,119	41,354,567
වගකීම්		
බැංකු අයිරාව	86,567	186,276
කුමක්ෂය පිරිවැයට පාරිභෝගික තැන්පතු	22,814,923	21,176,433
කුමක්ෂය පිරිවැයට ණය මෙවලම් නිකුතු හා අනෙකුත් ණය	9,128,983	8,957,478
අනෙකුත් මූලප වගකීම්	855,247	955,246
වර්ථමාණ බදු වගකීම්	- 007.035	290,338
විලම්භීත බදු වගකීම්	807,835	830,950
අනෙකුත් වගකීම් විශාම පාරිතෝෂික වගකීම්	54,859 254,385	46,870 238,112
G	· ·	230,112
බදු වගකීම්	269,986	22 601 702
මුළු වශකීම්	34,272,786	32,681,703
කොටස්කරුවන්ගේ අරමුදල්	36,000	25,000
පුකාශිත පුාග්ධනය	36,000	36,000
පුතනගණන සංචිතය	2,325,585	2,124,535
වෘවස්ථාපිත සංචිත අරමුදල	761,400	736,400
පොදු සංචිත	4,086,430 2,016,150	4,086,430 1,765,028
<del>-</del>	, ,	(75,529)
රඳවාගත් ඉපයීම්		(/ 3,323)
රඳවාගත් ඉපයීම් සාධාරණ අගය මත අනෙකුත් විස්තීරන ආදායම් සංචිත	(327,238) <b>8,898,327</b>	8,672.864
රඳවාගත් ඉපයීම්		8,672,864 41,354,567

මූලූ තත්ත්ව පුකාශනය

## සහතික කිරීම

මෙම මූලූූූ පුකාශනය 2007 අංක 07 දරන සමාගම් පනතට අනුව සකස් කර ඇති බවට මෙයින් සහතික වෙමි

දේවා ඇන්තනී

සියලු අඩුකිරීම් වරහන් වලින් දක්වා ඇත

පුධාන මූලෳ නිලධාරී

මෙම මූලෘ පුකාශනයන්හි නිවැරදිභාවය පිළිබඳ වගකීම අධෳක්ෂ මණ්ඩලය විසින් දරනු ලැබේ අධනක්ෂ මණ්ඩලය වෙනුවෙන් අනුමත කර අත්සන් කළේ,

, ජෙරාඩ් පී. ඔන්ඩච්චි කළමනාකාර අධ¤ක්ෂ 2020 ජුනි 26 කොළඹ

## තෝරාගත් කාර්ය දර්ශක

<b>විධිමත්කරණ පාග්ධන පුමාණාත්මතාව</b> මූලික පාග්ධනය (පළමු පෙළ පාග්ධනය), (රු. '000) මුළු පාග්ධන පදනම (රු. '000)	E 044 022	
	5,944,032	6,467,552
	6.682.681	7,203,938
මුලික පාග්ධන පුමාණාත්මක අනුපාතය, අවධානම මත බර තැබූ වත්කම්වලින් පුතිශතයක් ලෙස(අවමය 6%)	13.56%	14.98%
මුළු පුාග්ධන පුමාණාාත්මක අනුපාතය, අවධානම මත බර තැබූ වත්කම්වලින් පුතිශතයක් ලෙස (අවමය 10%)	15.25%	16.69%
පාග්ධන අරමුදල් අනුපාතය, මුළු තැන්පතු වගකිම්වලින් පුතිශතයක් ලෙස (අවමය 10%)	37.98%	40.96%
වත්කම්වල ගුණාත්මක භාවය (දෙන ලද ණයවල ගුණාත්මක භාවය)		
දළ අකිය ණය (රු. '000)	4,152,962	3,290,483
දළ අඛ්ය ණය අනුපාතය පුතිශතයක් ලෙස	11.69	9.62
ශුද්ධ අඛ්ය ණය අනුපාතය පුතිශතයක් ලෙස	3.22	2.99
ලාතදායීත්වය (පුතිශතයක් ලෙස)		
පොලී ආන්තිකය	9.85	10.04
වත්කම් මත පුතිලාභ (බදු ගෙවීමට පෙර)	2.07	2.44
ස්කන්ධය මත පුතිලාභ (බදුවලට පසු)	4.18	5.28
විධිමත්කරණ දුවශීලතාව (රු. '000)		
අවශ  අවම දුවශීල වත්කම්	1,378,630	2,121,837
පවත්නා දුවශීල වත්කම්	3,725,730	3,129,049
අවශන අවම රජයේ සුරැකුම්පත්	1,043,805	1,485,822
පවත්නා රජයේ සුරැකුම්පත්	1,697,557	1,691,903
අනෙකුත් දත්ත		
සේවක සංඛතව	1115	1040
ශාඛා සංඛතව	39	32
සේවා ස්ථාන සංඛතව	-	7

## සහතික කිරීම

මෙහි අත්සන් තබන මර්කන්ටයිල් ඉන්වෙස්ට්මන්ට්ස් ඇන්ඩ් ෆයිනෑන්ස් පීචල්සී හි කළමනාකාර අධෘක්ෂ සහ මූලෘ අධෘක්ෂ වන අපි, අ) ඉහත පුකාශනය පිළියෙල කර ඇත්තේ ශීු ලංකා මහ බැංකුව විසින් නිර්දේශය කළ ආකෘතියට සහ නිර්වචනයන්ට අනුකූලව බවත්, ආ) මෙම පුකාශයේ සඳහන් දත්ත සමාගමේ විගණන මූලෘ වාර්තාවන්ගෙන් උපුටා ගන්නා ලද බවටත් සහතික කරන්නෙමු



ෂර්මාල් එච්. ජයසූරිය