MERCANTILE INVESTMENTS & FINANCE PLC

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2025

Mercantile Investments and Finance PLC

Statement of Profit or Loss and Other Comprehensive Income

(All amounts in Sri Lankan Rupees thousands)

	For the Nine months ended			For the quarter ended		
	31 December 2025 (Unaudited)	31 December 2024 (Unaudited)	Change %	31 December 2025 (Unaudited)	31 December 2024 (Unaudited)	Change %
Interest income	10,960,415	7,791,313	40.67%	4,178,943	2,708,950	54.26%
Interest expenses	(5,423,116)	(3,853,024)	40.75%	(2,125,289)	(1,301,687)	63.27%
Net interest income	**5,537,299**	**3,938,289**	**40.60%**	**2,053,654**	**1,407,263**	**45.93%**
Fee and commission income	755,444	491,764	53.62%	283,088	173,167	63.48%
Net fee and commission income	**755,444**	**491,764**	**53.62%**	**283,088**	**173,167**	**63.48%**
Other operating income	73,027	159,481	-54.21%	29,639	55,159	-46.27%
Total operating income	**6,365,770**	**4,589,534**	**38.70%**	**2,366,381**	**1,635,588**	**44.68%**
Impairment charge for loans and receivables	(248,986)	(79,411)	213.54%	(120,043)	(45,649)	162.97%
Net operating income	**6,116,784**	**4,510,124**	**35.62%**	**2,246,338**	**1,589,939**	**41.28%**
Less: operating expenses						
Personnel expenses	(1,958,208)	(1,535,621)	27.52%	(700,440)	(538,770)	30.01%
Depreciation of PPE and leasehold properties, Amortization of Right-of-use-assets and Intangible assets	(264,233)	(181,681)	45.44%	(97,780)	(67,167)	45.58%
Other operating expenses	(1,947,779)	(1,417,520)	37.41%	(718,106)	(493,258)	45.58%
Operating profit before VAT on financial services	**1,946,564**	**1,375,303**	**41.54%**	**730,012**	**490,745**	**48.76%**
Value Added Tax on financial services	(635,689)	(444,351)	43.06%	(235,978)	(153,862)	53.37%
Social security contribution levy	(92,069)	(60,815)	51.39%	(24,023)	(21,027)	14.24%
Operating profit after VAT on financial services	**1,218,806**	**870,137**	**40.07%**	**470,012**	**315,856**	**48.81%**
Share of associate company's profit, net of tax	128,440	106,014	21.15%	39,772	37,265	6.73%
Profit before taxation from operations	**1,347,246**	**976,151**	**38.02%**	**509,784**	**353,121**	**44.37%**
Income tax expenses	(575,351)	(378,391)	52.05%	(241,939)	(129,965)	86.16%
Profit for the period	**771,894**	**597,760**	**29.13%**	**267,844**	**223,156**	**20.03%**
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)	771,818	775,817	-0.52%	(350,278)	715,971	-148.92%
Share of other comprehensive income of associate, net of tax	25,957	19,991	29.84%	(15,380)	24,737	-162.17%
Total Other Comprehensive Income/(expenses) for the period, net of tax	**797,775**	**795,808**	**0.25%**	**(365,658)**	**740,708**	**-149.37%**
Total comprehensive income for the period, net of tax	**1,569,669**	**1,393,568**	**12.64%**	**(97,814)**	**963,864**	**-110.15%**
Basic/ Diluted Earnings per Share	**1.28**	**0.99**		**0.45**	**0.37**	

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)

	31 December 2025 (Unaudited)	31 March 2025 (Audited)
Assets		
Cash and cash equivalents	4,881,604	2,720,258
Placement with banks at amortized cost	27,680	41,040
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - quoted	6,274,015	7,199,933
Financial assets measured at Fair Value through Profit or Loss (FVTPL)	349,379	344,772
Financial assets at amortized cost - Loans and advances	61,220,011	27,931,006
Financial assets at amortized cost - Finance lease receivables	27,800,075	25,060,964
Financial assets at amortized cost - Hire purchase receivables	48,957	80,718
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - unquoted	70,427	70,427
Other financial assets	468,259	284,227
Inventories	578,061	73,839
Other assets	366,866	222,488
Investment in associates	1,870,979	1,716,582
Investment property	251,142	258,390
Property, plant and equipment	4,665,066	4,512,331
Right-of-use assets	333,835	327,439
Leasehold property	38,046	38,397
Intangible assets	39,596	51,167
Total assets	**109,283,998**	**70,933,978**
Liabilities		
Bank overdraft	365,452	687,242
Financial liabilities at amortised cost - Deposits due to customers	55,227,534	42,775,086
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	35,871,093	11,418,919
Other financial liabilities	267,750	350,288
Current tax liabilities	172,644	194,269
Deferred tax liabilities	674,065	685,588
Other liabilities	529,144	94,975
Retirement benefit obligations	524,676	489,083
Lease liability	295,338	401,997
Total liabilities	**93,927,696**	**57,097,447**
Shareholders' funds		
Stated capital	36,000	36,000
Revaluation reserve	3,023,496	2,997,540
Statutory reserve fund	941,400	941,400
General reserves	4,086,430	4,086,430
Retained earnings	5,931,887	4,829,865
Regulatory loss allowance reserve	-	336,894
Fair Value through OCI reserve	1,337,089	608,402
Total shareholders' funds	**15,356,302**	**13,836,531**
Total liabilities and shareholders' funds	**109,283,998**	**70,933,978**
Net Assets Per Share (Rs.)	25.54	23.01

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 the preparation and the presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors by;

(Sgd.)
Gerard G. Ondaatjie
Managing Director

(Sgd.)
Shermal H. Jayasuriya
Finance Director

12 February 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 2024	**36,000**	**2,279,152**	**605,297**	**887,400**	**4,086,430**	**80,812**	**1,067,522**	**3,122,457**	**12,165,068**
Total comprehensive income for the year									
Profit for the period	**-**	**-**	-	-	-	-	-	1,074,666	**1,074,666**
Other comprehensive income	**-**	**-**	113,091	-	-	622,395		(63,539)	**671,947**
Total comprehensive income		**-**	**113,091**			**622,395**		**1,011,128**	**1,746,614**
Dividends paid to ordinary shareholders	-	-	-	-		-	-	(75,150)	**(75,150)**
Transfer to retained profits	-	-	-	-	-	(94,802)	-	94,802	**-**
Transfer from regulatory loss allowance reserve	-	-	-	-	-	-	(730,628)	730,628	**-**
Transfer to Statutory Reserve	-	-	-	54,000	-	-	-	(54,000)	-
Balance as at 31 March 2025	**36,000**	**2,279,152**	**718,388**	**941,400**	**4,086,430**	**608,405**	**336,894**	**4,829,865**	**13,836,533**
Balance as at 1 April 2025	**36,000**	**2,279,152**	**718,388**	**941,400**	**4,086,430**	**608,405**	**336,894**	**4,829,865**	**13,836,533**
Total Comprehensive Income for the Period									
Profit for the period	-	-	-	-	-	-	-	771,894	**771,894**
Other comprehensive income	-	-	25,957	-	-	771,818	-	-	**797,775**
Total comprehensive income	**-**	**-**	**25,957**	**-**	**-**	**771,818**		**771,894**	**1,569,669**
Dividends paid to equity shareholders	-	-	-	-	-	-	-	(49,900)	**(49,900)**
Transfer to retained profits	-	-	-	-	-	(43,134)	-	43,134	**-**
Transfer from regulatory loss allowance reserve	-	-	-	-	-	-	(336,894)	336,894	**-**
Balance as at 31 December 2025	**36,000**	**2,279,152**	**744,344**	**941,400**	**4,086,430**	**1,337,089**	**-**	**5,931,887**	**15,356,302**

	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 2024	**36,000**	**2,279,152**	**605,297**	**887,400**	**4,086,430**	**80,812**	**1,067,522**	**3,122,457**	**12,165,068**
Total Comprehensive Income for the period									
Profit for the period	-	-						597,760	**597,760**
Other comprehensive income	-	-	19,991	-	-	775,817			**795,808**
Total comprehensive income	**-**	**-**	**19,991**	**-**	**-**	**775,817**	**-**	**597,760**	**1,393,568**
Transfer from retained profits	-	-	-	-	-	15,205	-	(15,205)	**-**
Transfer from regulatory loss allowance reserve	-	-	-	-	-		(191,326)	191,326	**-**
Balance as at 31 December 2024	**36,000**	**2,279,152**	**625,288**	**887,400**	**4,086,430**	**871,834**	**876,196**	**3,896,337**	**13,558,636**

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 the Nine months ended 31 December	2025 (Unaudited)	2024 (Unaudited)
Cash flow from operating activities		
Profit before income tax	**1,347,246**	**976,151**
Adjustments for:		
Unrealized loss/ (gain) from investments of FVTPL	1,887	(7,315)
Dividend from investing securities	(29,097)	(74,480)
Share of profit of associate investments	(128,440)	(106,014)
Profit on sale of Property, Plant and Equipment	(2,039)	(3,403)
Depreciation of Property, Plant and Equipment and ROU assets	211,839	160,791
Amortization of leasehold property	351	351
Amortization of intangible assets	52,042	20,538
Provision for impairment of loans and receivables	248,986	79,411
Provision for retirement benefit obligations	74,767	74,733
Interest expense	5,423,116	3,853,024
Retirement benefit paid	(39,174)	(38,817)
Operating profit before changes in operating assets and liabilities	**7,161,484**	**4,934,970**
(Increase) / decrease in operating assets		
Deposits held for regulatory purposes	1,416,704	358,697
Funds advanced to customers	(36,245,340)	(10,783,863)
Other receivables	(838,540)	(654,895)
Increase / (decrease) in operating liabilities		
Deposits from customers	12,290,573	5,255,146
Other payables	351,631	62,943
	(15,863,490)	**(827,002)**
Income taxes paid	(602,591)	(515,895)
Interest paid	(4,568,925)	(4,007,935)
Payment of lease liabilities	(242,115)	(86,598)
Net cash used in operating activities	**(21,277,121)**	**(5,437,430)**
Cash flows from investing activities		
Dividends received	29,097	74,480
Proceeds from sale of equity securities	310,459	501,791
Purchase of Equity shares	(22,561)	(24,230)
Purchase of Property, Plant and Equipment	(295,728)	(187,265)
Proceeds from sale of Property, Plant and Equipment	33,590	33,402
Acquisition of intangible assets	(40,471)	(38,628)
Net cash from investing activities	**14,386**	**359,550**
Cash flows from financing activities		
Borrowings obtained during the year	32,161,000	6,242,170
Borrowings repaid during the year	(8,365,229)	(666,739)
Dividends paid	(49,900)	-
Net Cash from financing activities	**23,745,871**	**5,575,431**
Net increase in cash and cash equivalents	**2,483,136**	**497,551**
Cash and cash equivalents at the beginning of the period	**2,033,016**	**2,174,935**
Cash and cash equivalents at the end of the period (Note A)	**4,516,152**	**2,672,486**
Note A		
Cash and cash equivalents at the end of the period		
Cash and cash equivalents	4,881,604	3,028,846
Bank overdrafts	(365,452)	(356,360)
	4,516,152	**2,672,486**
Operational Cash flow from Interest		
Interest received	**10,934,843**	**8,231,683**
Interest payments	**(4,568,925)**	**(4,007,935)**

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 the Nine months ended 31 December	Finance Lease		Hire Purchase		Loans & Advances		Investments		Others		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
External operating income												
Interest income	**4,722,943**	4,170,154	**689**	(1,064)	**5,799,383**	3,164,805	**437,401**	457,418	-	-	**10,960,415**	7,791,313
Dividends from FVTPL and FVOCI Investments	**-**						**29,097**	74,480			**29,097**	74,480
Others	326,877	303,931	**-**	-	428,858	264,633			43,639	8,202	**799,374**	576,766
Total Income from external operations	**4,722,943**	4,170,154	**689**	(1,064)	**6,228,241**	3,429,438	**466,498**	531,897	43,639	8,202	**11,788,886**	8,442,558
Profit before Taxes on Financial Services											**1,946,564**	1,375,303
Share of Associates company profit											**128,440**	106,014
Tax , VAT & SSCL on Financial Services											**(1,303,110)**	(883,557)
Profit After Tax											**771,894**	597,760
Other Information												
Segment Assets	**27,800,075**	23,608,577	**48,957**	93,612	**61,220,011**	23,998,193	**8,592,480**	7,322,526	**11,622,475**	10,191,036	**109,283,998**	65,213,944
Segment Liabilities	**23,893,681**	18,700,116	**42,077**	74,149	**52,617,535**	19,008,727	**7,385,087**	5,800,099	**9,989,316**	8,072,217	**93,927,696**	51,655,308
Net Assets	**3,906,394**	4,908,461	**6,879**	19,463	**8,602,476**	4,989,466	**1,207,393**	1,522,427	**1,633,160**	2,118,819	**15,356,302**	13,558,636

Information on cash Flows

For the period ended 31 December	2025	2024
Cash flows from operating activities	**(21,277,121)**	(5,437,430)
Cash flows from investing activities	**350,585**	585,443
Cash flows from financing activities	**23,745,871**	5,575,431
Capital expenditure	**(336,199)**	(225,892)
Net increase in cash flows	**2,483,136**	497,551

Mercantile Investments and Finance PLC

Selected Performance Indicators

Indicator	December 31, 2025	March 31, 2025
Liquidity Rs.('000)		
Required minimum amount of liquid assets	6,078,843	4,323,445
Available liquid assets	9,271,581	8,546,627
Required minimum amount of Government securities	2,977,712	2,519,039
Available amount of Government securities	4,194,960	5,734,012
Capital Adequacy (%)		
Core capital to risk weighted assets ratio (Minimum 8.5%)*	10.66%	15.60%
Total capital to risk weighted assets ratio (Minimum 12.5%)*	15.90%	17.27%
Capital funds to total deposits liability ratio (Minimum 10%)	21.83%	28.34%
Profitability		
Return on assets (%), after tax**	1.14%	2.59%
Return on equity (%)**	7.05%	8.27%

**This includes the profit for the current period up to 30 September 2025, which has been certified by the Company's external auditors.*

***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 15th 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 nine (09) months ended December 31, 2025 of the Company have 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 2025.

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 2025.

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 2025.

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 in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares, the number of issued ordinary shares increased to 601,200,000 ("Post subdivision shares"), with no change in the stated capital of the Company.

5. Sub-division of Ordinary Shares

In September 2025, the Company announced a subdivision of its ordinary shares, whereby one (1) ordinary share was to be subdivided into two hundred (200) ordinary shares. The ordinary resolution approving the share subdivision was passed by shareholders at an Extraordinary General Meeting held on 9 December 2025. Trading in the Company's shares resumed on 17 December 2025 following the completion of the subdivision.

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 31 December 2024 has been adjusted to reflect the impact of the share subdivision, in accordance with the requirements of the aforementioned LKAS 33.

	31-Dec-25	31-Dec-24
Amount used as the numerator		
Net profit after tax attributable to the equity holders of the Company - Rs'000	771,894	597,760
Amount used as the denominator		
Weighted average number of ordinary shares (in thousands)	601,200	601,200
Basic/ Diluted Earnings Per Share	1.28	0.99

7. Dividends

[01]. A dividend of Rs. 16.60 per share on ordinary shares was approved as the second interim dividend for the financial year ended 31 March 2025 and this was paid on 14 July 2025.

[02]. The Board of Directors of the Company declared an interim dividend of Rs. 0.165 per share for the financial year ending 31 March 2026 on 22 December 2025, and the payment was paid in January 2026.

In accordance with Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors confirmed that the Company satisfied the solvancy test as required under Section 57 of the Companies Act No. 57 of 2007, and obtained a certificate from the auditors prior to the declaration the interim dividend.

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 2025.

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

There were no other unusual events or transactions affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incident for the quarter ended 31 December 2025. All the known expenses have been 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, except for Note 7 [02]. to the financial statements.

Mercantile Investments and Finance PLC

Share Information

1. Public shareholdings

The information pertaining to public shareholding is as follows.

	31 December 2025	31 December 2024
Public holding percentage	16.09%	10.10%
Number of public shareholders	685	10
Float adjusted market capitalisation (Rs.)	3,598,470,576	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 31 December 2025 are as follows.

Name of the Director	Post subdivision shares	Pre Subdivision Shares	%
Mr. G. G. Ondaatjie (Managing Director/CEO)	96,923,000	484,615	16.12%
Ms. A. M. Ondaatjie	96,923,000	484,615	16.12%
Mr. T. J. Ondaatjie	96,922,800	484,614	16.12%

Under the share subdivision, shareholders received 200 shares for every one share held prior to the subdivision.

None of the Directors other than those disclosed above directly held any shares in the Company.

3. Twenty largest ordinary shareholders of the Company

	Name of Shareholders	No. of Shares	%
1	Nilaveli Beach Hotels (Pvt) Ltd	125,916,000	20.94%
2	G G Ondaatjie	96,923,000	16.12%
3	A M Ondaatjie	96,923,000	16.12%
4	T J Ondaatjie	96,922,800	16.12%
5	Mercantile Fortunes (Pvt) Ltd	47,032,400	7.82%
6	Tangerine Tours (Pvt) Ltd	40,761,800	6.78%
7	C A Ondaatjie	33,244,800	5.53%
8	Deutsche Bank AG Trustee to Lynear Wealth Dynamic Opportunities Fund	16,682,400	2.77%
9	A S G H Jafferjee	8,211,000	1.37%
10	S S Jafferjee	8,211,000	1.37%
11	J.B. Cocoshell (Pvt) Ltd	2,732,000	0.45%
12	N H V Perera	2,004,000	0.33%
13	R M D Abeygunawardena	2,004,000	0.33%
14	J A S S Adhihetty	1,980,000	0.33%
15	Invenco Capital Private Limited	1,370,000	0.23%
16	Union Assurance PLC - Universal Life Fund	1,331,800	0.22%
17	JN Lanka Holdings Company (Pvt) Ltd	1,149,517	0.19%
18	East India Holding (Pvt) Ltd	975,200	0.16%
19	Lynear Wealth Management /Dr. J T V S Weerawarana	814,400	0.14%
20	I A H Esufally	793,200	0.13%

4. Market Price per share

Quarter ended 31 December 2025

	2025 (Rs.)	2024 (Rs.)
Highest Market Price*	10,999.00	Not traded
Lowest Market Price**	37.00	Not traded
Last Traded Price**	37.20	Not traded

**The highest market price during the period occurred prior to the share subdivision.*

***Share price subsequent to 1:200 share split (Note 5).*

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