

MERCANTILE SHIPPING COMPANY PLC

ANNUAL REPORT
2024/25

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STATUTORY STATUS

COMPANY NAME

Mercantile Shipping Company PLC

LEGAL FORM

Quoted Public Company with Limited Liability, Incorporated on the 17th of March 1981
Registered No. PQ 148

BOARD OF DIRECTORS

Mr. H A R K Wickramatileka (Chairman)
Mr. T Kriwat (Managing Director)
Capt K.J. Kriwat
Capt R E G Codipilly
Mr. C.C Wickramatileka
Mr. M.S.P Gunawardena
Mr. P A Nandasena
Mr. W.S. Weeraman (Resigned w.e.f. 11th October 2024)
Mr. P.S.K. Watawala
Ms. S.N. Egodage (Appointed w.e.f. 20th November 2024)
Mr. W.D.L.J. Kulasooriya (Appointed w.e.f. 03rd December 2024)
Mr. C.P.P.G. Hapudeniya (Appointed w.e.f. 28th February 2025)

CORPORATE SECRETARIES

Managers & Secretaries (Pvt) Ltd

BANKERS

Commercial Bank of Ceylon PLC

AUDITORS

Ernst & Young (Chartered Accountants)

LAWYERS

Asian Legal Partners
(Attorneys-at-Law & Notaries Public)

REGISTERED OFFICE

108, Aluthmawatha Road, Colombo 15, Sri Lanka
Tel: +94 11 4489900
Fax: +94 11 4489999
E-mail: info@mercmarine.net
Web: www.mercmarine.net

ANNUAL GENERAL MEETING

NOTICE OF MEETING

Notice is hereby given that the 44th Annual General Meeting of Mercantile Shipping Company PLC will be held at 2.00 p.m. on 28th August 2025 via Microsoft Teams Audio/Video at the Registered Office of the Company, Mercantile Shipping Company PLC No.108, Aluthmawatha Road, Colombo 15 for the following purposes:

Agenda

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company for the year ended 31st March 2025 and the Report of the Auditors thereon.
2. Election of Directors who has been appointed to the Board subsequent to the last Annual General Meeting in terms of Article 91 of the Articles of Association of the Company.
 - a) Ms. S.N. Egodage
 - b) Mr. W.D.L.J. Kulasooriya
 - c) Mr. C.P.P.G. Hapudeniya
3. Re-appointment of following Directors to the Board in terms of Section 211 of the Companies Act No.07 of 2007;
 - a) Captain K.J, Kriwat retires and being eligible offers himself for re-appointment and following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED:

That Captain K Kriwat, who is 85 years of age, being eligible offers himself for re-appointment as a Director in terms of Section 211 of the Companies Act and it is specially declared that the age limit referred to in Section 210 of the Companies Act shall not apply to the said Captain K Kriwat.

- b) Mr. M S P Gunawardena retires and being eligible offers himself for re-appointment and following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED:

That Mr. M S P Gunawardena, who is 74 years of age, being eligible offers himself for re-appointment as a Director in terms of Section 211 of the Companies Act and it is specially declared that the age limit referred to in Section 210 of the Companies Act shall not apply to the said Mr. M S P Gunawardena.

- c) Mr. P A Nandasena retires and being eligible offers himself for re-appointment and following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED:

That Mr. P A Nandasena, who is 73 years of age, being eligible offers himself for re-appointment as a Director in terms of Section 211 of the Companies Act and it is specially declared that the age limit referred to in Section 210 of the Companies Act shall not apply to the said Mr. P A Nandasena.

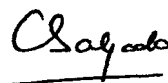
- d) Mr. H A R K Wickramatileka retires and being eligible offers himself for re-appointment. Accordingly, the following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED:

That Mr. H A R K Wickramatileka, who is 72 years of age retires and being eligible offers himself for re-appointment as a Director in terms of Section 211 of the Companies Act and it is specially declared that the age limit referred to in Section 210 of the Companies Act shall not apply to the said Mr. H A R K Wickramatileka.

4. Re-appointment of the Auditors Messrs Ernst & Young and authorize the Board of Directors to determine their remuneration.
5. To authorise the Directors to determine contribution to Charities.
6. To consider any other business of which due notice has been given.

By Order of the Board



(Ms.) C.S.Salgado
Managers & Secretaries (Private) Limited
Corporate Secretaries

Colombo
25th July 2025

Note:

1. A member entitled to attend and vote at the above meeting is required to complete and submit a pre- registration form in order to ensure participation at the AGM of the Company. A Pre- registration form is enclosed for this purpose to be completed by Mercantile Shipping Company PLC Shareholders only.
2. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed for this purpose.
3. Only members of Mercantile Shipping Company PLC are entitled to take part at the AGM of Mercantile Shipping Company PLC.
4. The instruments for Pre-registration and appointing a proxy must be completed and deposited at the Registered Office of the Company Secretaries, Managers & Secretaries (Private) Limited, No.10, Gothami Road,Colombo 08 or e-mailed to asirini@msl.lk not less than forty-eight hours prior to the time appointed for holding the meeting.

THE CHAIRMAN'S REVIEW - 2024/2025

I am pleased to welcome you all to the 44th Annual General Meeting of the Company.

As you are aware, the Company ceased its main operations in December 2019 following the sale of its vessels. Since then, we have been focusing on restructuring and repositioning our operations for long-term sustainability.

At present, the primary sources of income for the Company are derived from investment properties and interest income from term deposits. The rental income continues to provide a stable revenue strategy, sufficient to meet the basic operational needs of the Company.

During the year under review, the Company's property, located at No. 441, K. Cyril C. Perera Mawatha, Colombo 13, was leased out in the middle of the year. Unfortunately, the property remained unoccupied for approximately six months, which resulted in a temporary loss of income.

As a result, the Group recorded a loss before tax of Rs. 0.5 million for the financial year 2024/2025. This shortfall is mainly attributable to the absence of rental income in the first half of the year.

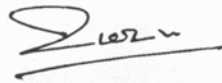
Regarding the insurance claim receivable on the vessel Mercs Hendela, the matter remains pending before the Appeal Court of Madras. We continue to await a final verdict from the court, and are mindful of possible other costs associated with recovering this money should the claim be awarded in our favour.

I wish to take this opportunity to extend my sincere appreciation to the management and staff for their continued dedication and patience during this period of transition.

I would also like to thank my fellow Board Members for their unwavering support and guidance throughout these challenging times.

To our valued Shareholders, I express my heartfelt gratitude for your continued patience and confidence in the Company.

Finally, I extend my sincere appreciation to all stakeholders for their ongoing commitment and support.



H A R K Wickramatileka
Chairman

Colombo
25th July 2025

MANAGEMENT DISCUSSION AND ANALYSIS

The main activity of the Mercantile Shipping Company PLC and its subsidiaries was the business of ship owning and operating. This business was severely affected by a global downturn in charter hire rates and the ships were sold in December 2019. This resulted in compelling the Company to temporarily exit the shipping business.

Currently, the Company's primary activity is limited to investment operations, specifically through the ownership of two properties. These properties generate sufficient rental income to sustain ongoing operations.

The Company is working towards finding new investors with a view to diversification of business, exploring new opportunities which has a clearer path to its future with more progress expected later in the year.

Due to problems with the previous lessee of the 441 property, the premises was vacant for part of the year. This resulted in operating losses. However, this has since been resolved with a new lessee being found.

During the year ended 31st March 2025, the Group recorded a loss before tax of approximately Rs 0.5Mn. Primarily due to the discontinuation of the aforementioned lease agreement.

The Company's investment properties are carried at historical cost less provision for amortization and impairment which generates the rental income. Additionally, the Company has fixed deposits amounting to Rs. 46.2 million as at 31st March 2025, which generate the interest income.

The net assets of the Group as of 31 March 2025 is Rs.76.9 Mn excluding potential revaluation gains of Rs 409.6 Mn.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors are pleased to submit their report together with the Audited Accounts for the Company and the Group, for the year ended 31st March 2025, to be presented at the 44th Annual General Meeting of the Company.

Review of the Year

The Chairman's review on page 4 describes the Company's affairs and mentions important events that occurred during the year and up to the date of this report. This report together with the audited financial statements reflect the state of the affairs of the Company.

Principal Activities / Core Business

The principal activities of the Company is limited to investment activities and renting of investment properties.

Financial Statements

The Financial Statements prepared in compliance with the requirements of Section 151 of the Companies Act No 7 of 2007 are given on page 23 to 46 in this annual report.

Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 20 to 22 in this report.

Related Party Transaction Review Committee Report

The subject report on the Company's Related Party Transactions is given on page 14 to 15 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the financial statements are given on pages 27 to 46. There were no changes in Accounting Policies adopted by the Company during the year under review.

Financial Results/Profit and Appropriations

The Statement of Profit or Loss and Other Comprehensive Income is set out on page 23.

Property, Plant & Equipment

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note 11 to the financial statements.

Market Value of Freehold Land

The property owned by the Company at 441, KCyrilCPereraMawatha, Colombo 13 was last measured for fair value on 8th May 2025 by Mr S.M.Tennakoon, a Chartered Valuation Surveyor, to an amount of Rs. 115 Million.

The property owned by the Company at 108, Aluthmawatha Road, Colombo 15 was last measured for fair value on 8th May 2025 by Mr S.M.Tennakoon, a Chartered Valuation Surveyor, to an amount of Rs.329.2 Million.

Investments

Details of long-term Investments held by the Company are given in Note 12 to 13 to the financial statements on page 40 to 41.

Directors' Responsibilities

The Statement of the Directors' Responsibilities is given on page 11 of this report.

The Board of Directors declare that there are no areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any Government or Regulatory authority in any jurisdiction where the Entity has operations.

Corporate Governance

The Board of Directors confirm that the company has complied with the corporate governance rules laid down under section 9 of the Listing Rules of the Colombo Stock Exchange.

The report on the extent of compliance with applicable regulatory directions, rules and guidelines on Corporate Governance of the Listing Rules of the Colombo Stock Exchange have been disclosed in the Corporate Governance Report published in the Annual Report in page 11 to 19.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31st March 2025.

Reserves

The Reserves and Accumulated Profit/Losses of the Company as at 31st March 2025 amount to Rs. 28,651,733 as against a reserve of Rs.29,722,816 as at 31st March 2024. The breakup and the movement are shown in the Statement of Changes in Equity in the financial statements on page 25.

Stated Capital

As per the terms of the Companies Act No. 7 of 2007, the Stated Capital of the Company is Rs 37,262,606 as at 31st March 2025. The details are given in Note 17 to the financial statement on page 42.

Events occurring after the reporting date

There were no material events occurring after the Balance Sheet date that require adjustments, or disclosure which require adjustment in the Financial Statements.

Going Concerns

The Group reported a loss of Rs. 1,045,683 (2024 Rs. 2,090,098) for the year ended 31 March 2025. The Board of Directors have made an assessment of the Group's ability to continue as a Going Concern and have evaluated the appropriateness of using the going concern assumption across the Group in preparing the financial statements for the year ended 31 March 2025. The assessment was based on information available up to the date of these financial statements were authorize for issue. In this exercise, the Board identified while there is no threat on the going concern aspect of the Mercantile Shipping Company PLC with its current investment properties. Based on this assessment, the Board of Directors are satisfied that there is no material uncertainty related to going concern and that the Group has sufficient financial resources, investment properties and means of continuing in business. The Board of Directors is committed to the continuance of the Group and do not intend either to liquidate or to cease trading in the foreseeable future.

Accordingly, the Consolidated Financial Statements for year ended 31 March 2025 of the Group have been prepared on a going concern basis taking into consideration of the financial statements of the Mercantile Shipping Company PLC, even though the financial statements of Mercantile Global Shipping Limited have been prepared on a basis other than going concern.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Statutory Payments

The declaration relating to Statutory Payments is made in the Statement of Directors' Responsibilities on page 12.

Interests Register

Details of the transactions with Director-related entities are disclosed in Note 24 to 25 to the financial statements on page 44 to 45, and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

The Directors declare that all material interests in contracts involving in the Entity have been declared and that they have refrained from voting on matters in which they were materially interested.

BOARD COMMITTEES

Audit Committee

Following are the names of the Directors comprising the Audit Committee of the Board and their attendance at the meetings.

Name of Director	Attendance
Mr. C.C. Wickramatileka (Step down A/C w.e.f.15.08.2024)	2/2
Mr. P A Nandasena	4/4
Capt. R E G Codipilly	4/4
Mr. M S P Gunawardena (Step down A/C w.e.f. 28.02.2025)	2/3
Mr. C.P.P.G. Hapudeniya (Appointed w.e.f. 28.02.2025)	1/1

The Board of Directors declare that they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith

Remuneration Committee

Following are the names of the Directors comprising the Remuneration Committee of the Board.

Name of Director
Capt. R E G Codipilly
Mr. M S P Gunawardena
Mr. P.S.K. Watawala

Related Party Transaction Review Committee

Following are the names of the Directors comprising the Related Party Transaction Review Committee and their attendance at the meetings.

Name of Director	Attendance
Mr. P A Nandasena (Step down RPTRC w.e.f. 28.02.2025)	3/3
Mr. M S P Gunawardena (Step down w.e.f. 28.02.2025)	2/3
Mr. C. C. Wickramatileka	4/4
Capt. R E G Codipilly (Appointed w.e.f. 28.02.2025)	1/1
Mr. P.S.K. Watawala (Appointed w.e.f. 28.02.2025)	0/1

The Board of Directors declare that, the Related Party Transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and is in compliance with section 9 of the CSE Listing Rules and Sri Lanka Accounting standards (LKAS 24). In accordance with CSE listing rules- section 9.14.2, the Committee consists of Two Non-executive Independent Directors and One executive Non Independent Director.

The Committee normally reviews and updates the Board of Directors once every quarter about its review and its findings on the Related Party Transactions.

Nominations and Governance Committee

The Nominations and Governance Committee was set up in compliance with section 9.11 of the Listing Rules of the Colombo Stock Exchange and comprised of the following Directors;

Capt. R.E.G. Codipilly - Chairman
Mr. M.S.P. Gunawardena
Mr. P.S.K. Watawala

The Nominations and Governance Committee would evaluate the appointment of Directors to the Board of Directors and Board Committees of the Entity.

Share Information and Substantial Shareholdings

The distribution of shareholding, market value of shares and twenty largest Shareholders are given in page 47 to 49.

The earnings per share, dividends per share, net assets per share are given in Financial Highlights on page 50 of this Annual Report.

Directors

The Directors of the Company as at 31st March 2025 and their brief profiles are given on page 9 to 10 in this report.

During the year under review the Board met on 08 occasions. The attendance at these meetings were as follows;

Name of Director	Attendance
Mr. H A R K Wickramatileka	08/08
Capt K.J. Kriwat	08/08
Mr. T Kriwat	08/08
Capt. R E G Codipilly	08/08
Mr. M S P Gunawardena	04/08
Mr. P A Nandasena	07/08
Mr. C. C. Wickramatileka	08/08
Mr. P.S.K. Watawala (Appointed w.e.f. 19.07.2024)	03/07
Mrs. C. Peiris (Resigned w.e.f. 15.08.2024)	02/02
Mr. W.S. Weeraman (Resigned w.e.f. 11.10.2024)	01/03
Ms. S.N. Egodage (Appointed w.e.f. 20.11.2024)	01/04
Mr. W.D.L.J. Kulasooriya (Appointed w.e.f. 03.12.2024)	03/04
Mr. C.P.P.G. Hapudeniya (Appointed w.e.f. 28.02.2025)	01/02

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

In accordance with Section 210 of the Companies Act No 7 of 2007, the following Directors retire and being eligible have offered themselves for re-appointment.

Captain K.J. Kriwat
M S P Gunawardena
P A Nandasena
H A R K Wickramatileka

Directors' Shareholding

The interest of the Directors in the shares of the Company as at 31st March were as follows;

	No. of Ordinary Shares as at 31.03.2025	No. of Ordinary Shares as at 31.03.2024
Mr. H A R K Wickramatileka	11,414	11,414
Capt. R E G Codippily	4,162	4,162
	Company Rs.	Group Rs.
Audit Fees	659,470	704,320
Fee for other services (Tax related work)	217,909	217,909

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company. The Audit Committee reviews the appointment of the Auditors, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditor. Details on the work of the Audit Committee are set out under Corporate Governance.

Notice of Meeting

The Annual General Meeting will be held on 28th August 2025.

Independence of Directors

In accordance with Rule 9.8.5 of Colombo Stock Exchange Rules on Corporate Governance ('CSECG Rules'),

Capt R E G Codippily
Mr. P.S.K. Watawala
Mr. W.D.L.J. Kulasooriya
Mr. C.P.P.G. Hapudeniya

who are Non-Executive Directors of the Company, have submitted a signed and dated declaration to the Board, of the status of their independence.

Change of Directorate

- Ms. S.N. Egodage was appointed to the Board on 20th November 2024
- Mr. W.S. Weeraman resigned on 11th October 2024 and Mr. W.D.L.J. Kulasooriya was appointed to the Board on 03rd December 2024 in his place.
- Mr. C.P.P.G. Hapudeniya was appointed to the Board on 28th February 2025

Donations

There were no donations made during the year.

Auditors

The resolutions to appoint the present Auditors, Messrs Ernst & Young Chartered Accountants, who have expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

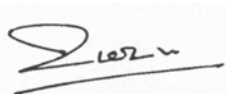
The following payments were made to them during the year:

Notice of Meeting

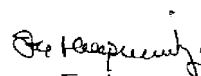
The Annual General Meeting will be held on 28th August 2025 at 2.00 p.m. via Microsoft Teams platform Audio/Video at the Registered Office of the Company, Mercantile Shipping Company PLC No.108, Aluthmawatha Road, Colombo 15.

The Notice of the Annual General Meeting appears on page 03.

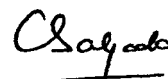
For and on behalf of the Board



H A R K Wickramatileka
Chairman



C P P G Hapudeniya
Director



Managers & Secretaries (Pvt) Ltd
Corporate Secretaries
Colombo

25th July 2025

DIRECTOR'S PROFILES

H A R K Wickramatileka

Fellow Member of the Institute of Chartered Accountants of Sri Lanka B.Sc. (Public Administration) Postgraduate Diploma in Professional Shipping, Norwegian Shipping Academy, Oslo, Norway

Appointed to the Mercantile Shipping Company PLC Board in May 1991. Held the position of Director Finance for over 15 years and presently serving as the Chairman of the Company. He is a Director of several other companies. He is the Chairman of Royali Power (Pvt) Ltd., Royali Homes and Lands (Pvt) Ltd., Ceylon Eco Spices (Pvt) Ltd, Ceylon Eco Fields (Pvt) Ltd. and B.N. Trading International (Pvt) Ltd. He was a Director and the Audit Committee Chairman of Colombo Dockyard PLC.

Capt K Kriwat

Master Mariner

Founder Director of Mercantile Shipping Company PLC and was the Deputy Chairman of the Company. His career extends to more than 50 years at sea and on shore with a wealth of experience in Shipping and Ship Management.

T Kriwat

Solicitor at Law in Germany

Appointed to the Mercantile Shipping Company PLC Board in October 2000. He is the Managing Director of Mercantile Shipping Company PLC and Reederei Eugen Friederich, Germany, the main shareholder of the Company at present. He is the Chairman of Mercantile Marine Management Ltd. and of Asia Marine Colombo (Pvt) Ltd. He is also a Director of a number of shipping companies in Germany with more than 20 years of experience in Shipping and Ship Management.

Capt R E G Codipilly

Master Mariner

Holder of Masters' FG Certification from the Commonwealth of Australia

Appointed to the Mercantile Shipping Company PLC Board in May 2016. His career extends more than 45 years both at sea and on shore with experience in shipping, ship management and seafarer training. He is presently a Consultant on Marine HR and Seafarer Training. He was the Chief Executive Officer of Mercantile Marine Management Limited, one of the largest ship management companies in Sri Lanka. He was also a Director of Mercantile Seamen Training Institute Ltd (MSTI) and Asia Marine Colombo (Pvt) Ltd. He was the Country Representative of the International Maritime Employers' Council (IMEC)-London and was the Trustee of the National Union of Seafarers Trust of Sri Lanka.

M S P Gunawardena

Attorney at Law of the Supreme Court of Sri Lanka and Notary Public LLB, University of Colombo

Postgraduate Diploma in Professional Shipping, Norwegian Shipping Academy, Oslo, Norway

Postgraduate Diploma in Maritime Law and Insurance, Oslo, Norway

Appointed to the Mercantile Shipping Company PLC Board in May 2016 with over 30 years of experience in the shipping trade with an expertise in Maritime Law and Insurance. Joined Ceylon Shipping Corporation as a Management Trainee and elevated to the post of General Manager through ranks and worked over 10 years in that capacity. Presently a practicing lawyer in Colombo.

P A Nandasena

FMAAT, LL.B, LL.M University of Colombo

Appointed to the Mercantile Shipping Company PLC Board in October 2016 with over 30 years of experience in the public and private sector organizations in the Senior Management and Director positions. He is presently serving as the Chairman of the Remuneration Committee and the Related Party Transactions Review Committee of the Company. Held the positions of Director SD&CC, Devco-Showa Ltd, Mahaweli Livestock Co. Ltd, PHDT, Director General Southern Development Authority and Chairman Ruhunu Venture Capital Co. Ltd. in addition to several private sector companies.

Further, having an intermediate qualification from the Institute of Chartered Accountants and Articled at Ford Rhodes Thornton & Co. holding FMAAT membership, he held very senior positions in the field of Finance in the Government and Private Sector local and foreign.

C C Wickramatileka

CFA Charter holder

Associate Member of the Institute of Chartered Accountants of Sri Lanka

Associate Member of the Chartered Institute of Management Accountants UK

Bachelor's Degree in Management from the University of London

Chathura was appointed to the Mercantile Shipping Company PLC Board in August 2021 with wide experience in multiple fields holding Senior Management positions in Public Quoted Companies. He is presently serving as the Chief Financial Officer of the Company and a member of the Related Party Transaction Review Committee. He is a Director of Colombo Dockyard PLC and the Chairman of the Audit Committee and the Nominations and Governance Committee as well as a member of the Remuneration Committee. He is also the Managing Director of Royali Power (Pvt) Ltd and Director Finance and Administration of Ceylon Eco Spices (Pvt) Ltd with several other related Companies.

DIRECTOR'S PROFILES

P S K Watawala

BSc. (Specialization in Management) University of Sri Jayawardenepura

Master of Public Management (Sri Lanka Institute of Development Administration)

Master of Business (Accounting) University of Kelaniya

Appointed to the Mercantile Shipping Company PLC Board in July 2024. He is presently serving as the Acting General Manager of Ceylon Shipping Corporation Ltd. With a distinguished career spanning over 25 years in the Public Service, he has honed his expertise in financial management and administration.

His strategic acumen is further evidenced by his appointment to the Board of Directors of Sri Lanka Port Authority where his contribution is invaluable.

S Nathasha Egodage

Nathasha brings on board a unique perspective with her background in economics, physics and mathematical modelling. She holds various leadership roles and is dedicated to inspiring leadership in everyone to build a sustainable and equitable future.

Her executive experience equips her with a deep understanding of challenges and opportunities at the Board level. Presently, she serves on the Boards of Ceyline Holdings (Pvt) Ltd, Suwasevana Hospitals (Pvt) Ltd, CINEC (Pvt) Ltd and CMA Ships Lanka (Pvt) Ltd. as a Director. In addition to her Board responsibilities, she works as the Chief Purpose Officer of Ceyline Group, the CEO of Ceymed Healthcare and Hospital Services (Pvt) Ltd, the CEO of Oceaneeds (Pvt) Ltd and the CEO of Ceyline Maritime Services (Pvt) Ltd.

Egodage is also a Consultant for APIIT Sri Lanka, supporting student initiatives, new module development and enhancing the campus experience. Her core values are courage and making a difference, and the various corporate hats she wears help her to stay rooted in her values.

Aside from academics, her tenure in academia in the U.S. and U.K. has expanded her understanding of being a feminist and activist.

Walimuni Devage Lal Jayantha Kulasooriya

B. Sc., GI FireE (UK), MBA

Head of Fire and Rescue at Colombo Dockyard PLC for a significant 20-year period, retired in March 2024 at the age of 55.

He is presently serving as the Chairman of Ceylon Shipping Corporation Ltd since October 2024 and holds Director Positions at Lanka Coal Company (Pvt) Ltd, Mercantile Shipping Company PLC, Ceylon Shipping Agency Pte. Ltd (Singapore) and JCT Oil Bank.

He has been a Director of the Institute of Fire Engineers of Sri Lanka since 2015 and serves as an Assessor for the Tertiary and Vocational Education Commission (TVEC) since 2020.

Chintaka Parakrama Punyajith Gamalath Hapudeniya

Associate Member, Chartered Institute of Management Accountants (CIMA), U.K.

Chartered Global Management Accountant (CGMA)

He Was appointed to the Board of Mercantile Shipping Company PLC on February 28, 2025, and serves as the Chairman of the Audit Committee. He brings extensive experience in the private sector as an entrepreneur.

Previously, he served on the Mercantile Shipping Board from November 2006 to March 2019.

He is the Founder Chairman and Managing Director of International Paper Products (Pvt) Ltd, with over 32 years of experience in the corrugated carton industry.

CORPORATE GOVERNANCE

DIRECTOR'S RESPONSIBILITIES

The Board of Directors is responsible for setting up a policy framework for Good Governance Practice to protect and enhance the shareholders' value for the Company.

The Company applies the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Securities Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

The responsibilities of the Directors are to exercise in their best judgment what they reasonably believe to be in the best interest of the Company for the creating of long-term value for the shareholders.

The Board has taken necessary steps to ensure that the Management discharges its duties responsibly and efficiently to meet the above criteria.

Board of Directors

The Board of Directors is responsible for setting up the Governance Framework within the Company.

Composition and attendance at meetings

The present Board consists of eleven Directors nine of whom are Non-Executive Directors with 4 Directors who are Non-Executive Independent Directors in compliance with Rule 9.8.1 and 9.8.2 of the Listing Rules of the CSE. Each Independent Director has submitted a signed declaration of Independence in compliance with the Rule 9.8.5 of the Listing Rules of the CSE.

These Directors and their profiles are stated below. Details of Directors' shareholding in Mercantile Shipping Company PLC and directorates in other related companies are given in page 9 and 10.

Director	Position held on the Board	Date of Appointment to the Board	Nature of Appointment
Mr. H. A. R. K. Wickramatileka	Chairman	13th May 1991	Non-executive Non-Independent Director
Capt. K. Kriwat	Director	17th March 1981	Non-executive Non-Independent Director
Mr. T. Kriwat	Managing Director	16th October 2000	Executive Director
Capt. R. E. G. Codipilly	Director	13th May 2016	Non-Executive Independent Director
Mr. M. S. P. Gunawardena	Director	13th May 2016	Non-executive Non-Independent Director
Mr. P. A. Nandasena	Director	12th October 2016	Non-executive Non-Independent Director
Mr. C. C. Wickramatileka	Director	16th August 2021	Executive Director
Mr. P.S.K. Watawala	Director	19th July 2024	Non-executive Independent Director
Ms. S.N. Egodage	Director	20th November 2024	Non-executive Non-Independent Director
Mr. W.D.L.J. Kulasooriya	Director	03rd December 2024	Non-executive Independent Director
Mr. C.P.P.G. Hapudeniya	Director	28th February 2025	Non-executive Independent Director

CORPORATE GOVERNANCE

Statutory Payments

All statutory payments have been made by the company.

Sub Committees of the Board

AUDIT COMMITTEE

The Audit Committee consists of two Non-Executive Independent Directors and one Non-Executive Non Independent Director in compliance with Rule 9.13.3 (1) of the Listing Rules of the Colombo Stock Exchange.

Director	Position held	No. of Meetings held
Mr. C. P. P. G. Hapudeniya	Chairman	04
Mr. P. A. Nandasena	Member	
Capt. R. E. G. Codippilly	Member	

Independence of the Members of the Committees

Mr. C.P.P.G. Hapudeniya is a Associate Member, Chartered Institute of Management Accountants an (CIMA), U.K. Chartered Global Management Accountant (CGMA)He Was appointed to the Board of Mercantile Shipping Company PLC on February 28, 2025, and serves as the Chairman of the Audit Committee. He brings extensive experience in the private sector as an entrepreneur.Previously, he served on the Mercantile Shipping Board from November 2006 to March 2019.He is the Founder Chairman and Managing Director of International Paper Products (Pvt) Ltd, with over 32 years of experience in the corrugated carton industry.

Mr. P A Nandasena is an LLB degree holder from the University of Colombo with more than 30 years of experience in public and private sector, holding Senior Managerial and Director positions. He is Independent as per the criteria set out by the Colombo Stock Exchange.

Further, having an intermediate qualification from the Institute of Chartered Accountants and Articled at Ford Rhodes Thornton & Co. holding FMAAT membership, he held very senior positions in the field of Finance in the Government and Private Sector local and foreign.

Captain R E G Codipilly is a Master Mariner who holds Masters' FG Certification from the Commonwealth of Australia, with more than 37 years both at sea and on shore experience in shipping, ship management and seafarer training. He is Independent as per the criteria set out by the Colombo Stock Exchange.

The role of the Audit Committee

The role of the Audit Committee is to assist the Board in the discharge of its duties by ensuring that the Company follows adequate system of internal controls to minimize risk and errors, prepare financial statements in accordance with Sri Lanka Accounting Standards and comply with directions issued by the Regulatory Authorities and the Laws of the Land

The Committee also met with the External Auditors and reported their findings and recommendations to the Board regularly.

REPORT OF THE AUDIT COMMITTEE COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee of Mercantile Shipping Company PLC comprises of two Non-Executive Independent Directors and one Non Independent Non Executive Director. Page Number 09 and 10 of this annual report displays the profiles of the Members of the Audit Committee. The Members have the requisite financial knowledge and business acumen to carry out their roles effectively and discuss matters that come within their purview independently and professionally.

MEETINGS OF THE AUDIT COMMITTEE

The Committee met four times during the year assisted by the Chief Financial Officer /Director.

TASK AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Tasks and responsibilities of the Audit committee is summarized below.

• Financial Reporting

The Committee reviews the financial reporting system of the Group when preparing its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards.

• Internal Control

The Committee reviews the effectiveness of the internal control system of the group and satisfied that an effective system of internal control is in place to provide reasonable assurance in safeguarding the Company's assets and reliability of Financial Statements.

• Risk Management

The Audit Committee reviews the process and effectiveness of the risk management of the Company. The Group has identified critical risks to the business including key operational risks, related controls and enterprise level risk. The impact of the COVID19 pandemic on the operations of the company were discussed in detail.

CORPORATE GOVERNANCE

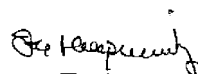
• Compliance with Rules and Regulations

The Committee is satisfied that all applicable laws and regulations are duly complied with and all statutory payments are paid on a timely basis.

External Auditors

The Committee reviews annually the appointment of the External Auditor and makes recommendations to the Board accordingly. Ernst & Young, Chartered Accountants (Ernst & Young) acts as the Group's External Auditors. Ernst & Young also provides audit services to the subsidiary, Mercantile Global Shipping Limited. As far as the Auditors are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company

other than those disclosed above. The Auditors also do not have any interest in the Company. For the said reasons the Committee determined that External Auditors are independent.



C.P.G. Hapudeniya
Chairman

Audit Committee

25th July 2025

REMUNERATION COMMITTEE

The Remuneration Committee consists of two Non-Executive Independent Directors and one Non-Executive Non Independent Director in compliance

With Rule 9.12.6 (1) of the Listing Rules of the Colombo Stock Exchange.

Director	Position held
Capt. R. E. G. Codipilly	Chairman
Mr. M. S. P. Gunawardena	Member
Mr. P. S. K. Watawala	Member

DISCLOSURE OF REMUNERATIONS

The total of Directors' Remuneration is reported in Note 8 to the Financial Statements in accordance with Rule 9.12.8 of the Listing



Capt. R. E. G. Codipilly
Chairman

Remuneration Committee

25th July 2025

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee of Mercantile Shipping Company PLC consists of Two Non-Executive Independent Directors and One Non-Executive Non Independent Director. Page Number 9 and 10 of this annual report displays the profiles of the Members of the Remuneration Committee.

POLICY

The Remuneration Committee recommends the remuneration payable to all Executive Directors/ Managing Director to the Board. The Board makes the final determination after consideration of such recommendation.

FUNCTIONS

The Committee will assist the Board to decide on certain parameters in formulating the Remuneration Policy with a view to retaining qualified experienced personnel looking at the cost aspect for the benefit of all Stakeholders of the Company. The Committee will have meetings as and when it deemed necessary to decide on the remuneration of Directors/CEO. One remuneration committee meeting was held during the year.

CORPORATE GOVERNANCE

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee consists of two Non-Executive Independent Directors and one Executive Non-Independent Director in compliance to Rule 9.14.2 (1) of the Colombo Stock Exchange.

Director	Position held	No. of Meeting held
Mr. P. S. K. Watawala	Chairman	04
Capt. R. E. G. Codipilly	Member	
Mr. C. C. Wickramatileka	Member	

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

COMPOSITION OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

Related Party Transactions Review Committee consists of two Non- Executive Independent Directors and one Executive Non Independent Director. Page Number 9 and 10 of this annual report displays the profiles of the Members of the Related Party Transaction Committee.

THE COMMITTEE AND SCOPE OF THE COMMITTEE

The Company constituted the Related Party Transactions Review Committee (the "Committee") as a Board Sub- Committee to review "Related Party Transactions". The Committee is assisted by the following Key Management Personal (KMPs) of the Company who attend sittings on a regular basis.

Mr. H A R K Wickramatileka - Chairman

In addition, the Committee summoned other relevant officials of the Company to participate in the Committee proceedings when required.

THE SCOPE AND DUTES OF THE COMMITTEE

The Scope of the Committee covers the requirements of the Code of Best Practices on Related Party Transactions ("the code) issued by the Securities and Exchange Commission of Sri Lanka (SEC). The Committee operates in accordance with the

guidelines set in the CSE Listing Rules and furthermore follow the disclosure requirements given in LKAS 24. The principal functions of the Committee are the scrutiny of all Related Party Transactions with Directors, Key Management Personal (KMPs) substantial Shareholders, Subsidiaries and Associate Companies of the Company and such other related parties.

The Committee normally reviews and updates the Board of Directors once in every quarter about its review and its findings on the Related Party Transactions. Where applicable, the Committee has laid down guidelines for the Management to make immediate market disclosure on applicable Related Party Transactions as required by Section 9.14 of the continuing Listing requirements of Colombo Stock Exchange.

The Committee is responsible for making immediate disclosures to the Shareholders and appropriate disclosure on Related Party Transactions in the Annual Report to the shareholders, as required by Section 9.14.7 & 9.14.8 of the Listing rules of the Colombo Stock Exchange.

MEETINGS

During 2024/2025, four meetings were held and in the opinion of the Committee there were no transactions with the related parties that were more favorable or preferential during the period under review and the Company is compliant with the Code.

The following disclosures are made in terms of Section 9.14.8 of the Listing Rules of Colombo Stock Exchange.

a. Recurrent Transactions

Name of the Related Party	Relationship	Nature of Transaction and Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as a % of Net Revenue / Income (Company / Consolidated)	Terms and Conditions of the Related Party Transactions
Mercantile Marine Management Ltd.	Affiliate / significant shareholder	Rent of Rs. 17,293,863/-	85.6% of Company's Revenue	Normal commercial terms.

CORPORATE GOVERNANCE

b. Non-Recurrent Transactions

There were no non-recurrent transactions during the period of which aggregate value exceeds 10% of the total equity or 5% of the total assets of the Company during the year ended 31 March 2025 which require specific disclosures in the Annual Report in terms of Section 9.14.8 of the Listing Rules and the Code of Best Practices on the related party transactions issued by the Securities and Exchange Commission of Sri Lanka.

Details of other Related Party Transactions entered into by the Company are disclosed in Note 24 to the Financial Statements.

TERMS OF REFERENCE (TOR)

The General Policy on "Related Party" Transactions is subject to periodical review based on regulatory requirements as well as operational requirements.

IDENTIFICATION OF RELATED PARTIES

Related Parties are identified in accordance with the criteria set out in the Sri Lanka Accounting Standards (LKAS 24) as well as the Listing Rules.



P S K Watawala
Chairman
Related Party Transaction Review Committee
25th July 2025

NOMINATIONS AND GOVERNANCE COMMITTEE

The Nominations and Governance Committee consists of two Non- Executive Independent Directors and one Non executive Non- Independent Director in compliance with Rule 9.11.4. (1) of the Listing Rules of the Colombo Stock Exchange.

Director	Position held
Capt. R. E. G. Codipilly	Chairman
Mr. M. S. P. Gunawardena	Member
Mr. P. S. K. Watawala	Member

COMPOSITION OF THE NOMINATIONS AND GOVERNANCE COMMITTEE


The Nominations and Governance Committee consists of two Non- Executive Independent Directors and one Non executive Non- Independent Director Page 9 and 10 of this annual report displays the profiles of the Members of the Committee.

FUNCTIONS

The Committee will evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. The Committee will have meetings as and when it deemed necessary to decide on the appointments.

DISCLOSURE OF NOMINATIONS AND GOVERNANCE COMMITTEE

The total of Directors' appointments are reported in accordance with Rule 9.11.6 of the Listing Rules of the Colombo Stock Exchange.



Capt. R.E.G. Codipilly
Chairman
Nominations and Governance Committee
25th July 2025

CORPORATE GOVERNANCE

LEVEL OF COMPLIANCE WITH THE LISTING RULES

CORPORATE GOVERNANCE - SECTION 9

This section covers Mercantile Shipping Company PLC's extent of adherence to the requirements of Corporate Governance in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange.

Rule No.	Subject	Applicable requirement	Compliance Status	Details
9.2	Policies	Establish and maintain the following policies (a) Matters relating to the Board of Directors (b) Board Committees (c) Corporate Governance, Nominations and Re-election (d) Remuneration (e) Internal Code of Business conduct and Ethics for Directors and Employees, including trading in securities (f) Risk management and Internal controls (g) Relations with Shareholders and Investors (h) Environmental, Social and Governance Sustainability (i) Control and Management of Company Assets and Shareholder Investments (j) Corporate Disclosures (k) Whistleblowing (l) Anti-Bribery and Corruption	Complied	
9.3.1	Board Committees	Ensure following Board Committees are established and maintained. (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	Complied	Please refer page 07 and 08.
9.3.2	Board Committees	Comply with the composition, responsibilities and disclosures	Complied	Please refer page 11 to 15.
9.3.3	Board Committees	The Chairperson of the Board shall not be the Chairperson of the Board Committees	Complied	
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of General Meetings.		Complied	
9.5	Policy on matters relating to the Board of Directors	Establish and maintain a formal policy governing matters relating to the Board of Directors.	Complied	
9.6	Chairperson and CEO	The Chairperson shall be a Non-Executive Director and shall not be the same individual as the CEO.	Complied	
9.7	Fitness of Directors and CEO	Ensure that the Directors and the CEO are, at all times, fit and proper persons All Directors shall annually declare their fitness Include the required disclosures/reports in the Annual Report	Complied	

CORPORATE GOVERNANCE

Rule No.	Subject	Applicable requirement	Compliance Status	Details
9.8	Board Composition	The Board of Directors shall consist of a minimum of five (05) Directors of which one third of the total, Independent Directors. Independent Directors shall annually declare their independence	compliant	
9.9	Alternate Directors	Alternate Directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment	Compliant	
9.10	Disclosures relating to Directors		Compliant	
9.11	Nominations and Governance Committee		Compliant	
9.12	Remuneration Committee		Compliant	Report on page 13.
9.13	Audit Committee		Compliant	Report on page 12.
9.14	Related Party Transactions Review Committee (RPTRC)		Compliant	Report on page 14 and 15.
9.16	Additional Declarations		Compliant	Refer pages 06 and 07.

CORPORATE GOVERNANCE

B) CONTINUING LISTING REQUIREMENTS - SECTION 7.6			
This section covers Mercantile Shipping Company PLC's extent of adherence to the requirements of the Continuing Listing Requirements of Section 7.6 of the Listing Rules of the Colombo Stock Exchange.			
Rule No.	Subject Description	Status of Compliance	Section reference in the Annual Report
7.4 INTERIM FINANCIAL STATEMENTS			
a & b	Prepare and submit Interim Financial Statements to the Exchange for public release.	Complied	
7.5. CIRCULATION OF ANNUAL REPORT			
a & b	Ensure that the annual report is sent to all its Shareholders and given to the Exchange within a period not exceeding five (05) months from the end of the financial year.	Complied	
7.6 Contents of the Annual Report			
(i)	Names of persons who during the financial year were directors of the Entity.	Complied	Annual Report of the Board of Directors on page 11.
(ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein.	Complied	Annual Report of the Board of Directors on page 06 to 08.
(iii)	Names and number of shares held by the 20 largest holders of voting and non-voting shares denominated in LKR or any Other Class of Shares denominated in Foreign Currency and the percentage of such shares held.	Complied	Shareholder information on page 51 to 53.
(iv)	Float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Complied	Shareholder information on page 51.
(v)	A statement of each Director's and Chief Executive Officer's holding in each class of shares of the Entity denominated in LKR and in Foreign Currency (as applicable).	Complied	Shareholder information on page 51.
(vi)	Information pertaining to material foreseeable risk factors of the Entity.	Complied	
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Complied	During the year under review, there were no material issues pertaining to employees and industrial relations of the Company.
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Complied	Notes 12.5 and 12.7 to the Financial Statements.
(ix)	Number of shares representing the Entity's stated capital.	Complied	Note 17 to the Financial Statements.
(x)	Distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	Shareholder information on page 51 to 53.

CORPORATE GOVERNANCE

Rule No.	Subject Description	Status of Compliance	Section reference in the Annual Report
(xi)	Ratios and market price information on the shares of the Entity.	Complied	Please refer page 52 and 54.
(xii)	Significant changes in the Entity's or its subsidiaries' fixed Public assets and the market value of land, if the value differs substantially from the book value	Complied	Please refer Note 12 to the Financial Statements.
(xiii)	Information pertaining to funds raised through an Initial Public Offering and/or a further issue of Securities (as applicable) within the year	N/A	No fund raised during the year through a public issue, Rights Issue and a private placement.
(xiv)	Information in respect of Employee Share Option or Share Purchase Schemes.	N/A	The Company does not have any Employee Share Option or Share Purchase Schemes at present.
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules	Complied	Corporate Governance Report on page 11 to 19. for names of independent Directors; - page 08 Directors' profiles on page 09 to 10.
(xvi)	a) Details of Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. b) Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.	Complied	Please refer page 42 and 47.
(xvii)	Information in the event a Listed Entity has its Foreign Currency denominated Securities listed on the Exchange.	N/A	
(xviii)	Information in the event a Listed Entity has listed Sustainable Bonds on the Exchange.	N/A	
(xix)	Information if the Entity has listed any Perpetual Debt Securities on the Exchange;	N/A	
(xx)	Information pertaining to Infrastructure Bonds Listed on the Exchange,	N/A	
(xxi)	Information pertaining to listed Shariah Compliant Debt Securities on the Exchange.	N/A	
7.8	Disclosures of dealings by directors and chief executive officers	Complied	
7.13	Minimum public holding as a continuous listing requirement	Complied	

INDEPENDENT AUDITOR'S REPORT



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Chartered Accountants
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ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MERCANTILE SHIPPING COMPANY PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mercantile Shipping Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2025, and of their 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 Group in accordance with the Code of Ethics

for Professional Accountants 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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters 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 misstatement of the financial 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.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeemani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranaavitane ACA ACMA LLB (Colombo), B Vasanathan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACA, D L B Karunathilaka ACA, W S J De Silva BSc (Hons) - MIS MSc - IT, V ShaktiPrave B.Com (Sp), M U M Mansoor ACA

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the key audit matter
Assessment of fair value of Investment Properties	Our audit procedures included the following:
<p>As at 31 March 2025, the Group carried Investment Properties at cost in accordance with its accounting policy disclosed in Note 3.5 to the financial statements.</p> <p>As disclosed Note 12.5, fair value of such investment properties amounted to Rs. 444.2 million.</p> <p>Assessment of fair value of investment properties disclosed in Note 12.5 was a key audit matter due to;</p> <ul style="list-style-type: none"> The degree of assumptions, judgments and estimation uncertainties associated with assessing fair value. <p>Key areas of significant judgments estimate, and assumptions used in assessing the fair value included judgements involved in ascertaining the appropriate valuation techniques and estimates such as;</p> <ul style="list-style-type: none"> Price per perch for valuation of land. Rent per sq. ft., for valuation of buildings, <p>as disclosed in note 12.5 to the financial statements</p>	<ul style="list-style-type: none"> We assessed the competency, capability, and objectivity of the external valuer engaged by the company. We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property. We assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as price per perch for valuation of land, rent per sq. ft., for valuation of buildings, and valuation techniques as relevant in assessing the fair value of each property. We also assessed the adequacy of the disclosures made in note 12.5 to the Financial Statements.

Other Information included in the 2025 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do 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 misstated.

Responsibilities of the 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group'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 scepticism 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 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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 and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

- 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 Group'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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

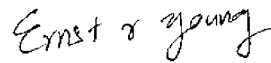
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 8513.



25 July 2025

Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March		Group		Company	
	Note	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Revenue	5	20,203,863	18,444,324	20,203,863	18,444,324
Cost of Sales		(3,059,604)	(3,261,113)	(3,059,604)	(3,261,113)
Gross Profit		17,144,259	15,183,211	17,144,259	15,183,211
Other Income	6	199,901	245,443	199,901	245,443
Administrative Expenses		(21,490,828)	(23,440,221)	(21,389,528)	(23,338,021)
Operating Loss		(4,146,668)	(8,011,567)	(4,045,368)	(7,909,367)
Finance Cost	7.1	(177,464)	(425,331)	(177,464)	(425,331)
Finance Income	7.2	3,817,724	6,138,738	3,817,724	6,138,738
(Loss)/Profit before Tax	8	(506,408)	(2,298,160)	(405,108)	(2,195,961)
Total Income Tax Charge/(Reversal) for the Year	9	539,275	208,061	539,275	208,061
(Loss)/Profit for the year		(1,045,683)	(2,090,099)	(944,383)	(1,987,899)
Other Comprehensive Income/(Loss)					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Actuarial Gain/(loss)	19	(181,000)	(577,444)	(181,000)	(577,444)
Deferred tax on Actuarial (Gain)/loss	9.3	54,300	173,233	54,300	173,233
Other Comprehensive Income for the year, net of tax		(126,700)	(404,211)	(126,700)	(404,211)
Total Comprehensive Income/(Loss) for the year, net of tax		(1,172,383)	(2,494,309)	(1,071,183)	(2,392,110)
Profit/(Loss) attributable to Equity Holders of the parent		(1,045,683)	(2,090,099)	(944,383)	(1,987,899)
Total comprehensive Income/(Loss) attributable to Equity Holders of the parent		(1,172,383)	(2,494,309)	(1,071,083)	(2,392,110)
Basic/Diluted (Loss)/Earnings per Share	10	(0.37)	(0.73)	(0.33)	(0.70)

The Accounting Policies and Notes on pages 09 through 36 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	36,458	101,204	36,458	101,204
Investment Property	12	34,579,774	37,095,501	34,579,774	37,095,501
Investments in Subsidiaries	13	-	-	15,000,060	15,000,060
Deferred Tax Asset	9.3	496,026	642,036	496,026	642,036
		35,112,258	37,838,741	50,112,318	52,838,801
Current Assets					
Other Receivables	15	9,575,442	7,399,671	9,575,442	7,399,671
Advances and Prepayments		1,051,539	1,014,837	1,051,539	1,014,837
Other Current Financial Assets	14.1	46,963,036	49,663,815	46,963,036	49,663,815
Cash and Cash Equivalents	16	890,113	375,865	811,223	296,975
		58,480,132	58,454,188	58,401,240	58,375,299
Total Assets		93,592,390	96,292,929	108,513,558	111,214,100
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	17	37,262,606	37,262,606	37,262,606	37,262,606
Retained Earnings		39,673,891	40,846,272	28,651,733	29,722,816
Total Equity		76,936,497	78,108,878	65,914,339	66,985,422
Non-Current Liabilities					
Retirement Benefit Liability	19	1,647,592	1,260,198	1,647,592	1,260,198
		1,647,592	1,260,198	1,647,592	1,260,198
Current Liabilities					
Trade and Other Payables	20	14,096,031	12,226,617	40,039,356	38,271,244
Interest Bearing Loans and Borrowings	18	-	4,120,416	-	4,120,416
Income Tax Payable		912,270	576,820	912,270	576,820
		15,008,301	16,347,034	40,951,626	42,968,480
Total Equity and Liabilities		93,592,390	96,292,929	108,513,558	111,214,100
Net Assets/(Liability) per Share		27.04	27.45	23.17	23.55

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

C.C. Wickramatileka
Chief Financial Officer

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

H.A.R.K. Wickramatileka
Chairman

C.P.P.G. Hapudeniya
Director

The Accounting Policies and Notes on pages 09 through 36 form an integral part of these Financial Statements.

Colombo
25 July 2025

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital Rs.	Retained Earnings/ (Losses) Rs.	Total Equity Rs.
Balance as at 01 April 2023	37,262,606	43,340,582	80,603,188
Loss for the year	-	(2,090,098)	(2,090,098)
Other Comprehensive Loss	-	(404,211)	(404,211)
Total Comprehensive Loss	-	(2,494,309)	(2,494,309)
Balance as at 31 March 2024	37,262,606	40,846,273	78,108,879
Profit / (Loss) for the year	-	(1,045,683)	(1,045,683)
Other Comprehensive Income	-	(126,700)	(126,700)
Total Comprehensive Loss	-	(1,172,383)	(1,172,383)
Balance as at 31 March 2025	37,262,606	39,673,891	76,936,497

Company	Stated Capital Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2023	37,262,606	32,114,926	69,377,532
Profit for the year	-	(1,987,899)	(1,987,899)
Other Comprehensive Income	-	(404,211)	(404,211)
Total Comprehensive Income	-	(2,392,110)	(2,392,110)
Balance as at 31 March 2024	37,262,606	29,722,816	66,985,422
Loss for the year	-	(944,383)	(944,383)
Other Comprehensive Income	-	(126,700)	(126,700)
Total Comprehensive Income	-	(1,071,083)	(1,071,083)
Balance as at 31 March 2025	37,262,606	28,651,733	65,914,339

The Accounting Policies and Notes on pages 09 through 36 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the Year ended 31 March	Note	Group		Company	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Cash Flows from/(used in) Operating Activities					
Profit/(Loss) before tax		(506,408)	(2,298,160)	(405,108)	(2,195,960)
Adjustment For					
Depreciation		2,580,473	2,613,414	2,580,473	2,613,414
Fair Value Adjustment of Investments		5,712	(39,984)	5,712	(39,984)
Finance Cost	7.1	177,464	425,331	177,464	425,331
Finance Income	7.2	(3,817,724)	(6,138,738)	(3,817,724)	(6,138,738)
Provision for Gratuity	19	206,394	187,471	206,394	187,471
Dividend Income Received		(83,691)	(125,075)	(83,691)	(125,075)
Operating Profit/(Loss) before Working Capital Changes		(1,437,780)	(5,375,741)	(1,336,480)	(5,273,541)
(Increase)/Decrease in Trade and Other Receivables		(195,037)	(849,341)	(195,037)	(849,341)
(Increase)/Decrease in Advance and Prepayment		(36,701)	157,186	(36,701)	157,186
Increase/(Decrease) in Trade and Other Payables		1,869,413	1,179,358	1,768,112	1,077,217
Cash Generated from/(Used in) Operations		199,895	(4,888,538)	199,894	(4,888,479)
Finance Cost Paid		(177,464)	(425,331)	(177,464)	(425,331)
Income Tax (Paid)/Credit		(1,984,248)	(2,079,156)	(1,984,248)	(2,079,156)
Gratuity Paid		-	(512,500)	-	(512,500)
Net Cash Generated from/(Used in) Operating Activities		(1,961,817)	(7,905,525)	(1,961,818)	(7,905,466)
Cash Flows from/(used in) Investing Activities					
Finance Income Received		5,099,503	9,595,271	5,099,503	9,595,271
Investment in Fixed Deposits		1,413,287	(4,435,398)	1,413,287	(4,435,398)
Investment in Subsidiary		-	-	-	(60)
Dividend Received		83,691	125,075	83,691	125,075
Net Cash Generated from/(Used in) Investing Activities		6,596,481	5,284,948	6,596,481	5,284,888
Cash Flows used in Financing Activities					
		-	-	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents					
		4,634,664	(2,620,577)	4,634,663	(2,620,578)
Cash and Cash Equivalents at the beginning of the year		(3,744,551)	(1,123,974)	(3,823,441)	(1,202,864)
Cash and Cash Equivalents at the end of the year	16	890,113	(3,744,551)	811,223	(3,823,441)

The Accounting Policies and Notes on pages 09 through 36 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Mercantile Shipping Company PLC ("the Company") is a Public Limited Liability company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and the principal place of business are located at No.108, Aluthmawatha Road, Colombo 15.

The Consolidated Financial Statements of Mercantile Shipping Company PLC for the year ended 31 March 2025 comprises of the Company and its subsidiary, Mercantile Global Shipping Limited (together "the Group").

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Group were as follows:

Mercantile Shipping Company PLC

During the year, the principal activities of the Company were carrying out investment activities and carrying out renting of investment properties.

Subsidiaries

The consolidated financial statements of the Group include:

Name	Principal Activity	County of Incorporation	% Of Equity Interest	
			2025	2024
Mercantile Global Shipping Limited	Dormant Company	Sri Lanka	100 %	100 %

Ultimate Parent Entity

Mercantile Shipping Company PLC does not have a parent of its own. Mercantile Shipping Company PLC is the ultimate parent of the Group.

1.3 Date of Authorization for Issue

The Financial Statements of Mercantile Shipping Company PLC for the year ended 31 March 2025 were authorized for issue in accordance with a resolution of the Board of Directors on 25 July 2025.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

Consolidated Financial Statements of the Group and the Financial Statements of the Company, which comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of Measurement

The Financial Statement of the Company and the Group have been prepared on the historical cost basis except for investments in quoted equity shares measured at fair value (Note 14.1.1) and retirement benefit obligation calculated using projected unit credit method as recommended by LKAS 19 - "Employee Benefits".

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees which is the Company's functional and

presentation currency, except when otherwise indicated. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

All financial information presented in Sri Lankan Rupees has rounded to the nearest rupee, except when otherwise indicated.

2.4 Going Concern

The Board of Directors of the Group evaluated the appropriateness of using going concern assumption across the Group in preparing Financial Statements for the year ended 31 March 2025 based on available information. In this exercise, the Board identified while there is no threat on the going concern aspect of the Mercantile Shipping Company PLC with its current investment properties. The parent company has sufficient financial resources and means of business. The Board of Directors is committed to the continuance of the Group and do not intend either to liquidate or to cease trading in the foreseeable future.

The Consolidated Financial Statements have been prepared on a going concern basis taking into consideration of the financial statements of the Mercantile Shipping Company PLC. The financial statements of Mercantile Global Shipping Limited have been prepared on other than going concern basis.

2.5 Comparative information

The consolidated financial statements provide comparative information in respect of the previous period. The Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2.6 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of Mercantile Shipping Company PLC and its subsidiary Mercantile Global Shipping Limited for the financial year ended 31 March 2025.

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been applied consistently with those used in the previous year.

3.1 Foreign Currency Translation

The Group's consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Gain or loss arising on translation of non-monetary items is recognized in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain, or loss is recognized in other comprehensive income or profit, or loss is also recognized in other comprehensive income or profit or loss respectively).

3.2 Statement of Profit or Loss and Other Comprehensive Income

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income, the function of expenses method is adopted, as it represents fairly the elements of the Group performance.

3.2.1 Revenue

The Group's revenue comprises of rental income.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

In determining the transaction price for the revenue contracts, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration to the customer (if any).

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In determining the transaction price for the revenue contracts, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration to the customer (if any).

The following specific recognition criteria must also be met before revenue is recognised:

a) Rental Income

The company has entered into operating leases on investment properties.

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term and is included under Revenue of the Company.

NOTES TO THE FINANCIAL STATEMENTS

3.2.2. Finance Income

a) Rental Income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR) method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Statement of Profit or Loss.

b) Gains and Losses

Net Gains and losses of a revenue nature on the disposal of property, plant and equipment and other non-current assets including investments have been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

c) Other Income

Other income is recognized on an accrual basis.

3.2.4. Expenses

All expenditure incurred in running the business have been charged to profit or loss for the year.

Finance costs

Finance costs mainly comprise of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in Statement of Profit or Loss using the effective interest method.

3.3 Taxation

a) Current Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in Statement of Other Comprehensive Income is also recognized in Statement of Other Comprehensive Income and not in the Statement of Profit or Loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred Taxation

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside Statement of Profit or Loss is recognized outside Statement of Profit or Loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

NOTES TO THE FINANCIAL STATEMENTS

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.4 Property, Plant and Equipment

3.4.1 Initial Recognition and Basis of Measurement

Property, Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Statement of Profit or Loss as incurred.

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

3.4.2 Subsequent Costs

The cost of replacing a component of an item of Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of Property, Plant and Equipment are recognized in profit and loss as incurred.

3.4.3 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognized on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognized in profit and loss and gains are not classified as revenue.

3.4.4 Depreciation

Depreciation is recognized in the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Office Equipment	4 Years
Motor Vehicles	4 Years
Air Conditioning Equipment	4 Years
Computer Equipment	4 Years
Generator	4 Years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3.5 Investment Property

Investment properties are carried at historical cost less provision for amortization and impairment. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the Statement of Profit or Loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

If the property occupied by the Group as the owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Investment property of the Group is amortized over a period of 20 years on a straight-line basis.

3.6 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

3.7 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term deposits less than three months, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

3.8 Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

3.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

3.9.1 Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the

Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

3.9.2 Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories.

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The majority of the financial assets of the Company represent financial assets at amortized cost (debt instruments). Prior to the adoption of SLFRS 9, financial assets at the amortized cost were classified as loans and receivables. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS

The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables and other financial assets.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

3.9.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e: removed from the Group's financial position) when:

The rights to receive cash flows from the asset have expired.

Or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- a) the Company has transferred substantially all the risks and rewards of the asset, or
- b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.9.4 Impairment of financial assets

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective

interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the requirement for an impairment is analysed at each reporting date on an individual basis for all customers. All individually significant customers are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

3.9.5 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, interest bearing loans and borrowings including bank overdrafts.

Company does not have financial liabilities at fair values through profit and loss and derivative financial instruments.

(b) Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Comprehensive Income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms

NOTES TO THE FINANCIAL STATEMENTS

of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

3.9.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

3.9.7 Fair Value Measurements

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the note 14.3.1

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.9.8 non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset, and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Disclosures are provided in Note 17. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.9.9 Employee Benefits

3.9.9.1 Defined Contribution Plans - Employees' Provident Fund and Employees Trust Fund

Employees provident Fund Contributions and Employees'

NOTES TO THE FINANCIAL STATEMENTS

Trust Fund Contributions will continue in line with respective Statutes and Regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employee Provident Fund and Employees' Trust Fund respectively.

a) Defined Benefit Plan - Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated using Projected Unit Credit (PUC) method as recommended by LKAS 19 - "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 9. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The gratuity liability is not externally funded.

3.9.9.2 Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.9.10 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.9.11 Leases

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.9.12 Earnings per Share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.9.13 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method". Finance costs paid is classified as an operating cash flow. Loan Repayments and Proceeds have been classified as financing cash flows.

Cash and Cash in hand and bank and short term deposits with a maturity of three months or less in the Statement of Financial Position comprise cash at banks and cash on hand and short term deposits.

3.9.14 Significant accounting Estimates, Judgments and Assumptions

The preparation of the Group's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions, concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its estimates assumptions and judgements on parameters available when the Consolidated Financial Statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer to Note 9.

b) Owner Occupied Properties and Investment Property

In determining if a property qualifies as an Investment Property, the Group makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

NOTES TO THE FINANCIAL STATEMENTS

c) Defined Benefit Plans

The cost of the retirement benefit plan of employees is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, special premium, and retirement age and going concern of the Company. Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

d) Recoverability of VAT Receivables

The Group applies judgment in evaluating the recoverability of VAT receivable from Department of Inland Revenue. It considers the probability of recovery taking account of factors such as age / long - outstanding nature of such balances.

3.9.15 Segmental Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. For management purposes, the Group is organized into one operating segment based on their services, which is rent income from investment property. Vessel operation is now classified as discontinued operations.

There are no significant components to be identified other than rent income in the group and those are the only significant businesses undertaking within the Group Companies.

This operating segment's operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4. EFFECTS OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

4.1.1 Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

4.1.2 Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

4.1.3 Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

4.1.4 International Tax Reform-Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

5. REVENUE

	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Rent Income	20,203,863	18,444,324	20,203,863	18,444,324
	20,203,863	18,444,324	20,203,863	18,444,324

6. OTHER INCOME AND GAINS

	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Dividend Income	83,691	125,075	83,691	125,075
Interest on Security Deposit	126,287	103,949	126,287	103,949
Exchange Gain /(Loss)	(4,365)	(23,565)	(4,365)	(23,565)
Fair Value gain on Equity Investments	(5,712)	39,984	(5,712)	39,984
	199,901	245,443	199,901	245,443

7. FINANCE COST AND INCOME

	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
7.1 Finance Cost				
Interest on Term Loans and Overdrafts	177,464	425,331	177,464	425,331
	177,464	425,331	177,464	425,331
7.2 Finance Income				
Interest Income	3,817,724	6,138,738	3,817,724	6,138,738
	3,817,724	6,138,738	3,817,724	6,138,738

8. PROFIT / (LOSS) BEFORE TAX

	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Included in Cost of Sales				
Stated after charging				
Depreciation - Investment Property	2,515,727	2,515,727	2,515,727	2,515,727
Included in Administrative Expenses				
Stated after charging				
Employee Benefits including the following ;				
- Defined Benefit Plan Costs - Gratuity	206,394	187,471	206,394	187,471
- Defined Contribution Plan Costs - (EPF and ETF)	354,600	416,325	354,600	416,325
- Salaries and Wages	5,889,788	6,272,576	5,889,788	6,272,576
Directors' Emoluments	3,850,000	3,940,000	3,850,000	3,940,000
Depreciation - Property, Plant and Equipment	64,746	97,687	64,746	97,687
Professional Fees	1,682,032	1,155,771	1,645,332	1,102,071
Audit Fees and Reimbursable Expenses	987,115	708,500	937,115	660,000

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

9. INCOME TAX EXPENSE

Group /Company
2025 2024
Rs. Rs.

The major components of income tax expense for the years ended 31 March are as follows :

Current Income Tax

Current Income Tax Expense for the Year (Note 9.1)

338,964 -

Deferred Income Tax

Deferred Tax Charge/(Reversal) for the Year (Note 9.3)

200,311 (208,061)

Total Income tax Charge/ (Reversal) for the Year

539,275 (208,061)

9.1 A reconciliation between income tax expense and the product of accounting profit/ (Loss) multiplied by the statutory tax rate is as follows;

	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Accounting Profit/(Loss) Before Tax	(506,408)	(2,298,160)	(405,108)	(2,195,960)
Aggregate Disallowed Items	2,796,944	3,140,157	2,796,944	3,140,157
Aggregate Allowable Expenses and Other Income	(78,150)	(765,492)	(78,150)	(765,492)
Investment Income	(3,944,011)	(6,367,762)	(3,944,011)	(6,367,762)
Non-Taxable Income	(83,691)	(39,984)	(83,691)	(39,984)
Business income	(1,815,316)	(6,331,241)	1,714,016	(6,229,041)
Interest income	3,944,011	6,242,687	3,944,011	6,242,687
Dividend Income	83,691	125,075	83,691	125,075
Less: Exempt Amount	(83,691)	(125,075)	(83,691)	(125,075)
Less: Losses Claimed (Note 9.5)	(2,814,131)	(6,242,686)	(2,814,131)	(6,242,686)
Taxable income / (Loss)	-	-	-	-
Income Tax - 30% at Normal Rate (2024 -30%)	338,964	-	338,964	-
Income Tax Expense reported in the Statement of profit or loss	-	-	-	-
(Over)/Under provision in respect of prior years	-	-	-	-
Deferred Tax Charge/(Reversal) for the Year	200,311	(208,061)	200,311	(208,061)
Income tax expenses reported in the income statement	539,275	(208,061)	539,275	(208,061)

9.2 General Provisions

Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 24 of 2017 as amended.

Group is liable to income tax during the year of assessment 2024/25 at the rate of 30 % (Y/A 2023/24- 30%)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

9.3 Deferred Tax Assets, Liabilities and Income Tax Relates to the Followings

	Statement of Financial Position		Group/Company Statement of Profit or Loss		Statement of other comprehensive income	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Deferred Tax (Asset)/Liability						
Capital Allowances for Tax purposes	(437)	(3,584)	3,146	(292,361)	-	-
Unrealised Exchange Loss	(1,310)	(7,070)	5,760	(14,731)	-	-
	(1,747)	(10,653)	8,906	(307,092)	-	-
Deferred Tax Assets						
Brought forward tax losses	-	253,323	(253,323)	(1,522)	-	-
Retirement Benefit Obligation	494,278	378,059	61,919	(97,509)	54,300	(173,233)
	494,278	631,382	(191,404)	(99,031)	54,300	(173,233)
Deferred Income Tax Charge/ (Reversal)	-	-	200,311	(208,061)	(54,300)	173,233
Net Deferred Tax (Asset)/Liability	(496,025)	(642,036)				

9.4 Reconciliation of Deferred Tax Charge / (Reversal)

	2025 Rs.	2024 Rs.
Deferred Tax (Asset) Liability as 01 April	(642,036)	(260,742)
Deferred Tax Charge reported in the Statement of Profit or Loss	200,311	(208,061)
Deferred Tax Charge reported in the Statement of other comprehensive income		
- Tax Effect of Actuarial (Gain)/Loss	(54,300)	(173,233)
Deferred Tax (Asset) /Liability as 31 March	(496,026)	(642,036)

Deferred tax was established at income tax rate of 30% (2024 - 30%)

9.4.1 Reconciliation of Deferred Tax (Charge) / Reversal

	2025 Rs.	2024 Rs.
Deferred Tax (Charge) /Reversal on other temporary differences recognised under Comprehensive Income	200,311	(208,061)
Deferred Tax effect from change in tax rate recognised under Comprehensive Income	-	-
	200,311	(208,061)
Deferred Tax (Charge) /Reversal on other temporary differences recognised under Other Comprehensive Income	(54,300)	(173,233)
Deferred Tax effect from change in tax rate recognised under Other Comprehensive Income	-	-
	(54,300)	(173,233)

9.5 Tax Losses

	Company	
	2025 Rs.	2024 Rs.
Tax Loss Brought Forward	844,408	849,484
Adjustment in respect of previous years	255,707	8,571
Tax Loss Incurred During the Year	1,714,016	6,229,040
Tax Loss Utilized During the Year	(2,814,131)	(6,242,687)
Tax Losses Carried Forward	-	844,408

The carried forward tax losses of the Company amounting to Rs.0/- (2024 - Rs.844,408/-) is available for 6 years for offset against future assessable income of the Company. Deferred tax asset has been recognized on the said carried forward tax losses as the Company assesses with reasonable certainty that the taxable profit would be available to recover the asset in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

10. BASIC/DILUTED EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

Amount used as the Numerator:

	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Profit/Loss attributable to ordinary equity holders of the parent	(706,719)	(2,090,099)	(605,419)	(1,987,899)
	(706,719)	(2,090,099)	(605,419)	(1,987,899)
Number of Ordinary Shares used as the Denominator	Number	Number	Number	Number
Weighted Average Number of Ordinary Shares in issue applicable to Basic Earnings Per Share	2,844,990	2,844,990	2,844,990	2,844,990
Basic/Diluted (Loss)/Earnings per Share	(0.37)	(0.73)	(0.33)	(0.70)

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group/Company

11.1.1 Gross Carrying Amounts

	Balance As at 01.04.2024 Rs.	Additions during the year Rs.	Adjustments during the year Rs.	Balance As at 31.03.2025 Rs.
At Cost				
Office Equipment	190,500	-	-	190,500
Motor Vehicles	174,990	-	-	174,990
Air-conditioning Equipment	12,438,040	-	-	12,438,040
Computers	1,252,130	-	-	1,252,130
Generator	925,000	-	-	925,000
Total Gross Carrying Amount	14,980,660	-	-	14,980,660

11.1.2 Depreciation

	Balance As at 01.04.2024 Rs.	Charge for the year Rs.	Adjustments during the year Rs.	Balance As at 31.03.2025 Rs.
At Cost				
Office Equipment	110,292	43,750	-	154,042
Motor Vehicles	174,990	-	-	174,990
Air-conditioning Equipment	12,438,040	-	-	12,438,040
Computers	1,231,134	20,996	-	1,252,130
Generator	925,000	-	-	925,000
Total Depreciation	14,879,456	64,746	-	14,944,202

11.1.3 Net Book value

	2025 Rs.	2024 Rs.
At Cost		
Office Equipment	36,458	80,208
Computers	-	20,996
Total Carrying Amount	36,458	101,204

11.1.4 During the financial year, the Group has not acquired Property, Plant and Equipment (2024-Nil).

11.1.5 As at 31 March 2025, the Group had fully depreciated assets still in use amounting to Rs. 14,805,660 (2024- Rs.14,589,909).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

12. INVESTMENT PROPERTY

	Group / Company	
	2025	2024
	Rs.	Rs.
12.1 Cost		
As at 1 April	96,427,747	96,427,747
As at 31 March	96,427,747	96,427,747
12.2 Depreciation		
As at 1 April	59,332,246	56,816,519
Charge for the Year	2,515,727	2,515,727
As at 31 March	61,847,973	59,332,246
Net Book Value	34,579,774	37,095,501
12.3 Amount recognised in the statement of profit or loss for the investment property		
Rental income from the investment property	20,203,863	18,444,324
Direct operating expenses for the investment property	1,227,684	2,189,571
Depreciation	2,515,727	2,515,727
12.4 Leasing arrangements		
Minimum lease payments receivable on leases of investment property is as follows.		
Less than one year	22,796,398	17,193,898
One to two years	22,998,898	-
12.5 Fair values of the investment properties have been assessed by an independent incorporated professional valuer Mr.S.N. Tennakoon on 31, March 2025 and such fair value has been estimated as Rs. 444,200,000/- on an cost approach.		
The Significant assumptions used by the valuer for the year 2024/2025 are also same as used in the year 2023/2024.		

Significant valuation input:

	Property located at,	
	No. 441, K Cyril C Perera Mawatha, Colombo 13.	No. 108, Aluthmawatha Road, Colombo 15.
Land and Building - Value	Rs. 115,000,000	Rs. 329,200,000
Estimated Price per perch	Rs. 6,300,000	Rs. 8,500,000
Estimated Price per square ft.	Rs. 8,500	Rs. 8,000

Significant increases/(decreases) in estimated price per square meter in isolation would result in a significantly higher/ (lower) fair value.

- 12.6** Fair value of the investment property is ascertained by independent valuations carried out by Mr. S. N Tennakoon, a chartered valuer, who has recent experience in valuing properties of similar location and category in determining the fair value of the land and building .The Cost Approach Method has been used in determine the fair value of land and buildings, make reference to market Approach of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

12.7 Information on the Freehold Land and Buildings of the Group/Company

Company	Address	Ownership	Extent	No. of Buildings	Included Under
Mercantile Shipping Company PLC	No.441, K Cyril C Perera Mawatha, Colombo 13.	Freehold	10.79 Perches	1	Investment Property
Mercantile Shipping Company PLC	No.108, Aluthmawatha Road, Colombo 15.	Freehold	25.20 Perches	1	Investment Property

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

13. INVESTMENT IN SUBSIDIARY

13.1 Non-Quoted

	Country of Incorporation	Holding 2025 %	2024 %	2025 Rs.	2024 Rs.
Mercantile Global Shipping Limited	Sri Lanka	100%	100%	15,000,060	15,000,000
Total Carrying Value of Investment in Subsidiary				15,000,060	15,000,000

Investment in subsidiary is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiary is immediately recognised in the income statement. After the initial recognition, Investments in subsidiary is carried at cost less any accumulated impairment losses.

13.2 Provision for impairment of investments in subsidiary

Impairment provision is recognized to the extent that exceeds the carrying value over the investee's recoverable value as at the recognised date.

14. OTHER FINANCIAL ASSETS

14.1 Other Current Financial Assets

	Group 2025 Rs.	2024 Rs.	Company 2025 Rs.	2024 Rs.
Financial Assets at Fair Value through profit or loss				
Quoted Equity Shares (Note 14.1.1)	721,140	726,852	721,140	726,852
	721,140	726,852	721,140	726,852
Financial Assets at Amortised Cost				
Fixed Deposits	46,241,896	48,936,963	46,241,896	48,936,963
	46,241,896	48,936,963	46,241,896	48,936,963
Total other current financial assets	46,963,036	49,663,815	46,963,036	49,663,815

14.1.1 Investments in Quoted Equity Securities

	No. of Shares 2025 Number	2024 Number	Amount 2025 Rs.	2024 Rs.
Lanka Walltiles PLC	14,280	14,280	721,140	726,852
	14,280	14,280	721,140	726,852

14.2 Fair value Measurement of Financial Instruments

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- The fair value of the quoted shares is determined by reference to published price quotation in an active market.

14.2.1 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 March 2025, the Group held the following financial instruments carried at fair value on the statement of financial position:

	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
As at 31 March 2025				
Financial assets at fair value through profit or loss				
Quoted Equity Shares	721,140	721,140	-	-
As at 31 March 2024				
Financial assets at fair value through profit or loss				
Quoted Equity Shares	726,852	726,852	-	-

During the reporting period ended 31 March 2025 and 31 March 2024 there were no transfers between Level 1 and Level 2 fair value measurements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

15. OTHER RECEIVABLES

	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Other Receivables	8,263,385	6,084,101	8,263,385	6,084,101
Refundable Deposits	738,750	738,750	738,750	738,750
	9,002,135	6,822,851	9,002,135	6,822,851
VAT Receivables (Note 15.1)	-	9,605,625	-	9,605,625
(-) Provision for VAT Receivables	-	(9,605,625)	-	(9,605,625)
	9,002,135	6,822,851	9,002,135	6,822,851

15.1 The VAT receivable (Refunds) processed and set off against Tax Payable.

16. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Favorable Cash and Cash Equivalent Balances				
Bank Balances	890,113	375,865	811,223	296,975
	890,113	375,865	811,223	296,975
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	-	(4,120,416)	-	(4,120,416)
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	890,113	(3,744,551)	811,223	(3,823,441)

17. STATED CAPITAL

Fully Paid Ordinary Shares

	2025		2024	
	Number	Rs.	Number	Rs.
As at 1 April	2,844,990	37,262,606	2,844,990	37,262,606
As at 31 March	2,844,990	37,262,606	2,844,990	37,262,606

18. OTHER FINANCIAL LIABILITIES

18.1 Group

Interest Bearing Loans and Borrowings

	2025 Amount Repayable Within 1 Year Rs.	2025 Amount Repayable After 1 Year Rs.	2025 Total Rs.	2024 Amount Repayable Within 1 Year Rs.	2024 Amount Repayable After 1 Year Rs.	2024 Total Rs.
Bank Overdraft (Note 16)	-	-	-	4,120,416	-	4,120,416
	-	-	-	4,120,416	-	4,120,416

18.2 Company

Interest Bearing Loans and Borrowings

	2025 Amount Repayable Within 1 Year Rs.	2025 Amount Repayable After 1 Year Rs.	2025 Total Rs.	2024 Amount Repayable Within 1 Year Rs.	2024 Amount Repayable After 1 Year Rs.	2024 Total Rs.
Bank Overdraft (Note 16)	-	-	-	4,120,416	-	4,120,416
	-	-	-	4,120,416	-	4,120,416

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

19. RETIREMENT BENEFIT OBLIGATION

Defined Benefit Obligation - Gratuity	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
As of 01 April	1,260,198	1,007,783	1,260,198	1,007,783
Paid during the year	-	(512,500)	-	(512,500)
Charge for the year	80,374	94,013	80,374	94,013
Interest for the year	126,020	93,458	126,020	93,458
Actuarial (Gain)/Loss	181,000	577,444	181,000	577,444
As of 31 March	1,647,592	1,260,198	1,647,592	1,260,198

The expenses are recognised in the following line items in the statement of profit or loss.

Administrative Expenses	206,394	187,471	206,394	187,471
Other comprehensive income	181,000	577,444	181,000	577,444

- 19.1** Actuarial valuation of the retirement benefit obligation for the company has been calculated internally as at 31st March 2025. The valuation method to value the liability is the 'Projected Unit Credit Actuarial Cost Method' recommended by LKAS 19. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

19.2 Principal assumptions used in determining the cost of retirement benefit are as follows	Group/Company	
	2025	2024
Discount rate as at 31 March	10.00%	12.00%
Future salary escalation	7.00%	11.00%
Retirement age	60 Years	60 Years
Staff turnover rate	0%	33%
Average remaining working life of employees	3 Years	4 Years

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

19.3 Sensitivity of assumptions employed in retirement benefit valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase/(decrease) in discount rate	Increase/(decrease) in salary escalation rate	Effect on the present value of defined benefit obligation	
		Group/Company	
		2025	2024
		Rs.	Rs.
1%		(41,426)	(32,637)
-1%		42,900	33,816
	1%	45,406	33,753
	-1%	(44,971)	(33,159)

- 19.4** Expected average future working life of the active participants is 3 years.

19.5 Maturity analysis of define benefit payment

	Group 2025 Rs.	Company 2024 Rs.
Within the next 12 months	815,631	-
Between 1-2 Years	-	924,364
Between 3-4 Years	831,961	335,893
	1,647,592	1,260,257

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

20. OTHER PAYABLES

	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Amounts Payable to Related Parties (Note 20.1)	-	-	28,172,769	28,280,089
Sundry Creditors including Accrued Expenses	11,920,325	10,050,913	11,866,582	9,991,151
VAT Payable	2,175,706	2,175,706	-	-
	14,096,031	12,226,619	40,039,356	38,271,240

20.1 Other Payable- Related Parties

	Relationship	Group		Company	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Mercantile Global Shipping Limited	Subsidiary	-	-	28,172,769	28,378,639

21. COMMITMENTS AND CONTINGENCIES

Group/Company

21.1 Capital Expenditure Commitments

The Company/Group does not have any significant capital commitments as at the reporting date.

21.2 Contingent Liabilities

A total damage claim of INR 58,153,461 which include deposit, repair cost and the losses and interest made in 2005 against the Chennai Port Trust, was ruled in favour of the company in 2021 by Madras high court, now stands in the court of Appeal and we await the outcome. (Reference disclosure note made on 20 January 2022).

22. ASSETS PLEDGED

There were no assets pledged as at the year end 31 March 2025.

23. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in these Financial Statements.

24. RELATED PARTY DISCLOSURES

The Group and Company carried out transactions in the ordinary course of business with the related entities.

Details of significant related party disclosures are as follows;

24.1 Transactions with Subsidiaries and Affiliates

Name of the Company and Relationship	Company				Group	
	Fully Owned Subsidiary		Affiliates		Affiliates	
	Mercantile Global Shipping Ltd		Mercantile Marine Management Ltd			
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Nature of Transaction						
As at 01 April	(28,280,089)	(28,378,639)	-	-	-	-
Settlement of Liabilities by the Company	107,320	98,550	-	-	-	-
Rent Charged	-	-	17,293,863	15,994,324	17,293,863	15,994,324
WHT Charge on Rent	-	-	(1,729,387)	(1,599,432)	(1,729,387)	(1,599,432)
Settlement of Rent	-	-	(14,274,934)	(14,394,892)	(14,274,934)	(14,394,892)
As at 31 March	(28,172,769)	(28,280,089)	1,289,542	-	1,289,542	-
Included in						
Trade and Other Payables (Note 20)	(28,172,769)	(28,280,089)	-	-	-	-
	(28,172,769)	(28,280,089)	-	-	-	-

Terms and Conditions of transactions with related parties

The transactions between related parties are made at commercial terms equivalent to those that prevail in arm's length transaction. Outstanding balances at the year end are unsecured and interest free settlement occurred in cash.

Affiliates Includes Mercantile Marine Management Limited.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

24.2 Following Directors are also Directors of the Related Entities

Name Of the Director	Mercantile Shipping Company PLC	Mercantile Global Shipping Limited	Mercantile Marine Management Limited	Reederi Eugan Freiderich GmbH
	(Parent Company)	(Subsidiary Company)	(Affiliate Company)	(Affiliate Company)
H A R K Wickramatileka	✓	✓	-	-
Capt K Kriwat	✓	✓	-	-
T Kriwat	✓	✓	✓	✓
W.S.Weeraman (Resigned w e f 11.10.24)	✓	-	-	-
Ms C D A Peiris (Resigned w e f 5.08.24)	✓	-	-	-
Capt R E G Codipilly	✓	-	-	-
M S P Gunawardena	✓	-	-	-
P A Nandasena	✓	-	-	-
C C Wickramatileka	✓	-	-	-
P S K Watawala (Appointed w e f 19.07.2024)	✓	-	-	-
Ms.S N Egodage (Appointed w e f 20.11.2024)	✓	-	-	-
D L J Kulasooriya (Appointed w e f 03.12.2024)	✓	-	-	-
C P P G Hapudeniya (Appointed w e f 28.02.2025)	✓	-	-	-

25. RELATED PARTY DISCLOSURES

25.1 Transactions with Key Management Personnel

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (where executive or otherwise) of that entity.

	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Key Management Personnel Compensation				
Short-term employee benefits	5,200,000	5,890,000	5,200,000	5,890,000
	5,200,000	5,890,000	5,200,000	5,890,000

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the Mercantile Shipping Company PLC , the risk is limited to the collectible investment income.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has delegated its authority to the Audit Committee which is supported by the senior management in identifying, measuring and managing the risk of the Group.

The Audit committee meets quarterly at a minimum to review and assess the Group's overall risks and to focus on policy recommendations and strategies and the Board of Directors are duly updated of its activities.

The Group is exposed to liquidity Risk , credit risk , Interest rate risk foreign exchange rate risk and Quoted Equity Price Risk.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

Liquidity Risk

Group needs to ensure that sufficient cash flows are available for its daily operations and repayment of long term borrowings. Therefore, the Group's financial management practices forecast and keep a track on cash flow movements so that possible issues could be identified in advance. Therefore, we do not foresee any liquidity risk in the future.

The table below summarizes the maturity profiles of the Group/Company financial liabilities based on contractual undiscounted payments.

	On Demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
As at 31 March 2025						
Group						
Rs. '000						
Interest Bearing loans and Borrowings	-	-	-	-	-	-
Other Payables	14,096	-	-	-	-	14,096
As at 31 March 2025						
Company						
Rs. '000						
Interest Bearing loans and Borrowings	-	-	-	-	-	-
Other Payables	40,039	-	-	-	-	40,039
As at 31 March 2024						
Group						
Rs. '000						
Interest Bearing loans and Borrowings	4,120	-	-	-	-	4,120
Other Payables	12,227	-	-	-	-	12,227
As at 31 March 2024						
Company						
Rs. '000						
Interest Bearing loans and Borrowings	4,120	-	-	-	-	4,120
Other Payables	38,271	-	-	-	-	38,271

Credit Risk

The Group has exposure to credit risk through its rent income. Rent income is collected between 1-2 week in the relevant month as per rent agreements. The Group does an extensive and continuous evaluation of credit worthiness of its customers by assessing historical information about default rates and changing the credit limits and payment terms where necessary. This has helped mitigating credit risk at large.

Market Risk

Interest Rate Risk

The Group has exposure to credit risk through its rent income. Rent income is collected between 1-2 week in the relevant month as per rent agreements. The Group does an extensive and continuous evaluation of credit worthiness of its customers by assessing historical information about default rates and changing the credit limits and payment terms where necessary. This has helped mitigating credit risk at large.

Market Risk

Interest Rate Risk

The Term Loan obtained by Mercantile Shipping Company PLC from Commercial Bank was liquidated in July 2020.

Foreign exchange rate risk

The Group is not exposed to foreign exchange rate risk since there would be no foreign operations in the future.

Quoted Equity Price Risk

The company has invested in listed equity shares which are susceptible to market price risk arising from uncertainties about future values of the investment securities. However, since the investment is not material, the equity price is not material to the financial statements at 31 March 2025.

Non Financial Risk Factors

The Company continuously considers the material foreseeable non-financial risk factors, such as country risk, human resources risk, technological risk, operational risk & legal and regulatory compliance risk, and takes necessary actions to mitigate such risks.

Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group has debt in its capital structure amounting to Rs.0.00. (2024 - Rs.4,120,416)

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2025 and 31 March 2024.

SHAREHOLDER INFORMATION

Directors' Name	Ordinary Shares
Mr. Thomas Kriwat	Nil
Captain Klaus Kriwat	Nil
Mr. Hettiarachchige Ranjith Kumara Wickramatileka	11,414
Capt. Rohan Edward Guy Codipilly	4,162
Mr. Mallawarachchige Sarathchandra Perera Gunawardena	Nil
Mr. Panambara Arachchilage Nandasena	Nil
Mr. Chathura Chanaka Wickramatileka	Nil
Mr. Prasanna Saman Kumara Watawala	Nil
Ms. S Nathasha Egodage	Nil
Mr. Walimuni Devage Lal Jayantha Kulasooriya	Nil
Mr. Chintaka Parakrama Punyajith Gamalath Hapudeniya	Nil

		%	Min/Reqt.
Issued Shares (Ordinary Shares)			2,844,990
a) Parent, subsidiary or associate entities or any subsidiaries or associates of its Parent Entity			
b) Directors of the entity, their spouses, their close family members			
Mr. H.A.R.K Wickrematileka	11,414	0.40%	
Capt. Rohan Edward Guy Codipilly	4,162	0.15%	(15,576)
c) Chief Executive Officer and his close family members	0		
None as per records in our possession. Please confirm by return.			
d) Key management Personnel and their close family members	0		
None as per records in our possession. Please confirm by return.	0		
e) Any party acting in concert with the parties set out in 1,2,3 & 4	0		
None as per records in our possession. Please confirm by return.			
f) Shares that have been allotted to employees, whereby the shares of the Entity are, directly or indirectly controlled by the management or the majority shareholder of the Entity.	0		
None as per records in our possession. Please confirm by return.	0		
g) Shares that are in a locked account with the CDS due to statutory or regulatory requirement other than the shareholders exempted under (8) below.	0		
No records in our possession on subject. Please confirm.	0		
h) Entities, Single shareholders or Single shareholders jointly or severally holding 10% or more(5% for Dirisavi Board)			
REEDEREI EUGEN FRIEDERICH GMBH SCHIFFFAHRTSGESELLSCHAFT	(1,155,352)	40.61%	
MERCANTILE MARINE MANAGEMENT LIMITED	(593,580)	20.86%	(1,748,932)
Public Shareholding	1,080,482		
Public Holding - No of Shareholders	909	500	409
Public Holding - %	37.98%	20.00%	17.98%
Non Public Shareholding	1,764,508		
Non Public -No. Of Shareholders	4		
Non Public Shareholding -%	62.02%		
Total No. of Shareholders	913		
Existing Floated adjusted market capitalization	LKR	196,377,603.50	
Option	5 Main Board	Less than Rs.2.5 Bn (2,500,000,000)	

SHAREHOLDER INFORMATION

Analysis of Share Holders According to the No of Shares (Local / Foreign) ANALYSIS -31.03.2025						
Description	Local Holders	Foreign Holders	Local Shares	Foreign Shares	Local %	Foriegn %
1 To 1000 Shares	881	4	54,316	192	1.91	0.01
1001 To 10000 Shares	21	0	58,143	0	2.04	0.00
10001 To 100000 Shares	2	0	22,308	0	0.78	0.00
100001 To 1000000 Shares	3	1	1,316,420	238,259	46.27	8.37
OVER 1000001 Shares	0	1	0	1,155,352	0.00	40.61
	907	6	1,451,187	1,393,803	51.01	48.99

Analysis of Share Holders According to the No of Shares (Company / Member) ANALYSIS -31.03.2025						
Description	Company	Member	Company	Member	Company %	Member %
1 To 1000 Shares	24	861	4,059	50,449	0.14	1.77
1001 To 10000 Shares	5	16	15,155	42,988	0.53	1.51
10001 To 100000 Shares	1	1	10,894	11,414	0.38	0.40
100001 To 1000000 Shares	4	0	1,554,679	0	54.65	0.00
OVER 1000001 Shares	1	0	1,155,352	0	40.61	0.00
	35	878	2,740,139	104,851	96.31	3.69

Trading Prices at the Colombo Stock Exchange	Date	2025 Rs.	2024 Rs.
Closing Price for the year ended 31st March	27.03.2025	181.75	158.75
Highest price during the year ended 31st March	24.06.2024	240.00	240.50
Lowest price during the year ended 31st March	29.05.2024	151.00	128.00

SHAREHOLDER INFORMATION

Top 20 Share Holders as of 31st March 2025

	Name	Joint Holders	Shares	%
1	REEDEREI EUGEN FRIEDERICH GMBH SCHIFFFAHRTSGESELLSCHAFT		1,155,352	40.61
2	MERCANTILE MARINE MANAGEMENT LIMITED		593,580	20.86
3	HEMAS HOLDINGS PLC		484,334	17.02
4	CEYLON SHIPPING CORPORATION LIMITED		238,506	8.38
5	STATE STREET MUNICH C/O SSBT-DEG-DEUTSCHE INVESTITIONS-UND ENTWICKLUNGSGESELLSCHAFT MBH		238,259	8.37
6	Mr. HETTI ARACHCHIGE RANJITH KUMARA WICKRAMATILEKA		11,414	0.40
7	T R L HOLDINGS (PVT) LIMITED		10,894	0.38
8	PEOPLE S LEASING AND FINANCE PLC/L.P.HAPANGAMA		9,056	0.32
9	MR. PRIYANKA MANJULA PATHIRAJA	MRS. D.A.O. KANDAMUDALI	6,081	0.21
10	MR. JALIYA JAYAMPATHI LOKESHWARA		5,033	0.18
11	MR. SINNIAM SELLATHURAI SITHAMBARANATHAN		4,595	0.16
12	Mr. ROHAN EDWARD GUY CODIPILLY		4,162	0.15
13	MISS AMITHA SUMITHRA RANASINGHE		3,804	0.13
14	MR. GINIGE CYRIL WALTER DE SILVA(DECEASED)		3,424	0.12
15	Mr. GAJATH CHRYSANTHA GOONETILLEKE		3,210	0.11
16	HARVEST TRADE CORPORATION (PVT) LTD		2,000	0.07
17	MR. GAYA HEMANTHA MANAMPERI		1,985	0.07
18	MR. WARNAKULAARACHIRALALAGE DON LALANTHA JOSEPH WARNAKULAARACHCHI		1,860	0.07
19	MR. CHATURANGA LENADUWA LOKUGE		1,651	0.06
20	MR. MOHAMED HAFIS MOHAMED HARIS	MISS M.J. FATHIMA SHAHMIYA	1,605	0.06
	SUB TOTAL		2,780,805	97.74
	OTHERS		64,185	2.26
	GRAND TOTAL		2,844,990	100.00

FIVE YEAR SUMMARY

		2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
Turnover	Rs.	20,203,863	18,444,324	17,220,885	19,687,989	18,833,428
Profit/(Loss)	Rs.	(1,045,683)	(2,090,099)	(1,124,863)	(4,682,076)	(2,795,916,171)
Reserves	Rs.	39,673,891	40,846,272	43,340,584	44,122,342	48,766,552
Net Assets	Rs.	76,936,497	78,108,878	80,603,190	81,384,948	86,029,158
ROCE	%	(0.64)	(0.023)	(0.077)	(0.11)	75.03
EPS	Rs.	(0.37)	(0.73)	(0.40)	(1.65)	982.75
P/E Ratio	times	(491.22)	(234.57)	(475)	(135.81)	0.07
Dividend per Share	Rs.	-	-	-	-	-
Net Asset per Share	Rs.	27.04	27.45	28.33	28.61	30.24

SUPPLEMENTARY NOTICE TO SHAREHOLDERS

SUPPLEMENTARY NOTICE TO SHAREHOLDERS MERCANTILE SHIPPING COMPANY PLC 44TH ANNUAL GENERAL MEETING

Dear Shareholder/s,

The Board of Directors of Mercantile Shipping Company PLC (Company), wishes to inform its Shareholders that the AGM of the Company for 2025 is scheduled to be held as a virtual meeting using audio visual technology at 2.00 p.m. on 28th August 2025 as per the Notice of Meeting of the AGM.

Please note the following procedure to be adopted in terms of the same;

1. The AGM will be held in compliance with the principles set out in the Guidelines issued by the CSE for the hosting of virtual Annual General Meetings.
2. The Annual Report 2025 of the company along with Notice of Meeting, Form of Proxy and other related documents will be made available on the company's official website (<https://mercmarine.net/MSCLAGM>) and on the Colombo Stock Exchange (CSE) website (<https://www.cse.lk>) for the information of the Shareholders.
3. Only the key officials who are essential for the administration of the formalities of the meeting will be physically present at the venue. All Shareholders, will participate via the online meeting platform.
4. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform, with log-in information forwarded to Shareholders in advance of the meeting. In order to enable such facilities, Shareholders who wish to participate in the meetings are requested to forward us their details as per the attached Pre-Registration Form (Annexure I) and/or Proxy (Annexure II), as applicable.
5. Shareholders will be given opportunity to raise any questions or comments on the matters listed on the Agenda for the meeting. Voting on the items on the Agenda will be registered by using an online platform or a designated ancillary online application. All of such procedures will be explained and shared with the Shareholders prior to the commencement of the meeting.

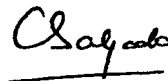
6. For any clarifications on the Annual Report please contact Mr.Premalal Wijerathne on 0714809373 or on email, premalalw@mercmarine.net.

7. All documents relating to the AGM must be forwarded to asirini@msl.lk or to the registered office of the Company Secretary, No.10, Gothami Road, Colombo 08 not less than forty eight hours prior to the date of the AGM.

For any queries regarding any of the documents sent, please contact Ms. Asirini Fernando on Tel:0112015998 during normal office hours.

The Board wishes to thank the Shareholders of the company for their unwavering cooperation and support to ensure a smooth and uninterrupted process at this Annual General Meeting of the Company.

By Order of the Board



**MERCANTILE SHIPPING COMPANY PLC
MANAGERS AND SECRETARIES (PRIVATE) LIMITED
Sgd. (Ms.) C. Salgado
Director/Secretaries**

25th July 2025

[illegible]

FORM OF PROXY

I/we the undersigned..... bearing NIC no.....

..... of

..... being a member / member of Mercantile Shipping Company PLC, hereby appoint

Full name of proxy -

NIC of Proxy -

Address of Proxy -

Contact Numbers - Land, Mobile

Email address

Mr. Hetti Arachchige Ranjith Kumara Wickramatileka	or failing him
Captain Klauf Kriwat	or failing him
Mr. Thomas Kriwat	or failing him
Captain Rohan Edward Guy Codipilly	or failing him
Mr. Mallawaarachchige Sarathchandra Perera Gunawardena	or failing him
Mr. Panambara Arachchilage Nandasena	or failing him
Mr. Chathura Chanaka Wickramatileka	or failing him
Mr. Prasanna Saman Kumara Watawala	or failing him
Ms. S. Natasha Egodage	or failing her
Mr. Walimuni Devage Lal Jayantha Kulasooriya	or failing him
Mr. Chinthaka Parakrama Punyajith Gamalath Hapudeniya	

as my/our proxy to represent me/us and *vote for me/us on my/our behalf as indicated below at the 44th Annual General Meeting of the Company to be held at 2.00 p.m. on 28th August 2025 via Microsoft Teams Audio/Video at the Registered Office of the Company, Mercantile Shipping Company PLC, No.108, Aluthmawatha Road, Colombo 15 and at any adjournment thereof, and at every poll which may be taken in consequence, thereof.

	For	Against	Abstained
1. To receive and consider the Annual Report of the Board of Directors for the year ended 31st March 2025 and the Report of the Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To re appoint following Directors who have been appointed to the Board since the last Annual General Meeting in terms of Article 91 of the Articles of Association of the Company.			
a) Ms. S.N. Egodage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Mr. W.D.L.J. Kulasooriya	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Mr. C.P.P.G. Hapudeniya	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint following Directors, to the Board in terms of Section 211 of the Companies Act, No.07 of 2007;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a) Captain K.J. Kriwat	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Mr. M.S.P. Gunawardena	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Mr. P.A. Nandasena retires	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Mr. H.A.R.K. Wickramatileka	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the Auditors Messrs. Ernst & Young and to authorize the Board of Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To Authorize Directors to determine contribution to Charities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To consider any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2025.

Signature of Shareholder

Please see overleaf for Instructions for completion.

Notes: * Please indicate your NIC/Member No. in the space provided on the top right corner.

** Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions.

If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Instructions for completion of Proxy

1. In order to appoint a proxy, this form shall in the case of an individual be signed by the shareholder or by his/her Attorney and in the case of a company/corporation, the form of proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
2. The full name, NIC No. and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the form of proxy.
3. The duly completed form of proxy must be deposited at the Registered Office of the Company Secretaries, Managers & Secretaries (Private) Limited, No.10, Gothami Road, Colombo 08, or e-mailed to "asirini@msl.lk" not later than 48 hours prior to the time appointed for holding of the meeting.
4. In the case of a proxy signed by an Attorney, the relevant Power-of-Attorney or a certified copy thereof should also accompany the completed form of proxy and must be deposited at the Registered Office of the Company or email as above noted.

MERCMARINE

GROUP OF COMPANIES

Propelled by Passion

Mercantile Shipping Company PLC

108, Aluthmawatha Road, Colombo 15, Sri Lanka. Tel : +94 11 4489900 Fax : +94 11 4489999
E-mail : info@mercmarine.net Web : www.mercmarine.net