MERCANTILE INVESTMENTS & FINANCE PLC

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE 03 MONTHS ENDED 30 JUNE 2026

Mercantile Investments and Finance PLC

Statement of Profit or Loss and Other Comprehensive Income

(All amounts in Sri Lankan Rupees thousands)

For 03 months ended 30 June	30 June 2026 (Unaudited)	30 June 2025 (Unaudited)	Change %
Interest income	5,415,938	3,048,048	77.69%
Interest expenses	(2,835,042)	(1,523,842)	86.05%
Net interest income	**2,580,896**	**1,524,206**	**69.33%**
Fee and commission income	163,456	125,146	30.61%
Fee and commission expense	(7,862)	(3,229)	143.49%
Net fee and commission income	**155,594**	**121,917**	**27.62%**
Other operating income	5,847	13,649	-57.16%
Total operating income	**2,742,337**	**1,659,772**	**65.22%**
Impairment charge for loans and receivables	(282,110)	(64,466)	337.61%
Net operating income	**2,460,227**	**1,595,306**	**54.22%**
Less: operating expenses			
Personnel expenses	(713,358)	(584,374)	22.07%
Depreciation of PPE, leasehold properties, amortization of Right-of-Use-assets and intangible assets	(97,477)	(76,626)	27.21%
Other operating expenses	(669,466)	(486,193)	37.70%
Operating profit before tax on financial services	**979,926**	**448,113**	**118.68%**
Tax on financial services	(321,305)	(162,870)	97.28%
Operating profit after tax on financial services	**658,621**	**285,243**	**130.90%**
Share of associate company's profit, net of tax	54,936	31,602	73.84%
Profit before taxation from operations	**713,557**	**316,845**	**125.21%**
Income tax expenses	(319,130)	(114,612)	178.44%
Profit for the period	**394,427**	**202,233**	**95.04%**
Other comprehensive income			
Other Comprehensive Income/(expenses) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	156,572	263,281	-40.53%
Share of other comprehensive income of associate, net of tax	7,761	12,526	-38.04%
Total Other Comprehensive Income/(expenses) for the period, net of tax	**164,333**	**275,807**	**-40.42%**
Total comprehensive income for the period, net of tax	**558,760**	**478,040**	**16.89%**
Basic/ Diluted Earnings per Share	**0.64**	**0.34**	**90.73%**

The notes on pages 5 to 9 form an integral part of these financial statements.

Mercantile Investments and Finance PLC

Statement of Financial Position

(All amounts in Sri Lankan Rupees thousands)

	30 June 2026 (Unaudited)	31 March 2026 (Audited)
Assets		
Cash and balances with banks	5,842,848	9,303,037
Placement with banks at amortized cost	35,287	37,059
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - quoted	8,042,394	6,988,446
Financial assets measured at Fair Value through Profit or Loss (FVTPL)	337,395	349,833
Financial assets at amortized cost - Loans and advances	75,843,173	72,166,154
Financial assets at amortized cost - Finance lease receivables	31,177,409	29,710,908
Financial assets at amortized cost - Hire purchase receivables	26,760	33,690
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - unquoted	70,427	70,427
Other financial assets	449,279	311,007
Inventories	355,875	184,749
Other non financial assets	205,352	271,399
Investment in associates	1,999,822	1,937,126
Investment property	236,310	236,727
Property, plant and equipment	5,464,688	5,427,668
Right-of-use assets	729,510	599,662
Leasehold property	37,812	37,929
Intangible assets	60,739	68,044
Total assets	**130,915,080**	**127,733,865**
Liabilities		
Bank overdrafts	1,352,677	912,248
Financial liabilities at amortised cost - Deposits due to customers	64,605,815	62,011,916
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	43,719,027	45,496,293
Other financial liabilities	806,975	938,265
Current tax liabilities	721,286	532,858
Deferred tax liabilities	740,053	776,260
Other liabilities	310,085	212,962
Retirement benefit obligations	608,556	586,182
Lease liability	673,885	551,119
Total liabilities	**113,538,359**	**112,018,104**
Shareholders' funds		
Stated capital	1,138,200	36,000
Revaluation reserve - Land and Buildings	2,667,796	2,667,796
Revaluation reserve - Associate Company reserve	734,642	726,881
Statutory reserve fund	1,171,200	1,171,200
General reserves	4,086,430	4,086,430
Retained earnings	6,503,088	6,108,661
Fair Value through OCI reserve	1,075,365	918,793
Total shareholders' funds	**17,376,721**	**15,715,761**
Total liabilities and shareholders' funds	**130,915,080**	**127,733,865**
Net Assets per Share (Rs.)	28.20	26.08

I certify that these financial statements have been prepared and presented in compliance with the requirements of the Companies Act , No. 07 of 2007.

(Sgd.)
Deva Anthony
Chief Financial Officer/Director (Non- Board)

The Board of Directors is responsible for these Financial Statements. Approved and signed on behalf of the Board of Directors by;

(Sgd.)
Gerard G. Ondaatjie
Managing Director

(Sgd.)
Shermal H. Jayasuriya
Finance Director

August 10, 2026
Colombo

The notes on pages 5 to 9 form an integral part of these financial statements.

Mercantile Investments and Finance PLC

Statement of Changes in Equity

(All amounts in Sri Lankan Rupees thousands)

	Stated Capital	Revaluation Reserves - Land & Buildings	Associate Company Reserve	Statutory Reserves	General Reserves	Fair Value through OCI Reserve	Regulatory Loss Allowance Reserve	Retained Earnings	Total
Balance as at 1 April 2025 (Restated)	**36,000**	**2,208,767**	**718,388**	**941,400**	**4,086,430**	**608,405**	**336,894**	**4,900,249**	**13,836,533**
Total Comprehensive Income For the Year									
Profit for the year	-	-	-	-	-	-	-	1,148,565	**1,148,565**
Other comprehensive income/(expenses)	-	**471,570**	8,493	-	-	433,409		(33,711)	**879,761**
Total comprehensive income	-	**471,570**	**8,493**	-	-	**433,409**	-	**1,114,854**	**2,028,326**
Dividends paid to equity shareholders	-	-	-	-		-	-	(149,098)	**(149,098)**
Transfer to retained profits	-	-	-	-	-	(123,021)	-	123,021	-
Excess depreciation charge on revaluation, net of deferred tax		(12,541)						12,541	-
Transfer from regulatory loss allowance reserve	-	-	-	-	-	-	(336,894)	336,894	-
Transfer to Statutory Reserve	-	-	-	229,800	-	-	-	(229,800)	-
Balance as at 31 March 2026	**36,000**	**2,667,796**	**726,881**	**1,171,200**	**4,086,430**	**918,793**	-	**6,108,661**	**15,715,761**
Balance as at 1 April 2026	**36,000**	**2,667,796**	**726,881**	**1,171,200**	**4,086,430**	**918,793**	-	**6,108,661**	**15,715,761**
Total Comprehensive Income For the Period									
Profit for the period	-	-	-	-	-	-	-	394,427	**394,427**
Other comprehensive income	-	-	7,761	-	-	156,572	-	-	**164,333**
Total comprehensive income	-	-	**7,761**	-	-	**156,572**		**394,427**	**558,760**
Proceeds from Right Issue	1,102,200								**1,102,200**
Balance as at 30 June 2026	**1,138,200**	**2,667,796**	**734,642**	**1,171,200**	**4,086,430**	**1,075,365**	-	**6,503,088**	**17,376,721**

	Stated Capital	Revaluation Reserves - Land & Buildings	Associate Company Reserve	Statutory Reserves	General Reserves	Fair Value through OCI Reserve	Regulatory Loss Allowance Reserve	Retained Earnings	Total
Balance as at 1 April 2025 (Restated)	**36,000**	**2,208,767**	**718,388**	**941,400**	**4,086,430**	**608,405**	**336,894**	**4,900,249**	**13,836,533**
Total Comprehensive Income for the period									
Profit for the period	-	-	-	-	-	-	-	202,233	**202,233**
Other comprehensive income	-	-	12,526	-	-	263,281	-	-	**275,807**
Total comprehensive income	-	-	**12,526**	-	-	**263,281**	-	**202,233**	**478,040**
Transfer to retained profits	-	-	-	-	-	(37,485)	-	37,485	-
Transfer from regulatory loss allowance reserve	-	-	-	-	-	-	(286,694)	286,694	-
Balance as at 30 June 2025	**36,000**	**2,208,767**	**730,914**	**941,400**	**4,086,430**	**834,201**	**50,200**	**5,426,661**	**14,314,573**

The notes on pages 5 to 9 form an integral part of these financial statements.

Mercantile Investments and Finance PLC

Statement of Cash Flows

(All amounts in Sri Lankan Rupees thousands)

For 03 months ended 30 June	2026 (Unaudited)	2025 (Unaudited)
Cash flow from operating activities		
Profit before taxation from operations	**713,557**	**316,845**
Adjustments for:		
Unrealized loss from investments of FVTPL	7,986	2,350
Dividend from investing securities	(3,882)	(6,373)
Share of profit of associate investments	(54,936)	(31,602)
Depreciation of Property, Plant & Equipment and ROU assets	88,121	63,541
Amortization of leasehold property	117	117
Amortization of intangible assets	9,239	6,621
Provision for impairment of loans and receivables	282,110	64,466
Interest expense	2,835,042	1,523,842
Provision for retirement benefit obligations	26,831	24,774
Retirement benefit paid	(4,457)	(5,962)
Operating profit before changes in operating assets and liabilities	**3,899,728**	**1,958,619**
(Increase) / decrease in operating assets		
Deposits held for regulatory purposes	(891,152)	281,206
Funds advanced to customers	(5,418,700)	(8,163,264)
Other receivables	(254,833)	(152,668)
Increase / (decrease) in operating liabilities		
Deposits from customers	2,474,042	1,812,035
Other payables	(34,168)	(144,228)
	(225,083)	**(4,408,300)**
Income taxes paid	(166,908)	(169,238)
Net cash used in operating activities	**(391,991)**	**(4,577,538)**
Cash flows from investing activities		
Dividends received	3,882	6,373
Proceeds from sale of equity securities	-	151,231
Purchase of Property, Plant and Equipment	(80,470)	(106,156)
Acquisition of intangible assets	(1,934)	(25,720)
Net cash (used in)/ from investing activities	**(78,522)**	**25,728**
Cash flows from financing activities		
Borrowings obtained during the year	4,586,000	7,800,000
Borrowings repaid during the year	(9,118,305)	(2,628,485)
Proceeds from the Rights Issue	1,102,200	-
Net Cash (used in)/ from financing activities	**(3,430,105)**	**5,171,515**
Net increase /(decrease) in cash and cash equivalents	**(3,900,618)**	**619,705**
Cash and cash equivalents at the beginning of the period	**8,390,789**	**2,033,016**
Cash and cash equivalents at the end of the period (Note A)	**4,490,171**	**2,652,721**
Note A		
Cash and cash equivalents at the end of the period		
Cash and balances with banks	5,842,848	3,858,665
Bank overdrafts	(1,352,677)	(1,205,944)
	4,490,171	**2,652,721**
Operational Cash flow from Interest		
Interest received	**4,698,810**	**2,623,439**
Interest payments	**(2,913,564)**	**(1,690,916)**

The notes on pages 5 to 9 form an integral part of these financial statements.

Mercantile Investments and Finance PLC

Segments Information

(All amounts in Sri Lankan Rupees thousands)

For 03 months ended 30 June	Finance Lease		Hire Purchase		Loans & Advances		Investments		Others		Total	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
External operating income												
Interest income	**1,790,821**	1,467,349	**1,605**	526	**3,430,001**	1,417,329	**193,512**	162,844	**-**	-	**5,415,939**	3,048,048
Fee and commission income	**57,184**	26,943	**-**	-	**99,503**	97,984	**-**	-	**6,769**	219	**163,456**	125,146
Fee and commission expense	**(2,601)**	(1,514)	**-**	-	**(4,969)**	(1,535)	**-**	-	**(292)**	(180)	**(7,862)**	(3,229)
Dividends from FVPL and FVOCI Investments	**-**	-	**-**	-	**-**	-	**3,882**	6,373	**-**	-	**3,882**	6,373
Others	**48**	67	**-**	-	**9**	-	**(7,986)**	(2,350)	**9,895**	9,560	**1,966**	7,276
Total Income from external operations	**1,845,452**	1,492,844	**1,605**	526	**3,524,544**	1,513,778	**189,408**	166,867	**16,372**	9,599	**5,577,381**	3,183,614
Profit before Tax on Financial Services											**979,926**	448,113
Share of Associates company profit/(loss)											**54,936**	31,602
Tax , VAT & SSCL on Financial Services											**(640,434)**	(277,482)
Profit After Tax											**394,428**	202,233
Other Information												
Segment Assets	**31,177,409**	25,153,624	**26,760**	56,897	**75,843,173**	35,960,966	**10,485,325**	9,227,118	**13,382,413**	9,862,571	**130,915,080**	80,261,177
Segment Liabilities	**29,393,333**	23,352,123	**25,229**	52,822	**71,316,926**	33,385,444	**-**	-	**12,802,871**	9,156,215	**113,538,359**	65,946,604
Net Assets	**1,784,076**	1,801,501	**1,531**	4,075	**4,526,247**	2,575,522	**10,485,325**	9,227,118	**579,542**	706,356	**17,376,721**	14,314,573

Information on cash Flows

For the period ended 30th June	2026	2025
Cash flows from operating activities	**(391,991)**	(4,577,538)
Cash flows from investing activities	**3,882**	157,604
Cash flows from financing activities	**(3,430,105)**	5,171,515
Capital expenditure	**(82,404)**	(131,876)
Net increase /(decrease) in cash and cash equivalents	**(3,900,618)**	619,705

Mercantile Investments and Finance PLC
Selected Performance Indicators

Indicator	30 June 2026	31 March 2026
Liquidity Rs.('000)		
Required minimum amount of liquid assets	**7,163,672**	6,697,362
Available liquid assets	**11,825,710**	14,558,838
Required minimum amount of Government securities	**4,246,374**	2,977,712
Available amount of Government securities	**6,253,979**	5,413,148
Capital Adequacy (%)		
Core capital to risk weighted assets ratio (Minimum 10%)	**11.12%**	10.69%
Total capital to risk weighted assets ratio (Minimum 14%)	**16.81%**	16.04%
Capital funds to total deposits liability ratio (Minimum 10%)	**20.99%**	21.87%
Profitability		
Return on assets (%), after tax*	**1.22%**	1.15%
Return on equity (%)*	**9.54%**	7.77%

*Annualized figures

Mercantile Investments and Finance PLC

Notes to the condensed interim financial statements

1. General Information

Mercantile Investment and Finance PLC ('the Company') is a public limited liability company, listed on the Colombo Stock Exchange, incorporated on 15 June 1964, and domiciled in Sri Lanka. It is a licensed finance company regulated under the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is located at No. 236, Galle Road, Colombo 03.

2. Basis of preparation

The condensed interim financial statements for the period ended June 30, 2026 of the Company has been prepared in accordance with Sri Lanka Accounting Standard - LKAS 34, 'Interim Financial Reporting'. These information should be read in conjunction with the audited financial statements for the year ended 31 March 2026.

3. Accounting policies and estimates

The accounting policies are in line with the policies published in the audited financial statements for the year ended 31 March 2026.

In preparing the condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the sources of uncertainty in estimates are consistent with the audited financial statements for the year ended 31 March 2026.

4. Stated Capital

Prior to the share subdivision, the Company had 3,006,000 Ordinary shares in issue ("Pre Subdivision Shares"). Pursuant to the subdivision effected on 9 December 2025, whereby each existing share was subdivided into two hundred (200) Ordinary Shares, the number of issued ordinary shares increased to 601,200,000 ("Post subdivision shares"). The share subdivision did not result in any changes to the Company's stated capital.

Subsequent to the completion of the Rights Issue on 25 May 2026, the Company's stated capital increased from Rs. 36 million, represented by 601,200,000 ordinary shares to Rs. 1,138.2 million represented by 634,600,000 ordinary shares.

5. Rights Issue completed in May 2026

On 11 February 2026, the Board of Directors resolved to issue up to 33,400,000 ordinary voting shares by way of a Rights Issue to raise Rs. 1,102 million subject to shareholder approval. The required shareholder approval was subsequently obtained at the Extraordinary General Meeting held on 21 April 2026.

The Rights Issue was undertaken with the objective of strengthening the Company's capital base and enhancing its capital adequacy ratios in support of its projected business growth and compliance with regulatory capital requirements.

The Rights Issue was offered at a price of Rs.33/- per ordinary share on the basis of 1 (one) new ordinary share for every 18 (eighteen) ordinary shares held by existing shareholders. The Company received total subscription proceeds amounting to Rs. 1,107 million during May 2026, and the Rights Issue was completed on 25 May 2026 with the final allotment of 33,400,000 ordinary shares.

The new ordinary voting shares issued pursuant to the Rights Issue were listed on the Colombo Stock Exchange on 4 June 2026.

The status of fund utilization as at 31 March 2026 is as follows.

Objective number	Objective as per circular	Amount allocated as per Circular (Rs. Mn)	Proposed Date of utilization as per circular	Amount allocated from proceeds (Rs. Mn) (A)	% of total proceeds	Amounts utilized (Rs. Mn) (B)	% of utilizations against allocation (B/A)	Clarification, if not fully utilized including where the funds are invested
1	To strengthen the Capital Base and to enhance Capital Adequacy ratios of the Company	1,102.20	Within one (01) month from the date of listing of ordinary shares	1,102.20	100%	1,102.20	100%	N/A

6. Basic/ Diluted Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the net profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, in accordance with the requirements of Sri Lanka Accounting Standard LKAS 33 – *Earnings Per Share* .

The Company effected a subdivision of its Ordinary Shares in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares on 9 December 2025. Accordingly, the earnings per share (EPS) for the comparable period ended 30 June 2025 has been adjusted to reflect the impact of the share subdivision, in accordance with the requirements of the aforementioned LKAS 33.

The weighted average number of ordinary shares used in the calculation of basic earnings per share has been adjusted to reflect the bonus element arising from the Rights Issue completed on 25 May 2026 in accordance with LKAS 33 - *Earnings per Share* . Accordingly, the comparative Earnings Per Share have been retrospectively adjusted.

	30 June 2026	**30 June 2025**
Amount used as the numerator		
Profit attributable to ordinary shareholders - Rs'000	394,427	202,233
Amount used as the denominator		
Weighted average number of ordinary shares (in thousands)	616,190	602,579
Basic/ Diluted Earnings per Share	0.64	0.34

Accordingly, the Company's Net Assets per Share too has been retrospectively adjusted to reflect the impact of the aforementioned.

7. Comparative Information

Comparative information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous period are amended, where relevant, for better presentation and to be comparable with those of the current period.

8. Contingent liabilities

There has not been a significant change in the nature of contingent liabilities, which we were disclosed in the audited financial statements for the year ended 31 March 2026.

9. Significant unusual events or transactions affecting assets, liabilities, equity, net income or cash flows

There were no other unusual events or transactions affecting the Company's assets, liabilities, equity, net income or cash flows that due to their nature, size or incidence, require separate disclosure for the quarter ended 30 June 2026. All known expenses have been duly provided for.

10. Events after the reporting period

No events have occurred after the statement of financial position date that require adjustments to, or disclosure in, the financial statements.

Mercantile Investments and Finance PLC
Share Information

1. Public shareholdings

The information pertaining to public shareholding is as follows.

	30 June 2026	30 June 2025
Public holding percentage	15.42%	10.10%
Number of public shareholders	1,645	10
Float adjusted market capitalisation (Rs.)	2,593,165,980	789,375,600

With effect from 6 November 2025, the Company complied with option 1 of Rule 7.13.1 (i) (b) of the Colombo Stock Exchange (CSE) Listing Rules relating to the Minimum Public Holding requirement. Consequent to such compliance, the Company's securities were transferred out from the Second Board to the Diri Savi Board with effect from 12 November 2025.

2. Directors' and Chief Executive Officer's shareholding

The details of shares held directly by the Directors as of 30 June 2026 are as follows.

Name of the Director	Number of shares	%
Mr. G. G. Ondaatjie (Managing Director/CEO)	103,219,944	16.27%
Ms. A. M. Ondaatjie	102,307,611	16.12%
Mr. T. J. Ondaatjie	103,222,800	16.27%

The Directors' shareholdings increased during the period as a result of the acquisition of shares under the rights issue.

None of the Directors, other than those disclosed above, directly held any shares in the Company as at 30 June 2026

3. Twenty largest ordinary shareholders of the Company

	Name of Shareholders	No. of Shares	%
1	Nilaveli Beach Hotels (Pvt) Ltd	125,916,000	19.84%
2	T J Ondaatjie	103,222,800	16.27%
3	G G Ondaatjie	103,219,944	16.27%
4	A M Ondaatjie	102,307,611	16.12%
5	Mercantile Fortunes (Pvt) Ltd	59,054,700	9.31%
6	Tangerine Tours (Pvt) Ltd	43,026,344	6.78%
7	C A Ondaatjie	33,267,067	5.24%
8	Deutsche Bank AG Trustee to Lynear Wealth Dynamic Opportunities Fund	12,274,555	1.93%
9	A S G H Jafferjee	8,667,166	1.37%
10	S S Jafferjee	8,667,166	1.37%
11	J.B. Cocoshell (Pvt) Ltd	2,482,000	0.39%
12	N H V Perera	2,115,333	0.33%
13	J A S S Adhihetty	2,090,000	0.33%
14	R M D Abeygunawardena	2,004,000	0.32%
15	Union Assurance PLC - Universal Life Fund	1,331,800	0.21%
16	Invenco Capital Private Limited	1,184,195	0.19%
17	San Santigo Investments (Private) Limited	867,317	0.14%
18	East India Holding (Pvt) Ltd	849,689	0.13%
19	Union Assurance PLC/NO-01A/C	765,000	0.12%
20	G S D C Gunasingha	720,050	0.11%

4. Market Price per share

Quarter ended 30 June 2026

	2026 (Rs.)	2025 (Rs.)
Highest Market Price	32.80	Not traded
Lowest Market Price	25.80	Not traded
Last Traded Price	26.50	Not traded

Corporate Information

Name of the Company
Mercantile Investments and Finance PLC

Legal Form
Public Limited Liability Company incorporated in Sri Lanka under the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 07 of 2007. A licensed finance company under the Finance Business Act No. 42 of 2011.

Company Registration Number
PB 76 PQ

Tax Payer Identification Number
104021794

VAT Registration Number
104021794 7000

Registered Office
No. 236, Galle Road, Colombo 3

Head Office
No. 236 Galle Road, Colombo 3
Telephone: 2343720 – 7
Fax: 2434524
Email: mercantile@mi.com.lk
Website: https://www.mi.com.lk

Board of Directors
Pandithasundara Dinuka Dilhan Perera - Chairman
Gerard George Ondaatjie - Managing Director
Shermal Hemaka Jayasuriya - Finance Director
Angeline Myrese Ondaatjie
Travice John Ondaatjie
Anil Lasantha Naomal Dias
Eranjalie Deepthie Wickramasuriya
Malwattage Kanchana Sujeewa Pieris
Brandon Philip Morris
Sugeeth Saranga Jasenthu Patabendige
Graham Anthony Fedrick Marshall
Egoda Wiyannala Vajira Arjuna Wijesinghe

Company Secretary
Sonali Pethiyagoda

External Auditors
Messrs. Ernst & Young, Chartered Accountants
Rotunda Towers, No. 109, Galle Road
Colombo 03

Credit Rating
Long-term institution rating at BBB-(lka) (stable outlook) by Fitch Ratings