

MERCANTILE INVESTMENTS & FINANCE PLC

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 2021

Mercantile Investments and Finance PLC
Income Statement

	For the 9 months Ended		For the 3 months Ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income	5,050,575	4,903,095	1,548,584	1,672,635
Interest expense	(1,874,695)	(2,559,644)	(625,523)	(758,523)
Net Interest Income	3,175,880	2,343,451	923,061	914,112
Fee and commission Income	44,379	53,827	16,826	16,271
Net fee and commission income	44,379	53,827	16,826	16,271
Other operating Income	234,332	61,398	128,067	17,038
Total Operating Income	3,454,591	2,458,676	1,067,954	947,422
Impairment gain/(loss) for loan and receivables	(138,290)	(284,980)	468,436	(141,348)
Net operating income	3,316,301	2,173,696	1,536,390	806,073
Less: Operating Expenses				
Personnel expenses	970,601	718,637	367,752	256,837
Depreciation of PPE and Right-of-use-assets	91,552	89,961	30,359	29,426
Amortization of intangible assets	19,712	14,607	6,704	4,992
Amortization of leasehold property	351	351	117	117
Define benefit plans	30,465	28,977	10,157	9,659
Other operating expenses	768,658	610,085	310,640	201,657
Operating Profit Before VAT on financial services	1,434,961	711,079	810,661	303,385
VAT on financial services	(331,981)	(201,511)	(163,389)	(82,304)
Operating Profit after VAT on financial services	1,102,980	509,568	647,272	221,081
Share of Associates company Profit /(Loss)	(11,492)	(30,918)	8,932	(6,815)
Profit Before Taxation	1,091,488	478,650	656,204	214,266
Income Tax Expenses	(321,661)	(173,679)	(177,658)	(76,211)
Profit After Taxation	769,827	304,971	478,546	138,054
Earnings per Share	256.10	101.45	159.20	45.93
Dividend per Share	65.00	-	-	-

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC
Statement of Other Comprehensive Income

	For the 9 months Ended		For the 3 months Ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit/ (Loss) for the period	769,827	304,971	478,546	138,054
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	277,244	579,801	(50,687)	233,719
Share of other comprehensive income of associate (net of tax)	9,921	16,193	3,246	7,272
Net Other Comprehensive Income/(Expense) not to be reclassified to profit or loss in subsequent periods	287,165	595,994	(47,441)	240,991
	-	-	-	-
Total Other Comprehensive Income/(Expense) for the period (net of tax)	287,165	595,994	(47,441)	240,991
Total comprehensive income for the period	1,056,992	900,964	431,105	379,046

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC
Statement of Financial Position

As at	Unaudited	Audited
	31.12.2021	31.03.2021
	Rs.'000	Rs.'000
Assets		
Cash and cash equivalents	2,911,119	1,916,905
Placement with banks at Amortized cost	40,697	77,139
Financial investments - at FVOCI (quoted)	4,203,400	4,138,128
Financial investments - at FVPL	416,168	51,248
Loans and receivables at Amortized Cost	15,254,532	14,867,319
Finance leases receivables at Amortized Cost	16,059,795	14,221,461
Hire purchase receivables at Amortized Cost	349,961	649,860
Financial investments - at FVOCI (unquoted)	70,427	70,427
Other financial assets	366,276	423,949
Inventories	1,042	8,700
Other assets	227,678	225,526
Current tax refunds	-	79,130
Investment in associates	1,233,011	1,234,582
Investment property	236,133	237,381
Property, plant and equipment	3,246,936	3,279,866
Right-of-use assets	160,123	180,357
Leasehold property	39,919	40,270
Intangible assets	35,936	47,299
Total Assets	44,853,153	41,749,548
Liabilities		
Bank overdraft	101,869	86,451
Financial liabilities at Amortized cost – Due to customers	25,652,802	23,060,274
Financial liabilities at Amortized cost- Interest bearing Loans and borrowings	5,639,313	6,357,692
Other Financial Liabilities	537,323	552,252
Current tax liabilities	89,510	-
Deferred tax liabilities	694,437	742,672
Other liabilities	151,332	82,704
Retirement benefit obligations	339,947	322,501
Lease Liability	210,993	235,431
Total Liabilities	33,417,526	31,439,978
Equity		
Stated capital	36,000	36,000
Revaluation reserve	1,997,538	1,997,538
Associated company reserves	602,248	592,326
Statutory reserve fund	796,400	796,400
General reserve	4,086,430	4,086,430
Fair Value through OCI reserve	354,936	77,693
Retained earnings	3,562,075	2,723,183
Total Equity	11,435,627	10,309,570
Total Liabilities & Equity	44,853,153	41,749,548
Net Assets Per Share	3,804	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

Gerard Ondaatjie
Managing Director
14th February 2022

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							304,971	304,971
Other comprehensive income			16,193			579,801		595,994
Total comprehensive income			16,193			579,801	304,972	900,964
As at 31st December 2020	36,000	1,744,351	597,428	761,400	4,086,430	252,563	2,321,121	9,799,291
As at 1 April 2021	36,000	1,997,538	592,326	796,400	4,086,430	77,693	2,723,183	10,309,570
Total Comprehensive Income For the Year								
Profit for the period							769,827	769,827
Other comprehensive income			9,922			277,244		287,166
Total comprehensive income			9,922			277,244	769,827	1,056,993
Transfer to retained earnings							264,455	264,455
Dividend paid to equity shareholders							(195,390)	(195,390)
As at 31st December 2021	36,000	1,997,538	602,248	796,400	4,086,430	354,936	3,562,075	11,435,627

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC
Statement of Cash Flow
For the Nine Months ended 31st December

Cash flows from Operating Activities

Interest and commission receipts
Interest payments
Cash receipts from customers
Cash payments to employees, suppliers and tax authorities

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

(Increase) / decrease in operating assets

Deposits held for regulatory purposes
Funds advanced to customers
Other receivables

Increase / (Decrease) in operating liabilities

Deposits from customers
Other payables

Income taxes paid

Net Cash generated from operating activities

Cash flows from Investment Activities

Dividends received
Proceeds from sale of equity securities
Purchase of equity securities
Proceeds from sale of property plant and equipment
Proceeds from sale of investment properties
Purchase of property plant and equipment
Purchase of intangible assets

Net Cash generated from investments activities

Cash flows from Finance Activities

Net Increase /(Decrease) Borrowings obtained during the year
Dividend Paid

Net Cash generated from financing activities

Net Cash Flow generated from all activities

Cash and cash equivalents at the beginning of the period

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

	2021 Rs'000	2020 Rs'000
Interest and commission receipts	5,128,819	4,639,000
Interest payments	(1,871,806)	(2,949,452)
Cash receipts from customers	46,320	43,499
Cash payments to employees, suppliers and tax authorities	(2,108,124)	(1,537,957)
Operating profit /(loss) before changes in operating assets and liabilities (Note A)	1,195,210	195,090
(Increase) / decrease in operating assets		
Deposits held for regulatory purposes	(16,523)	167,463
Funds advanced to customers	(2,300,583)	3,791,780
Other receivables	227,647	4,863
Increase / (Decrease) in operating liabilities		
Deposits from customers	2,599,604	(604,036)
Other payables	76,964	(638,534)
	1,782,319	2,916,626
Income taxes paid	(225,120)	(100,112)
Net Cash generated from operating activities	1,557,198	2,816,513
<u>Cash flows from Investment Activities</u>		
Dividends received	35,936	17,269
Proceeds from sale of equity securities	1,463,905	33,787
Purchase of equity securities	(1,128,208)	(154,329)
Proceeds from sale of property plant and equipment	60,919	7,923
Proceeds from sale of investment properties	-	7,200
Purchase of property plant and equipment	(78,872)	(20,111)
Purchase of intangible assets	(8,349)	(5,159)
Net Cash generated from investments activities	345,331	(113,420)
<u>Cash flows from Finance Activities</u>		
Net Increase /(Decrease) Borrowings obtained during the year	(728,344)	(2,512,293)
Dividend Paid	(195,390)	-
Net Cash generated from financing activities	(923,734)	(2,512,293)
Net Cash Flow generated from all activities	978,795	190,800
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)	2,809,249	1,918,215

(Note A)

Reconciliation of Profit before Tax with cash inflow from operating activities

Profit Before tax

Adjustments for

Dividend from investing activities
Capital gain from sale of shares and treasury bonds
Unrealized profit from investments of FVPL
Share of associates company Loss
(Profit) /Loss on Disposal of Fixed Assets
Depreciation of PPE and right of use assets
Amortization of leasehold assets
Amortization of Intangible assets
Impairment provision
Retirement benefit provision
Retirement benefit paid
Accrual for interest and commission income
Accrual for interest expense
Other accruals

Cash flows from operating activities before changes in operating assets

(Note B)

Cash and cash equivalents at the end of period

Cash in hand
Balances with banks
Bank Overdraft

	2021	2020
Profit Before tax	1,091,488	478,650
Dividend from investing activities	(35,936)	(17,269)
Capital gain from sale of shares and treasury bonds	(140,595)	
Unrealized profit from investments of FVPL	(5,568)	
Share of associates company Loss	11,492	30,918
(Profit) /Loss on Disposal of Fixed Assets	(5,912)	(630)
Depreciation of PPE and right of use assets	91,552	89,961
Amortization of leasehold assets	351	351
Amortization of Intangible assets	19,712	14,607
Impairment provision	138,290	284,980
Retirement benefit provision	30,465	28,977
Retirement benefit paid	(13,020)	(3,790)
Accrual for interest and commission income	33,866	(317,921)
Accrual for interest expense	2,889	(389,808)
Other accruals	(23,864)	(3,936)
Cash flows from operating activities before changes in operating assets	1,195,210	195,089
Cash and cash equivalents at the end of period		
Cash in hand	215,056	334,586
Balances with banks	2,696,063	1,733,377
Bank Overdraft	(101,869)	(149,748)
	2,809,249	1,918,215

Note - Above figures are provisional and subject to audit

Mercantile Investments and Finance PLC

Segments Information

For the period ended 31st December

	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue												
Interest	2,653,099	2,187,906	81,606	181,444	2,164,220	2,363,862	151,650	169,883			5,050,575	4,903,095
Realized gains from FVPL investments							140,595				140,595	
Unrealised Gains from FVPL investments							5,568				5,568	-
Dividends							35,936	17,269			35,936	17,269
Others									96,611	97,956	96,611	97,956
Total Income from external operations	2,653,099	754,022	81,606	181,444	2,164,220	2,363,862	333,749	187,152	96,611	97,956	5,329,286	5,018,320
Profit before Tax and VAT on Financial Services											1,434,961	711,079
Share of Associates company profit/(loss)											(11,492)	(30,918)
Tax and VAT on Financial Services											(653,642)	(375,190)
Profit After Tax											769,827	304,971
Other Information												
Segment Assets	16,059,795	13,609,538	349,961	929,316	15,254,532	14,458,880	5,963,703	4,813,525	7,225,162	6,526,657	44,853,153	40,337,916
Segment Liabilities	11,965,237	10,303,372	260,736	703,557	11,365,282	10,946,383	4,443,215	3,644,175	5,383,056	4,941,136	33,417,526	30,538,623
Net Assets	4,094,558	3,306,166	89,225	225,759	3,889,250	3,512,497	1,520,488	1,169,350	1,842,106	1,585,521	11,435,627	9,799,293

Information on cash Flows

For the period ended 31st December

	2021	2020
Cash flows from operating activities	1,557,198	2,816,513
Cash flows from investing activities	424,203	(93,309)
Cash flows from financing activities	(923,734)	(2,512,293)
Capital expenditure	(78,872)	(20,111)
Net cash flow	978,795	190,800

Mercantile Investments and Finance PLC
Selected Performance Indicators

Indicator	As at 31.12.2021	As at 31.03.2021
	Unaudited	Audited
	Rs ' 000	Rs ' 000
Liquidity Rs.('000)		
Required minimum amount of liquid assets	2,574,781	1,390,067
Available amount of liquid assets	4,883,780	3,937,098
Required minimum amount of Government securities	1,670,896	1,055,003
Available amount of Government securities	1,802,636	1,765,165
Capital Adequacy		
Core capital to risk weighted assets ratio (Minimum 7%) *	15.11%	15.31%
Total capital to risk weighted assets ratio (Minimum 11%)*	16.54%	17.07%
Capital funds to total deposits liability ratio (Minimum 10%)	35.58%	39.58%
Profitability		
Return on assets (%) **	2.37%	1.45%
Return on equity (%) **	9.44%	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 31st December 2021

	Number of shares	%
1) Mr. P D D Perera (Acting Chairman)	NIL	-
2) Mr.G.G.Ondaatjie (Managing Director)	566,725	18.85
3) Mrs. A.M.Ondaatjie	566,725	18.85
4) Mr.T.J.Ondaatjie	566,725	18.85
5) Mr. S H Jayasuriya	NIL	-
6) Mr. A L N Dias	NIL	-
7) Mrs. E D Wickramasuriya	NIL	-
8) Mr. M.K. S Pieris	NIL	-

7.2) Stated Capital

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

	31.12.2021	31.12.2020
Ordinary Shares	3,006,000	3,006,000

7.3) The 20 largest shareholders of the company as at 31st December 2021 were as follows

	Number of shares	%
1) Nilaveli Beach Hotels (Pvt) Ltd	629,580	20.94%
2) Mr.G.G.Ondaatjie	566,725	18.85%
3) Mrs.A.M.Ondaatjie	566,725	18.85%
4) Mr.T.J.Ondaatjie	566,724	18.85%
5) Mercantile Fortune (Pvt) Ltd	415,162	13.81%
6) Tangerine Tours (Pvt) Ltd	203,809	6.78%
7) P.R.Divitotawela/R.D.Madugalle	12,525	0.42%
8) P.R.Divitotawela/ A.D.Galagoda	12,525	0.42%
9) R.M.D.Abeygunewardena	10,020	0.33%
10) J.A.S.S.Adhihetty	10,020	0.33%
11) N.H.V.Perera	10,020	0.33%
12) C.A.Ondaatjie	2,004	0.07%
13) A.M.Dominic & J.S.Dominic	151	0.01%
14) R Vaseeharan	10	0.00%
	<u>3,006,000</u>	<u>100%</u>

7.4) The percentage of the shares held by public on 31st December 2021 was 1.91% (2020 - 10.51%)

7.5) The number of public shareholders as at 31st December 2021 was 8 (2020-8)

The Company is not fully compliant with the minimum public holding requirement as of this date.
Float Adjusted Market Capitalisation as at 31st December 2021 was Rs. 149,277,960/-

7.6) Share related other information

Description	31.12.2021	31.12.2020
Dividend per Share (Rs.)	65.00	-
Net Assets per Share (Rs.)	3,804	3,260
Market Prices		
- Highest	Not Traded	Not Traded
- Lowest	Not Traded	Not Traded
- Last traded price	Not Traded	Not Traded