

**MERCANTILE INVESTMENTS & FINANCE PLC**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30TH SEPTEMBER 2016**

**Mercantile Investments and Finance PLC**  
**Statement of Comprehensive Income**

	<b>For the 3 months Ended</b>		<b>For the 6 months Ended</b>	
	<b>30.09.2016</b>	<b>30.09.2015</b>	<b>30.09.2016</b>	<b>30.09.2015</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
Interest Income	1,315,226	1,044,768	2,500,395	2,024,736
Interest Expense	(775,910)	(498,291)	(1,411,384)	(974,871)
<b>Net Interest Income</b>	<b>539,316</b>	<b>546,477</b>	<b>1,089,011</b>	<b>1,049,866</b>
Fee and Commission Income	17,823	14,701	35,746	28,183
<b>Net fee and commission income</b>	<b>17,823</b>	<b>14,701</b>	<b>35,746</b>	<b>28,183</b>
Other operating Income	54,251	43,341	175,986	86,537
<b>Total Operating Income</b>	<b>611,390</b>	<b>604,519</b>	<b>1,300,743</b>	<b>1,164,586</b>
Impairment gain/(loss) for loan and receivable	(26,188)	(86,327)	(111,245)	(129,756)
<b>Net operating income</b>	<b>585,202</b>	<b>518,192</b>	<b>1,189,498</b>	<b>1,034,830</b>
<b>Less: Operating Expenses</b>				
Personnel Expenses	172,665	129,343	367,179	279,467
Depreciation of property and equipment	17,975	20,775	33,823	41,551
Amortization of intangible assets	1,312	812	2,429	1,623
Amortization of leasehold property	117	117	234	234
Define benefit plans	6,711	6,711	13,426	13,422
Other operating expenses	177,938	165,604	356,691	296,139
<b>Operating Profit Before VAT&amp; NBT on financial services</b>	<b>208,484</b>	<b>194,830</b>	<b>415,716</b>	<b>402,394</b>
VAT & NBT on financial services	(39,713)	(37,980)	(86,958)	(60,203)
<b>Operating Profit after VAT &amp; NBT on financial services</b>	<b>168,771</b>	<b>156,850</b>	<b>328,758</b>	<b>342,191</b>
Share of Associates company profit /(loss)	44,804	29,235	43,227	35,268
<b>Profit Before Taxation</b>	<b>213,575</b>	<b>186,085</b>	<b>371,985</b>	<b>377,459</b>
Income Tax Expenses	(59,213)	(55,350)	(98,894)	(98,203)
<b>Profit After Taxation</b>	<b>154,362</b>	<b>130,734</b>	<b>273,091</b>	<b>279,256</b>
<b>Earnings per Share</b>	<b>51.35</b>	<b>43.49</b>	<b>90.85</b>	<b>92.90</b>
<b>Dividend per Share</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>				
Changes in fair value of AFS financial assets	239,562	205,107	271,026	69,323
Share of other comprehensive income of associate	10,373	-	6,635	-
<b>Other comprehensive income</b>	<b>249,935</b>	<b>205,107</b>	<b>277,661</b>	<b>69,323</b>
<b>Total comprehensive income for the period</b>	<b>404,296</b>	<b>335,841</b>	<b>550,752</b>	<b>348,579</b>

**Note - Above figures are provisional and subject to audit**

**Mercantile Investments and Finance PLC**  
**Statement of Financial Position**

<b>As at</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>30.09.2016</b>	<b>31.03.2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
<b><u>Assets</u></b>		
Cash & Short Term Funds	452,733	344,062
Placement with other banks	265,461	464,984
Financial Investments-Available for Sale ( quoted)	6,858,641	4,570,688
Loan and Advances	9,625,786	8,302,333
Lease Receivable	10,797,628	9,925,519
Hire Purchase Receivable	6,447,112	6,825,676
Financial Investments-Available for Sale ( unquoted)	70,427	70,427
Other Financial Assets	135,848	110,440
Inventories	27,773	16,467
Other Assets	77,224	72,414
Current tax Receivable	-	27,212
Investment in Associates	977,179	927,318
Investments Properties	174,184	448,234
Property, Plant & Equipment	1,812,087	1,803,939
Leasehold Property	42,374	42,608
Intangible Assets	11,431	12,386
<b>Total Assets</b>	<b>37,775,887</b>	<b>33,964,707</b>
<b><u>Liabilities</u></b>		
Bank overdraft	319,988	412,472
Deposits due to customers	16,128,498	15,815,590
Debt instruments issued and other borrowings	11,975,334	8,527,169
Other Financial Liabilities	579,382	1,052,327
Current tax liabilities	48,560	-
Deferred tax liabilities	343,259	343,259
Other liabilities	18,522	13,423
Retirement benefit obligations	157,362	146,235
<b>Total Liabilities</b>	<b>29,570,905</b>	<b>26,310,475</b>
<b><u>Equity</u></b>		
Stated capital	36,000	36,000
Revaluation reserve	1,546,249	1,539,615
Statutory reserve fund	631,400	631,400
General reserve	4,086,430	4,086,430
Available for sale reserve	508,086	237,060
Retained earnings	1,396,817	1,123,727
<b>Total Equity</b>	<b>8,204,982</b>	<b>7,654,232</b>
<b>Total Liabilities &amp; Equity</b>	<b>37,775,887</b>	<b>33,964,707</b>
<b>Net Assets Per Share</b>	<b>2,730</b>	<b>2,546</b>

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

S.H.Jayasuriya  
Director - Finance

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements

G.G.Ondaatjie  
Managing Director  
15-Nov-16

T.J.Ondaatjie  
Director

**Mercantile Investments and Finance PLC**  
**Statement of Changes in Equity**

	Issued Capital Rs.'000	Revaluation Reserves		Statutory Reserves Rs.'000	General Reserves Rs.'000	Available -For- sale Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
		Land & Buildings Rs.'000	Associate Company Reserve Rs.'000					
<b>As at 1 April 2015</b>	36,000	1,100,436	382,497	581,400	3,886,430	892,817	900,184	7,779,764
<b>Total Comprehensive Income For period</b>								
Profit for the period							279,256	279,256
Other comprehensive income						69,323		69,323
<b>Total comprehensive income</b>						<b>69,323</b>	<b>279,256</b>	<b>348,579</b>
Dividends to Equity owners								
<b>As at 30th September 2015</b>	<b>36,000</b>	<b>1,100,436</b>	<b>382,497</b>	<b>581,400</b>	<b>3,886,430</b>	<b>962,140</b>	<b>1,179,440</b>	<b>8,128,343</b>
<b>As at 1 April 2016</b>	36,000	1,084,345	455,270	631,400	4,086,430	237,060	1,123,727	7,654,231
<b>Total Comprehensive Income For the Year</b>								
Profit for the period							273,091	273,091
Other comprehensive income			6,635			271,026		277,661
<b>Total comprehensive income</b>			<b>6,635</b>			<b>271,026</b>	<b>273,091</b>	<b>550,752</b>
Dividends to Equity owners								
<b>As at 30th September 2016</b>	<b>36,000</b>	<b>1,084,345</b>	<b>461,905</b>	<b>631,400</b>	<b>4,086,430</b>	<b>508,086</b>	<b>1,396,818</b>	<b>8,204,982</b>

**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**

	2016	2015
	Rs,000	Rs,000
<b><u>Cash flow from operating activities</u></b>		
Interest & Commission Receipts	2,536,141	2,052,920
Interest Payments	(1,411,384)	(974,871)
Cash receipts from customers	(79,978)	(56,467)
Cash payments to employees & suppliers	(712,648)	(587,322)
<b>Operating profit /loss before changes in operating assets and liabilities (Note A)</b>	332,131	434,260
<b>(Increase) / decrease in operating assets</b>		
Funds advance to customers	(1,928,244)	(2,677,261)
Other short - term negotiable securities	(92,484)	34,024
Other receivables	(2,006,389)	(143,147)
<b>Increase / (Decrease) in operating liabilities</b>		
Deposits from customers	312,908	1,094,281
Other payables	(467,844)	96,284
Income Tax Paid	(3,849,921)	(1,161,558)
	(23,123)	(131,920)
<b>Net Cash generated from operating activities</b>	<b>(3,873,044)</b>	<b>(1,293,478)</b>
<b><u>Cash flow from Investment Activities</u></b>		
Dividend received	101,228	79,120
Proceeds from sale of non - dealing securities	228,422	-
Purchase of non - dealing securities	(20,863)	(19,018)
Sale proceeds on Disposal of Property plant and equipment	692	6,730
Sale proceeds on Disposal of Investment Properties	266,972	-
Acquisition of Property plant and equipment	(40,029)	(45,265)
Acquisition of Intangible Assets	(2,872)	(3,283)
<b>Net Cash generated from investments activities</b>	<b>533,550</b>	<b>18,284</b>
<b><u>Cash flow from finance Activities</u></b>		
Net Increase /(Decrease) Borrowings obtained during the year	3,448,165	1,165,816
<b>Net Cash generated from financing activities</b>	<b>3,448,165</b>	<b>1,165,816</b>
<b>Net Cash Flow generated from all activities</b>	<b>108,671</b>	<b>(109,379)</b>
<b>Cash &amp; Cash equivalents at the beginning of the period</b>	<b>344,062</b>	<b>406,648</b>
<b>Cash &amp; Cash equivalents at the end of the period</b>	<b>452,733</b>	<b>297,269</b>
<b>(Note A)</b>		
<b>Reconciliation of Profit before Tax with cash inflow from operating Activities</b>		
Profit Before tax	371,985	377,459
<b>Adjustments for</b>		
Dividend from investing activities	(101,228)	(79,120)
Capital gain from sale of shares	(59,542)	-
Share of Associates company profit/(Loss)	(43,227)	(35,268)
Profit /Loss on Disposal of Fixed Assets	5,194	(3,681)
Depreciation	32,516	41,551
Amortization of Leased Hold Assets	234	234
Amortization of Intangible Assets	3,828	1,623
Provision for bad and doubtful debts	111,245	129,756
Retirement Benefits provision	13,422	13,422
Retirement Benefits paid	(2,296)	(11,716)
<b>Cash flows from operating activities before changes in operating assets</b>	<b>332,131</b>	<b>434,260</b>
<b>(Note B)</b>		
<b>Cash &amp; Cash equivalents at the end of period</b>		
Cash in hand	211,098	184,119
Balances with banks	241,635	113,150
	<b>452,733</b>	<b>297,269</b>

**Note - Above figures are provisional and subject to audit**

**Mercantile Investments and Finance PLC**  
**Segment Information**  
**For the Six Months ended 30th September**

	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenue</b>												
Interest	891,908	564,936	640,388	766,566	840,376	631,374	127,723	61,861			2,500,395	2,024,737
Capital Gains											-	-
Dividends							101,228	79,120			101,228	79,120
Others									110,505	34,137	110,505	34,137
<b>Total Income from external operations</b>	<b>891,908</b>	<b>564,936</b>	<b>640,388</b>	<b>766,566</b>	<b>840,376</b>	<b>631,374</b>	<b>228,951</b>	<b>140,981</b>	<b>110,505</b>	<b>34,137</b>	<b>2,712,128</b>	<b>2,137,994</b>
Profit before Tax & VAT											415,716	402,394
Share of Associates company profit/(loss)											43,227	35,268
Tax & Vat on Financial Services											(185,852)	(158,406)
Profit After Tax											<b>273,091</b>	<b>279,256</b>
<b>Other Information</b>												
Segment Assets	10,797,628	7,892,166	6,447,112	7,217,968	9,625,786	6,895,667	8,171,708	6,625,910	2,733,654	2,484,088	37,775,887	31,115,799
Segment Liabilities	8,452,366	5,830,505	5,046,789	5,332,427	7,535,050	5,094,320	6,396,800	4,895,031	2,139,900	1,835,173	29,570,905	22,987,455
<b>Net Assets</b>	<b>2,345,262</b>	<b>2,061,661</b>	<b>1,400,323</b>	<b>1,885,541</b>	<b>2,090,736</b>	<b>1,801,347</b>	<b>1,774,908</b>	<b>1,730,879</b>	<b>593,754</b>	<b>648,916</b>	<b>8,204,982</b>	<b>8,128,344</b>

**Information on cash Flows**

**For the period ended 30th September**

Cash flows from operating activities											(3,873,044)	(1,293,478)
Cash flows from investing activities											573,579	63,549
Cash flows from financing activities											3,448,165	1,165,816
Capital expenditure											(40,029)	(45,265)
<b>Net cash flow</b>											<b>108,671</b>	<b>(109,379)</b>

**Mercantile Investments and Finance PLC**  
**Selected Performance Indicators**

Indicator	As at 30.09.2016	As at 31.03.2016
	Unaudited	Audited
	Rs ' 000	Rs ' 000
<b>Liquidity Rs.( '000)</b>		
Required minimum amount of liquid assets	<b>1,650,514</b>	1,605,562
Available amount of liquid assets	<b>1,914,410</b>	1,879,970
Required minimum amount of Government securities	<b>1,147,357</b>	1,024,132
Available amount of Government securities	<b>1,189,579</b>	1,070,924
<b>Capital Adequacy</b>		
Core capital to risk weighted assets ratio (Minimum 5%)	<b>18.32%</b>	19.35%
Total capital to risk weighted assets ratio (Minimum 10%)	<b>14.81%</b>	15.75%
Capital funds to total deposits liability ratio	<b>50.87%</b>	48.40%
<b>Profitability</b>		
Return on assets *(%)	<b>1.52%</b>	1.62%
Return on equity *(%)	<b>6.66%</b>	6.60%

## Notes to the Financial Statements

### 1) General

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 2016

Further, These interim financial statements are prepared in compliance with the Sri Lanka Accounting Standard (LKAS) 34 - Interim Financial Reporting.

- 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) During the interim period under consideration no dividends were declared and paid.
- 5) During the interim period there were no material changes in the composition of assets, liabilities and contingent liabilities

### 6) Share Information

#### 6.1) Directors' and Chief Executive officer's shareholdings in shares as at 30th September 2016

Name of the Director	Number of shares	%
1) Mr. S H J Weerasuriya (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.N.H.V.Perera	10,020	0.33
6) Mr. S H Jayasuriya	NIL	-
7) Mr. P M Amarasekara	NIL	-
8) Mr. P C Guhashanka	NIL	-
9) Ms. P T K Navaratne	NIL	-
10) Mr. S M S S Bandara	NIL	-

#### 6.2) Stated Capital

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

As at	30.09.2016	31.03.2016
Ordinary Shares	3,006,000	3,006,000

#### 6.3) The 20 largest shareholders of the company as at 30th September 2016 were as follows

Shareholder	Number of shares	%
1 Nilaveli Beach Hotels (pvt) Ltd	626,240	20.83
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	410,820	13.67
6) Mr. G.L.A.Ondaatjie	268,535	8.93
7) Tangerine Tours (pvt) Ltd	200,469	6.67
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.Abeygunewardana	10,020	0.33
11) J.A.S.S.Adhihetty	10,020	0.33
12) N.H.V.Perera	10,020	0.33
13) S.Fernando	5,010	0.17
14) S.Senanayake	5,010	0.17
14) C.A.Ondaatjie	2,004	0.07
16) A.M.Rajapakse	501	0.02
17) A.D.Rajapakse	501	0.02
18) A.M.Dominic & J.S.Dominic	151	0.01
19) H.W.M.Woodward	10	0.00
	<u>3,006,000</u>	<u>100</u>

#### 6.4) The percentage of the shares held by public on 30th September 2016 was 10.87% (2015 - 10.87%)

#### 6.5) The number of public shareholders as at 30th September 2016 was 12 (2015-12)

#### 6.6) Information on Ratios, Market Prices

Description	30.09.2016	31.03.2016
Dividend per Share (Rs.)	-	7.00
Net Assets per Share (Rs.)	2,730	2,546
Market Prices		
- Highest	Not traded	Not traded
- Lowest	Not traded	Not traded
- Last traded price	Not traded	Not traded

#### 7) Information on Listed Debentures

Description	30.09.2016	31.03.2016
Debt Equity Ratio (times)	1.50	1.17
Quick Asset Ratio (%)	11.62%	11.74%
Interest Cover (times)	1.26	1.38
Interest Yield & Yield to maturity as at date of last trade		
MERC/BC/05/11/18A10.5	10.81%	10.43%
Yield of comparable Government Security (%)	10.61%	11.87%
Market Price during the period		
- Highest	100.67	100.67
- Lowest	97.1	100.67
- Last traded price	97.1	100.67