



MERCANTILE SHIPPING COMPANY PLC

ANNUAL REPORT
2023

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Form of Proxy

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

H A R K Wickramatileka (Chairman)

T Kriwat (Managing Director and Alternate Director to Capt. K Kriwat)

Capt K Kriwat

(Mrs) C D A Peiris

Capt R E G Codipilly

M S P Gunawardena

P A Nandasena

W S Weeraman

C C Wickramatileka

(Mrs) Y S Wettasinghe (Resigned w e f 05.06.2023)

(Mrs) S A S K Jayasekera (Appointed w e f 05.06.2023)

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 42nd Annual General Meeting of Mercantile Shipping Company PLC will be held at 2.30 p.m on 22nd September 2023 via zoom 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 2023 and the Report of the Auditors thereon.
2. To re-elect Capt. R E G Codipilly who retires by rotation in terms of Article 84, of the Articles of Association of the Company, and being eligible offers himself for re-election as a Director.
3. To appoint Mrs. S A S K Jayasekera 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, being eligible for re-election.
4. To re-appoint following Directors, to the Board in terms of Section 211 of the Companies Act No.07 of 2007;
 - a) Captain K Kriwat 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 Captain K Kriwat, who has reached the age of 83 being eligible for re-appointed 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) Mrs. C D A Peiris retires and being eligible offers herself for re-appointment. Accordingly, the following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED:

That Mrs. C D A Peiris, who has reached the age of 71 re-appointed 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 Mrs. C D A Peiris.

- c) Mr. M S P Gunawardena 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. M S P Gunawardena, who has reached the age of 72 re-appointed 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.

- d) Mr. P A Nandasena 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. P A Nandasena, who has reached the age of 71 re-appointed 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.

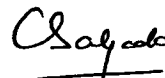
- e) Mr. H A R K Wickramatileka retires and being eligible offers himself for re-appointment. Accordingly, the following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED:

That Mr. H A R K Wickramatileka, who has reached the age of 70 re-appointed 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.

5. To re-appoint the Auditors Messrs Ernst & Young and to authorize the Board of Directors to determine their remuneration.
6. To authorise Directors to determine contribution to Charities.
7. 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
14th August 2023

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.8, Tickell Road, Colombo 08 or e-mailed to menaka@msslk not less than forty-eight hours prior to the time appointed for holding the meeting.

The Chairman's Review – 2022/2023

I warmly welcome you all to the 42nd Annual General Meeting of the Company.

The past year continued with the political system and economic crisis still unresolved and consequently the instability of future investment in the country. High cost of living has had a resounding impact on an exodus of qualified professionals too seeking foreign employment. Future business opportunities continue to remain bleak at the moment.

The closure of Mercantile Emerald Shipping (Pvt) Ltd, the 100% owned subsidiary of the Company was successfully completed on 17th July 2023. Mercantile Emerald Shipping (Pvt) Ltd was successful in obtaining an unconditional tax clearance from the Department of Inland Revenue.

Mercantile Global Shipping Ltd which ceased operations many years ago continues to be reflected since it still awaits the refund of WHT from the Department of Inland Revenue.

The Company as intimated previously no longer receives any income from shipping operations due to the sale of the ships.

Until the economic situation and political situation hopefully reaches stability, we are not able to see a way forward, regarding future business. Hence, we are compelled to maintain the investment properties in their current status.

Since July last year with the expiration of the lease of one building at 441 Bloemendhal Road we have not been able to find a suitable tenant as such we have lost revenue but are hopeful to resolve this shortly.

The Company continues to receive a stable flow of income from rent which was sufficient to meet the basic needs for its current operation.

The current status of the insurance claim receivable on the vessel Mercs Hendela is still at the Appeal court of Madras. We await the order from the Appeal court which will hopefully be in our favour.

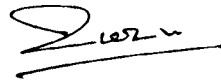
The Group has accounted for a net loss of approximately Rs. 1.125 Mn for the year 2022/2023.

I wish to express my sincere thanks to the staff and management who continue to patiently do their part under trying conditions.

I would like to conclude by thanking my fellow Board Members for their unstinted support as always, throughout these very challenging times.

I also wish to thank the Shareholders, for their continuing patience. We kindly request your continued support as we are called to face more challenges in the prevailing economic conditions.

Furthermore, I extend my sincere appreciation to all other stakeholders, for their commitment and support to the Company.



H A R K Wickramatileka
Chairman
Colombo
14th August 2023

Management Discussion and Analysis

REVIEW OF OPERATIONS

The main activity of the Mercantile Shipping Company PLC and its subsidiaries was the business of ship owning and operating. The Global recession in the past several years affected the worldwide shipping industry. This affected the charter hire rates drastically, compelling the Company to sell the remaining vessels, as they couldn't service the foreign loans taken. This was the specific situation with regard to the last two vessels owned by Mercantile Emerald Shipping (Pvt) Ltd the fully owned subsidiary of the Company. These vessels were sold in December 2019. The Company was liquidated during 2022/2023. Mercantile Global Shipping Limited, which is the other subsidiary, ceased its operations many years ago but continues to be reflected since it still awaits the refund of WHT from the Department of Inland Revenue. The current principal activity of the Mercantile Shipping Company PLC is limited to investment activities and renting of investment properties.

The Company has been looking for new investors with a view to diversification of business exploring new opportunities, however, due to the uncertainty of the situation locally and internationally resulting from the economic crisis prevailing in the country and its political instability, no headway has been made.

Mercantile Shipping Company PLC continues to receive a stable flow of income from rent which is sufficient to meet the basic needs for its current operation.

During the year ended 31st March 2023, the company had a net loss before tax of approximately Rs. 1.1 Mn. The revenue represents only the building rental received from the lessees.

The Company has investment properties carried at historical cost less provision for amortization and impairment which generates the rental income. It also has fixed deposit amounting to Rs.47.96 Mn as at 31st March 2023 which generates the interest income. Furthermore, Investment made on equity shares has been valued at Rs.686,868.

Net assets of the Company as of 31st March 2023 is Rs.69.3 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 2023, to be presented at the 42nd 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 22 to 55 in this annual report.

Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 19 to 21 in this report.

Related Party Transaction Review Committee Report

The subject report on the Company's Related Party Transactions is given on page 13 to 14 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the financial statements are given on pages 26 to 37. There were no changes in Accounting Policies adopted by the Company during the year under review.

Financial Results/Profit and Appropriations

The Income Statement is set out on page 22.

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 and Buildings

The property owned by the Company at 441, K Cyril C Perera Mawatha, Colombo 13 was last measured for fair value on the 11th July 2023 by Mr M.C. Abdul Malic, a Chartered Valuer, to an amount of Rs. 101 Mn.

The property owned by the Company at 108, Aluthmawatha Road, Colombo 15 was last measured for fair value on the 11th July 2023 by Mr M.C. Abdul Malic, a Chartered Valuer, to an amount of Rs. 290 Mn.

Investments

Details of long-term Investments held by the Company are given in Note 12 to the financial statements on page 44 to 46.

Directors' Responsibilities

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

Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange, and is given on pages 11 to 18.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31st March 2023.

Reserves

The Reserves and Accumulated Profit/Losses of the Company as at 31st March 2023 amount to Rs. 32,114,926/- as against a reserve of Rs. 32,803,885/- as at 31st March 2022. The breakup and the movement are shown in the Statement of Changes in Equity in the financial statements.

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 2023. The details are given in Note 17 to the financial statement on page 48.

Post Balance Sheet Events

There were no material events occurring after the Balance Sheet date that require adjustments, or disclosure which require adjustment in the Financial Statements other than those mentioned in Note 23 to the Financial Statements.

Going Concerns

The Directors have reviewed the Company's business plans and are satisfied that the Company can continue as a going concern in the foreseeable future. As such, the financial statements have been prepared on that basis for the Mercantile Shipping Company PLC.

Mercantile Emerald Shipping (Pvt) Ltd was liquidated on 17th July 2023.

The financial statements of Mercantile Global Shipping Limited have been prepared on other than a going concern basis.

Annual Report of the Board of Directors On the Affairs of the Company (Contd...)

Statutory Payments

The declaration relating to Statutory Payments is made in the Statement of Directors' Responsibilities on page 11.

Interests Register

Details of the transactions with Director-related entities are disclosed in Note 24.2 and 25 to the financial statements on page 53, and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

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
C C Wickramatileka (Chairman)	5/5
P A Nandasena	4/5
Capt. R E G Codipilly	5/5
M S P Gunawardena	4/5
Mrs. Y S Wettasinghe (Resigned w.e.f. 05.06.2023)	3/5

Remuneration Committee

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

Name of Director	Attendance
P A Nandasena (Acting Chairman)	1/1
Capt. R E G Codipilly	1/1
M S P Gunawardena	1/1

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
P A Nandasena (Acting Chairman)	4/4
M S P Gunawardena	3/4
Mrs. Y S Wettasinghe (Resigned w.e.f. 05.06.2023)	2/4

The Board of Directors declared 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 9.2.2, the Committee consists of Non-executive Directors.

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.

Share Information and Substantial Shareholdings

The distribution of shareholding, market value of shares and twenty largest Shareholders are given in page 56 to 58.

The earnings per share, dividends per share, net assets per share are given in Financial Highlights on page 59 of this Annual Report.

Directors

The Directors of the Company as at 31st March 2023 and their brief profiles are given on page 9 to 10 in this report.

During the year under review the Board met on 06 occasions. The attendance at these meetings were as follows;

Name of Director	Attendance
H A R K Wickramatileka	05/06
Capt. K Kriwat (By Proxy)	06/06
T Kriwat (Director/ Alternate Director to Capt. K Kriwat)	06/06
Mrs C D A Peiris	06/06
Capt. R E G Codipilly	06/06
M S P Gunawardena	05/06
P A Nandasena	06/06
W S Weeraman	05/06
Mrs. Y S Wettasinghe (Resigned w.e.f. 05.06.2023)	04/06
C C Wickramatileka	06/06

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 Kriwat
Mrs. C D A Peiris
M S P Gunawardena
P A Nandasena
H A R K Wickramatileka

Annual Report of the Board of Directors On the Affairs of the Company (Contd...)

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 31.03.2023	No. of Ordinary Shares as at 31.03.2022
H A R K Wickramatileka	11,414	11,414
Capt. R E G Codipilly	4,162	4,162

Independence of Directors

In accordance with Rule 710.2 of Colombo Stock Exchange Rules on Corporate Governance ('CSECG Rules'),

Capt K Kriwat

H A R K Wickramatileka

Capt R E G Codipilly

M S P Gunawardena

P A Nandasena

W S Weeraman

C C Wickramatileka

Mrs. Y S Wettasinghe (Resigned w.e f. 05.06.2023)

Mrs. S A S K Jayasekera (Appointed w.e f. 05.06.2023)

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 Directors Appointment

Mrs. S A S K Jayasekera appointed to the Board on 05th June 2023 subsequent to the last Annual General Meeting

Resignation

Mrs. Y S Wettasinghe resigned on 05th June 2023.

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:

	Company Rs.	Group Rs
Audit Fees	584,704	628,160
Fees for other services (Tax related work)	420,979	420,979

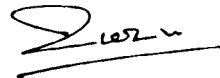
As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company. The Audit Committee reviews the appointment of the Auditors, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditor. Details on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

Notice of Meeting

The Annual General Meeting will be held on 22nd September 2023 at 2.30 p.m. via zoom 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 3.

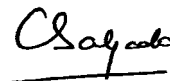
For and on behalf of the Board



H A R K Wickramatileka
Chairman



P A Nandasena
Director



Managers & Secretaries (Pvt) Ltd
Secretaries

Colombo
14th August 2023

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 and Audit Committee Chairman of Colombo Dockyard PLC and also 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.

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 a Director 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 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.

(Mrs) C D A Peiris

Fellow Member of the Chartered Institute of Management Accountants (FCMA) UK, Chartered Global Management Accountant (CGMA)

Appointed to the Mercantile Shipping Company PLC Board in April 2016. She possesses a combination of financial expertise in a variety of commercial and non-commercial organizations with a service record of over 36 years. Presently serving as Director in the Board of Mercantile Shipping Agencies Ltd. She also serves on the Boards of other non-commercial institutions.

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 40 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.

Directors Profile (Contd...)

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.

W S Weeraman

Enrolled as an Attorney-at-Law in 1996

Appointed to the Mercantile Shipping Company PLC Board in January 2021. He is presently serving as the Chairman of Ceylon Shipping Corporation Ltd since December 2019 and is a Director for Magampura Port Management Company (Pvt) Ltd.

He served as the Vice Chairman and Managing Director of Sri Lanka Ports Authority and also served as Vice Chairman of Hambantota International Port Services Company.

He also held the position of Director for Hambantota International Port Group Ltd, CICT, SAGT, JCT and Consumer Affairs Authority.

(Mrs) Y S Wettasinghe

BSc (Physical Science), University of Sri Jayawardenapura, Sri Lanka,

Master's Degree in Shipping Management, World Maritime University, Malmo, Sweden

Member, Chartered Institute of Logistics and Transport, Sri Lanka.

Appointed to the Mercantile Shipping Company PLC Board in August 2021. Presently functions as the Acting General Manager of Ceylon Shipping Corporation Ltd. having experience of over 28 years in different Managerial capacities in the Shipping Industry. Also serves on the Board of Ceylon Port Services. Resigned w.e.f. 05.06.2023.

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

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 Chairman of the Audit Committee of the Company. He is the Managing Director of Royal Power (Pvt) Ltd and Director Finance and Administration of Ceylon Eco Spices (Pvt) Ltd with several other related Companies.

He is also the Alternate Director to Mr. H A R K Wickramatileka, Colombo Dockyard PLC.

(Mrs) S A S K Jayasekara

BSc. (Bio Science) - University of Colombo

Enrolled as an Attorney-at-Law in 1997 and a member of the Bar Association, Sri Lanka

LLM (UK) - International Business & Commercial Law

Appointed to the Board of Mercantile Shipping Company PLC on 05th June 2023.

Presently functioning as Deputy General Manager (Legal, Insurance & Human Resources) of Ceylon Shipping Corporation Ltd.

Serves as a Board Director at Ceylon Shipping Agency (Singapore) since 2021.

Served as Senior Legal Officer/ Board Secretary at SLPA for Five years.

Engaged in the Legal Profession since 1997 with over 07 years' experience in the Shipping Industry.

Also holds the position of Secretary General of Lanka Association of Ship Owners.

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 ten Directors eight of whom are Non-Executive Directors in compliance with Rule 7.10.1 (a) and out of the Non-Executive Directors five are Independent Directors in compliance with Rule 7.10.2 (a) of CSE's Listing Rules. All the Non-Executive Directors have submitted a signed declaration of Independence in compliance with the Rule 7.10.2 (b) of CSE's Listing Rules.

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 53 and 56.

Director	Position held on the Board	Date of Appointment to the Board	Nature of Appointment
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
T Kriwat	Managing Director	16th October 2000	Executive Director
(Mrs) C D A Peiris	Director	1st April 2016	Executive Director
Capt. R E G Codipilly	Director	13th May 2016	Non-Executive Independent Director
M S P Gunawardena	Director	13th May 2016	Non-executive Independent Director
P A Nandasena	Director	12th October 2016	Non-executive Independent Director
W S Weeraman	Director	01st January 2021	Non-executive Independent Director
(Mrs) Y S Wettasinghe (Resigned w.e.f. 05.06.2023)	Director	09th August 2021	Non-executive Independent Director
C C Wickramatileka	Director	16th August 2021	Non-executive Independent Director
(Mrs) S A S K Jayasekera	Director	05th June 2023	Non-executive Independent Director

Statutory Payments

All statutory payments have been made by the Company.

Sub Committees of the Board

In compliance with the requirement of the Code of Best Practice, the Board established three sub-committees namely the Audit Committee, the Remuneration Committee and Related Party Transaction Review Committee.

AUDIT COMMITTEE

The Audit Committee consists of five Non-Executive Independent Directors in compliance with Rule 7.10.6(a) of the Colombo Stock Exchange.

The members and their profiles are named below.

Director	Position held	No. of Meetings held
C C Wickramatileka	Chairman	05
P A Nandasena	Member	
Capt. R E G Codipilly	Member	
M S P Gunawardena	Member	
(Mrs) Y S Wettasinghe (Resigned w.e.f. 05.06.2023)	Member	

Corporate Governance (Contd...)

Independence of the Members of the Committee

Mr. Chathura Chanaka Wickramatileka is a CFA Charter holder and an Associate Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Chartered Institute of Management Accountants and holds a Bachelor's degree in Management from the University of London with experience in multiple fields. He has wide experience holding Senior Management positions in Public Quoted Companies. He is Independent as per the criteria set out by the Colombo Stock Exchange.

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.

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.

Mr. M S P Gunawardena is a Practicing Lawyer with over 30 years of experience in the shipping trade with an expertise in Maritime Law and Insurance and is Independent as per the criteria set out by the Colombo Stock Exchange.

(Mrs) Y S Wettasignhe holder of BSc (Physical Science) University of Sri Jayawardenapura, Sri Lanka, Master's Degree in Shipping Management, World Maritime University, Malmo, Sweden Member, Chartered Institute of Logistics and Transport, Sri Lanka with having experience of over 28 years in different Managerial capacities in the Shipping industry. She is Independent as per the criteria set out by the Colombo Stock Exchange. Resigned w.e.f. 05.06.2023.

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 met five times during the year assisted by the Chief Financial Officer /Director.

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 five Non-Executive Independent Directors. Page Number 9 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 five times during the year under review.

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.

- **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. C. Wickramatileka
Chairman

Audit Committee
 14th August 2023

Corporate Governance (Contd...)

REMUNERATION COMMITTEE

The Remuneration Committee consists of three Non-Executive Independent Directors in compliance to Rule 7:10.5 (a) of the Colombo Stock Exchange.

Director	Position held	No. of Meeting held
P A Nandasena	Acting Chairman	1
Capt. R E G Codipilly	Member	
M S P Gunawardena	Member	

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee of Mercantile Shipping Company PLC consists of three Non-Executive Independent Directors. 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.

DISCLOSURE OF REMUNERATIONS

The total of Directors' Remuneration is reported in Note 25 to the Financial Statements in accordance with Rule 6.6(b) of the Colombo Stock Exchange.



P.A. Nandasena
Acting Chairman

Remuneration Committee
14th August 2023

RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Related Party Transactions Review Committee consists of three Non-Executive Independent Directors in compliance to Rule 9.2.1 of the Colombo Stock Exchange

Director	Position held	No. of Meeting held
P A Nandasena	Acting Chairman	04
M S P Gunawardena	Member	
(Mrs) Y S Wettasinghe	Member	

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

COMPOSITION OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

Related Party Transactions Review Committee consists of three Non-Executive Independent Directors. 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.

Mrs. C D A Peiris - Chief Financial Officer/Director

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.

Corporate Governance (Contd...)

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 of the continuing Listing requirements of Colombo Stock Exchange.

The Committee is responsible for making appropriate disclosure on Related Party Transactions in the Annual Report to the shareholders, as required by Section 9 of the continuing Listing requirements of Colombo Stock Exchange.

MEETINGS

During 2022/2023, 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 9.3.2 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. 15,994,324	92.99% of Company's revenue	Normal commercial terms.

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 2023 which require specific disclosures in the Annual Report in terms of Section 9.3.2 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 period 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. A. Nandasena

P A Nandasena
Acting Chairman

Related Party Transaction Review Committee
14th August 2023

Corporate Governance (Contd...)

LEVEL OF COMPLIANCE WITH THE CSE'S LISTING RULES

This section covers Mercantile Shipping Company PLC's extent of adherence to the requirements of the Continuing Listing Requirements of Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7.10.1	Non-Executive Directors	At least one third of the total number of Directors should be Non-executive Directors	Complied	Eight of the Ten Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-executive Directors, whichever is higher should be independent	Complied	Six of the Eight Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-executive Director should submit a declaration of independence/ non-independence in the prescribed format	Complied	All Non-executive Directors have submitted the declaration.
7.10.3 (a)	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report	Complied	Given in page (11) under the heading Board of Directors
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director as independent, as specified in criteria for independence is not met	Complied	Given in page (11) under the heading Board of Directors
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of expertise.	Complied	Given in pages (9 - 10) under heading Directors' Profiles
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Exchange	Complied	Given in page (10) under heading Directors' Profiles
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee in place. Please refer page (13)
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of Non-executive Directors a majority of whom will be independent	Complied	Three Directors are independent
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Complied	As above and stated in this Report
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a) Names of directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-executive Directors	Complied Complied Complied	Please refer page (13) and Note 25 on page 53.
7.10.6	Audit Committee	The company shall have an Audit Committee	Complied	Given in page (12) under the heading Audit Committee

Corporate Governance (Contd...)

Rule No.	Subject	Applicable requirement	Compliance Status	Details
710.6 (a)	Composition of Audit Committee	Shall comprise of Non-executive Directors a majority of whom will be independent	Complied	As above
		Non-executive Director shall be appointed as the Chairman of the Committee	Complied	As above
		The Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings	Complied	As above
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	As above
710.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the Listing Rules	Complied	As above
710.6 (c)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee	Complied	As above
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination	Complied	As above
		c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of Compliance of the functions	Complied	As above

LEVEL OF COMPLIANCE WITH THE CSE'S LISTING RULES

This section covers Mercantile Shipping Company PLC's extent of adherence to the requirements of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange.

Rule No.	Subject	Applicable requirement	Compliance Status	Details
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	All related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.	Complied	Annual Report of Board of Directors and the Related Party Transactions Review Committee Report on page 13 to 14.
9.2.1	Composition of the Related Party Transactions Review Committee	Three Independent Non-Executive Directors.	Complied	Refer RPTRC report on page 13 to 14.

Corporate Governance (Contd...)

Rule No.	Subject		Compliance Status	Details
9.3.2	Disclosure in the Annual Report relating to Related Party Transaction Review Committee	Non-recurrent Related Party Transactions	Complied	Given in page No 14.
		b) Recurrent Related Party Transactions	Complied	As above
		c) Annual report shall contain a report by the Related Party Transaction Review Committee	Complied	As above
		a) A declaration by the Board of Directors	Complied	
9.2.4	Related Party Transactions Review Committee Meetings	Shall meet once a quarter	Complied	Please refer page 14.
9.3.1	Immediate disclosures	The Company has not been involved in any non-recurrent related party transactions which requires immediate announcement to the CSE.	Complied	Please refer page 14.

LEVEL OF COMPLIANCE WITH THE CSE'S LISTING RULES

This section covers Mercantile Shipping Company PLC's extent of adherence to the requirements of the Continuing Listing Requirements of Section 7.6 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Description	Compliance Status	Section reference in the Annual Report
7.6 Contents of the Annual Report			
(i)	Names of persons who were Directors of the Company during the Financial Year.	Complied	Annual Report of the Board of Directors on page 11.
(ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein.	Complied	Annual Report of the Board of Directors on page 6.
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held as at the end of the Financial Year.	Complied	Shareholder information on page 58.
(iv)	The float adjusted market Capitalization, the public holding percentage, number of public shareholders and option under which the Company complies with the minimum public holding requirement.	Complied	Shareholder information on page 56.
(v)	A statement of each Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the Financial Year.	Complied	Shareholder information on page 56.
(vi)	Information pertaining to material foreseeable risk factors.	Complied	Please refer Note 26
(vii)	Details of material issues pertaining to employees and industrial relations.	Complied	During the year under review, there were no material issues pertaining to employees and industrial relations of the Company.

Corporate Governance (Contd...)

	Description	Status of Compliance	Section reference in the Annual Report
(viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties.	Complied	Notes 12.5 and 12.7 to the Financial Statements.
(ix)	Number of shares representing the stated capital.	Complied	Note 17 to the Financial Statements.
(x)	A 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 57.
(xi)	Ratios and market price information on: <ol style="list-style-type: none"> 1. Dividend per share; 2. Dividend pay-out; 3. Net Asset Value per share; 4. Market value per share; - Highest lowest values and value as at end of Financial Year - Value as at end of the Financial Year	Complied	Please refer page 57 and 59.
(xii)	Significant changes in the Company's or its subsidiaries 'fixed 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)	Details of funds raised through a public issue, Rights Issue and a private placement during the year; <ol style="list-style-type: none"> a. A statement as to the manner in which proceeds of such issue have been utilized; b. If any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; c. Any material change in the use of funds raised through an issue of securities. 	N/A	No fund raised during the year through a public issue, Rights Issue and a private placement.
(xiv)	a. and b. 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 Rules 7:10.3, 7:10.5 c. and 7:10.6 c. of Section 7 of the Listing Rules.	Complied	Corporate Governance Report on page 11 for names of independent Directors; Directors' profiles on pages 9 to 10.
(xvi)	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. Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately. The details shall include, as a minimum: <ol style="list-style-type: none"> I. The date of the transaction; II. The name of the Related Party; III. The relationship between the Company and the Related Party; IV. The amount of the transaction and terms of the transaction; V. The rationale for entering into the transaction. 	Complied	Please refer page 14.

Independent Auditors' Report



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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 2023, 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 a summary of significant accounting policies.

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 2023, 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 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 S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. K R M Fernando FCA ACMA, Ms. P V K N Sajeewani FCA, A A J R Perera ACA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Independent Auditors' Report (Contd...)

Key Audit Matter	How our audit addressed the key audit matter
<p>Assessment of fair value of Investment Properties</p> <p>As at 31 March 2023, the Group carried Investment Properties at cost in accordance with its accounting policy disclosed in Note 3.5.</p> <p>As per Note 12.5, fair value of such investment properties amount to Rs. 391 Million.</p> <p>Assessment of fair value 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 estimates, 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. , yield rate and discount rate for valuation of buildings, <p>as disclosed in note 12.5 to the financial statements.</p>	<p>Our audit procedures included the following:</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 appropriateness of the valuation techniques used and the reasonableness of the significant judgments and assumptions used by the valuer. We also assessed the adequacy of the disclosures made in note 12.5 to the Financial Statements.

Other Information included in the 2023 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. 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

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 skepticism throughout the audit. We also:

Independent Auditors' Report (Contd...)

- 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.
- 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.
- 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 ethical requirements in accordance with the Code of Ethics 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, related safeguards.

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 F1864.

Ernst & Young

15th August 2023
Colombo

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue	5	17,200,885	19,687,989	17,200,885	19,687,989
Cost of Sales		(3,171,479)	(3,079,130)	(3,171,479)	(3,079,130)
Gross Profit		14,029,406	16,608,859	14,029,406	16,608,859
Other Income	6	35,890	2,318,811	35,890	2,318,811
Selling and Marketing Expenses		-	-	-	-
Administrative Expenses		(20,243,770)	(28,262,148)	(20,150,970)	(25,725,670)
Operating Loss		(6,178,474)	(9,334,478)	(6,085,674)	(6,798,000)
Finance Cost	7.1	(36,101)	(1,469)	(36,101)	(1,469)
Finance Income	7.2	7,565,090	1,810,949	7,565,090	1,810,949
(Loss)/Profit before Tax	8	1,350,516	(7,524,998)	1,443,316	(4,988,520)
Total Income Tax/Reversal for the Year	9	(2,475,378)	2,842,921	(2,475,378)	2,842,921
(Loss)/Profit for the year		(1,124,863)	(4,682,077)	(1,032,063)	(2,145,599)
Other Comprehensive Income/(Loss)					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Actuarial Gain/(loss)	19	490,148	49,824	490,148	49,824
Deferred tax on Actuarial (Gain)/loss	9.3	(147,044)	(11,958)	(147,044)	(11,958)
Other Comprehensive Income for the year, net of tax		343,104	37,866	343,104	37,866
Total Comprehensive Income/(Loss) for the year, net of tax		(781,759)	(4,644,211)	(688,959)	(2,107,733)
Profit/(Loss) attributable to Equity Holders of the parent		(1,124,863)	(4,682,077)	(1,032,063)	(2,145,599)
Total comprehensive Income/(Loss) attributable to Equity Holders of the parent		(781,759)	(4,644,211)	(688,959)	(2,107,733)
Basic/Diluted (Loss)/Earnings per Share	10	(0.40)	(1.65)	(0.36)	(0.75)

The Accounting Policies and Notes on pages 26 through 55 form an integral part of these Financial Statements.

Statement of Financial Position

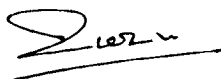
As at	Note	Group		Company	
		31 March 2023 Rs.	31 March 2022 Rs.	31 March 2023 Rs.	31 March 2022 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	198,891	296,578	198,891	296,578
Investment Property	12	39,611,228	42,126,955	39,611,228	42,126,955
Investments in Subsidiaries	13	-	-	15,000,000	15,000,000
Deferred Tax Asset	9.3	260,742	2,883,164	260,742	2,883,164
		40,070,861	45,306,697	55,070,861	60,306,697
Current Assets					
Other Receivables	15	3,894,355	3,717,965	3,894,355	3,717,965
Advances and Prepayments		1,172,023	1,340,833	1,172,023	1,340,833
Other Current Financial Assets	14.1	48,644,964	41,137,645	48,644,964	41,137,645
Cash and Cash Equivalents	16	399,430	3,411,695	320,540	3,332,105
		54,110,772	49,608,138	54,031,882	49,528,548
Total Assets		94,181,633	94,914,835	109,102,743	109,835,245
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	17	37,262,606	37,262,606	37,262,606	37,262,606
Retained Earnings		43,340,584	44,122,343	32,114,926	32,803,885
Total Equity		80,603,190	81,384,949	69,377,532	70,066,491
Non-Current Liabilities					
Retirement Benefit Liability	19	1,007,784	1,124,378	1,007,784	1,124,378
		1,007,784	1,124,378	1,007,784	1,124,378
Current Liabilities					
Trade and Other Payables	20	11,047,256	12,087,251	37,194,023	38,326,119
Interest Bearing Loans and Borrowings	18	1,523,404	318,257	1,523,404	318,257
		12,570,660	12,405,508	38,717,427	38,644,376
Total Equity and Liabilities		94,181,633	94,914,835	109,102,743	109,835,245
Net Assets/(Liability) per Share		28.33	30.24	24.39	24.63

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



Chief Financial Officer

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



Chairman



Director

The Accounting Policies and Notes on pages 26 to 55 form an integral part of these Financial Statements.

14th August 2023
Colombo

Statement of Changes In Equity

Group	Stated Capital (Losses)	Retained Earnings/	Total Equity
	Rs.	Rs.	Rs.
Balance as at 01 April 2021	37,262,606	48,766,552	86,029,158
Loss for the year	-	(4,682,077)	(4,682,077)
Other Comprehensive Income	-	37,866	37,866
Reclassification adjustment due to loss of control	-	-	-
Total Comprehensive Loss	-	(4,644,211)	(4,644,211)
Balance as at 31 March 2022	37,262,606	44,122,343	81,384,947
Profit / (Loss) for the year	-	(1,124,863)	(1,124,863)
Other Comprehensive Income	-	343,104	343,103
Total Comprehensive Loss	-	(781,759)	(781,759)
Balance as at 31 March 2023	37,262,606	43,340,584	80,603,188

Company	Stated Capital (Losses)	Retained Earnings/	Total Equity
	Rs.	Rs.	Rs.
Balance as at 01 April 2021	37,262,606	34,911,598	72,174,204
Profit for the year	-	(2,145,599)	(2,145,599)
Other Comprehensive Income	-	37,866	37,866
Total Comprehensive Income	-	(2,107,733)	(2,107,733)
Balance as at 31 March 2022	37,262,606	32,803,885	70,066,491
Loss for the year	-	(1,032,063)	(1,032,063)
Other Comprehensive Income	-	343,104	343,104
Total Comprehensive Income	-	(688,959)	(688,959)
Balance as at 31 March 2023	37,262,606	32,114,926	69,377,532

The Accounting Policies and Notes on pages 26 through 55 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash Flows from/(used in) Operating Activities					
		1,350,516	(7,524,998)	1,443,316	(4,988,520)
Profit/(Loss) before tax					
Adjustment For					
Depreciation		2,613,414	2,572,135	2,613,414	2,572,135
Fair Value Adjustment of Investments		287,028	(435,540)	287,028	(435,540)
Finance Cost	7.1	36,101	1,469	36,101	1,469
Finance Income	7.2	(7,565,090)	(1,810,949)	(7,565,090)	(1,762,854)
Provision for Gratuity	19	373,553	207,627	373,553	207,627
Dividend Income Received		(10,353)	(28,203)	(10,353)	(28,203)
Provision for Income tax recoverables		-	3,675,098	-	-
Creditors write Back		-	(1,766,030)	-	(1,766,030)
Operating Profit/(Loss) before Working Capital Changes		(2,914,832)	(5,109,391)	(2,822,032)	(6,199,916)
(Increase)/Decrease in Other Receivables		223,466	10,006,503	223,466	10,006,503
(Increase)/Decrease in Advance and Prepayment		168,810	(198,505)	168,810	(198,505)
Increase/(Decrease) in Other Payables		(1,039,995)	(1,390,030)	(1,132,096)	(251,410)
Cash Generated from/(Used in) Operations		(3,562,551)	3,308,577	(3,561,852)	3,356,672
Finance Cost Paid		(36,101)	(1,469)	(36,101)	(1,469)
Income Tax (Paid)/Credit		(399,858)	-	(399,858)	-
Gratuity Paid		-	-	-	-
Net Cash Generated from/(Used in) Operating Activities		(3,998,510)	3,307,108	(3,997,810)	3,355,203
Cash Flows from/(used in) Investing Activities					
Acquisition of Property, Plant and Equipment	11	-	(175,000)	-	(175,000)
Finance Income Received		7,565,090	2,440,613	7,565,090	2,392,518
Investment in Fixed Deposits		(7,794,346)	(2,307,872)	(7,794,346)	(2,307,872)
Dividend Received		10,353	28,203	10,353	28,203
Net Cash Generated from/(Used in) Investing Activities		(218,903)	(14,056)	(218,903)	(62,151)
Cash Flows used in Financing Activities					
Repayment of Interest Bearing Loans and Borrowings		-	-	-	-
Cash and cash equivalent related to Derecognised subsidiary		-	-	-	-
Net Cash used in Financing Activities		-	-	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		(4,217,413)	3,293,052	(4,216,713)	3,293,052
Cash and Cash Equivalents at the beginning of the year		3,093,438	(199,614)	3,013,848	(279,204)
Cash and Cash Equivalents at the end of the year	16	(1,123,975)	3,093,438	(1,202,864)	3,013,848

The Accounting Policies and Notes on pages 26 through 55 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2023

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 2023 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	
			2023	2022
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 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 14th August 2023.

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). No adjustments have been made for inflationary factors in the consolidated financial statements.

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.

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

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 2023 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.

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 2023.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 recognised 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.

Notes to the Financial Statements

Year ended 31 March 2023

Gain or loss arising on translation of non-monetary items is recognised 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 recognised in other comprehensive income or profit or loss is also recognised 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

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.

b) Interest 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.

c) 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.

d) Other Income

Other income is recognized on an accrual basis.

3.2.2 Expenses

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

Finance costs

Finance costs mainly comprises of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised 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.

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 realised 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 recognised outside Statement of Profit or Loss is recognised outside Statement of Profit or Loss. Deferred tax items are recognised 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 recognised net of the amount of sales tax, except:

- 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 recognised 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.

Notes to the Financial Statements

Year ended 31 March 2023

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 derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised 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 recognised 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 recognised 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 derecognised in accordance with the derecognition policy given below.

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

3.4.3 Derecognition

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

3.4.4 Depreciation

Depreciation is recognised 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 derecognised 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 recognised 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 an 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.

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

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.

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 recognised 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 amortised 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 amortised 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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Notes to the Financial Statements

Year ended 31 March 2023

3.9.2 Subsequent measurement of financial assets

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

- Financial assets at amortised 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

Majority of the financial assets of the Company represent financial assets at amortised cost (debt instruments). Prior to the adoption of SLFRS 9, financial assets at the amortised cost was classified as loans and receivables. The Company measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised 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 recognised 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 recognised 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 derecognised (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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset 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.

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

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 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 summarised 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:

Notes to the Financial Statements

Year ended 31 March 2023

- 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 minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (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 amortised 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.

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

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’ Trust Fund Contributions will continue in line with respective Statutes and Regulations. The Company contribute 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 recognised 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 recognised 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

Notes to the Financial Statements

Year ended 31 March 2023

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 recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, 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.

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 Amendments to LKAS 8 - Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

4.1.2 Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Notes to the Financial Statements

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
5. REVENUE				
Rent Income	17,200,885	19,687,989	17,200,885	19,687,989
	17,200,885	19,687,989	17,200,885	19,687,989

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
6. OTHER INCOME AND GAINS				
Dividend Income	10,353	28,203	10,353	28,203
Exchange Gain	25,537	89,038	25,537	89,038
Write-off of Liability	-	1,766,030	-	1,766,030
Fair Value gain on Equity Investments	-	435,540	-	435,540
	35,890	2,318,811	35,890	2,318,811

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
7. FINANCE COST AND INCOME				
7.1 Finance Cost				
Interest on Term Loans and Overdrafts	36,101	1,469	36,101	1,469
	36,101	1,469	36,101	1,469
7.2 Finance Income				
Interest Income	7,565,090	1,810,949	7,565,090	1,810,949
	7,565,090	1,810,949	7,565,090	1,810,949

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
8. PROFIT / (LOSS) BEFORE TAX				
Included in Cost of Sales				
Stated after charging				
Depreciation - Investment Property	2,515,727	2,510,884	2,515,727	2,510,884
Included in Administrative Expenses				
Stated after charging				
Employee Benefits including the following ;				
- Defined Benefit Plan Costs - Gratuity	373,553	207,627	373,553	207,627
- Defined Contribution Plan Costs - (EPF and ETF)	575,100	487,620	575,100	487,620
- Salaries and Wages	5,550,463	4,626,016	5,550,463	4,626,016
Directors' Emoluments	4,020,000	2,700,000	4,020,000	2,700,000
Depreciation - Property, Plant and Equipment	97,687	61,229	97,687	61,229
Professional Fees	973,027	1,839,522	930,927	1,807,791
Audit Fees and Reimbursable Expenses	650,000	567,773	613,939	600,000

	Group / Company	
	2023 Rs.	2022 Rs.
9. INCOME TAX EXPENSE		
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)	-	-
Deferred Income Tax		
Deferred Tax Charge/(Reversal) for the Year (Note 9.3)	2,475,378	(2,842,921)
Total Income tax Charge/ (Reversal) for the Year	2,475,378	(2,842,921)

Notes to the Financial Statements

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	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Accounting Profit/(Loss) Before Tax	1,350,516	(7,524,996)	1,443,316	(4,988,518)
Aggregate Disallowed Items	3,267,030	12,385,386	3,267,030	12,385,386
Aggregate Allowable Expenses and Other Income	(7,828,435)	(102,744)	(7,828,435)	(2,639,222)
Business income	(3,210,889)	4,757,646	(3,118,089)	4,757,646
Interest income	7,565,090	1,810,949	7,565,090	1,810,949
Dividend Income	10,353	28,203	10,353	28,203
Less: Losses Claimed (Note 9.5)	(7,575,443)	(6,596,798)	(7,575,443)	(6,596,798)
Taxable income / (Loss)	(3,210,889)	-	(3,118,089)	-
Income Tax - 30% at Normal Rate (2022 - 24%)	-	-	-	-
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	2,475,378	(2,842,921)	2,475,378	(2,842,921)
Income tax expenses reported in the income statement	2,475,378	(2,842,921)	2,475,378	(2,842,921)

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 2022/23 at the rate of 24% & 30 % (Y/A 2021/22 - 24%)

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

	Group / Company					
	Statement of Financial Position		Statement of Profit or Loss		Statement of other comprehensive income	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deferred Tax Liability						
Capital Allowances for Tax purposes	288,777	206,630	82,147	26,853	-	-
Unrealised Exchange Gain	7,661	21,369	(13,708)	21,369	-	-
	296,438	227,999	68,439	48,222	-	-
Deferred Tax Assets						
Bought forward tax losses	254,845	2,841,312	(2,586,468)	2,841,312		
Retirement Benefit Obligation	302,335	269,851	179,529	49,831	(147,044)	(11,958)
	557,180	3,111,163	(2,406,939)	2,891,143	(147,044)	(11,958)
Deferred Income Tax Charge/ (Reversal)	-	-	2,475,378	(2,842,921)	147,044	11,958
Net Deferred Tax (Asset)/Liability	(260,741)	(2,883,164)				

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

	Company / Group	
	2023 Rs.	2022 Rs.
9.4 Reconciliation of Deferred Tax Charge / (Reversal)		
Deferred Tax (Asset) Liability as 01 April	(2,883,163)	(52,201)
Deferred Tax Charge reported in the Statement of Profit or Loss	2,475,378	(2,842,921)
Deferred Tax Charge reported in the Statement of other comprehensive income - Tax Effect of Actuarial (Gain)/Loss	147,044	11,958
Deferred Tax (Asset) /Liability as 31 March	(260,742)	(2,883,163)

Deferred tax was established at income tax rate of 30% (2022 - 24%)

9.4.1 Reconciliation of Deferred Tax (Charge) / Reversal

Deferred Tax (Charge) /Reversal on other temporary differences recognised under Comprehensive Income	1,757,577	(2,842,921)
Deferred Tax effect from change in tax rate recognised under Comprehensive Income	717,802	-
	2,475,378	(2,842,921)
Deferred Tax (Charge) /Reversal on other temporary differences recognised under Other Comprehensive Income	144,055	11,958
Deferred Tax effect from change in tax rate recognised under Other Comprehensive Income	2,989	-
	147,044	11,958

	Group / Company	
	2023 Rs.	2022 Rs.
9.5 Tax Losses		
Tax Loss Brought Forward	11,838,801	18,435,599
Adjustment in respect of previous years	(6,531,963)	-
Tax Loss Incurred During the Year	3,118,089	-
Tax Loss Utilized During the Year	(7,575,443)	(6,596,798)
Tax Losses Carried Forward	849,484	11,838,801

The carried forward tax losses of the Group/Company amounting to Rs.849,483/- (2022 - Rs.11,838,801/-) is available for 5 years for offset against future statutory income of the Group. Deferred tax asset has been recognized on the said carried forward tax losses as the Group/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

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.

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Amount used as the Numerator:				
Profit/Loss attributable to ordinary equity holders of the parent	(1,124,863)	(4,682,077)	(1,032,063)	(2,145,599)
	(1,124,863)	(4,682,077)	(1,032,063)	(2,145,599)
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	(0.40)	(1.65)	(0.36)	(0.75)

	Balance As at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
11. PROPERTY, PLANT AND EQUIPMENT				
11.1 Group				
11.1.1 Gross Carrying Amounts				
At Cost				
Office Equipment	6,554,553	-	-	6,554,553
Motor Vehicles	174,990	-	-	174,990
Air-conditioning Equipment	13,236,178	-	-	13,236,178
Computers	2,300,280	-	-	2,300,280
Generator	925,000	-	-	925,000
Total Gross Carrying Amount	23,191,001	-	-	23,191,001

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

	Balance As at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
11.1.2 Depreciation				
At Cost				
Office Equipment	6,386,845	43,750	-	6,430,595
Motor Vehicles	174,990	-	-	174,990
Air-conditioning Equipment	13,236,178	-	-	13,236,178
Computers	2,171,410	53,937	-	2,225,348
Generator	925,000	-	-	925,000
Total Depreciation	22,894,422	97,687	-	22,992,110

	2023 Rs.	2022 Rs.
11.1.3 Net Book value		
At Cost		
Office Equipment	123,958	167,708
Computers	74,932	128,870
Total Carrying Amount	198,891	296,578

11.1.4 During the financial year, the Group has not acquired Property, Plant and Equipment (2022- Rs.175,000/-) for cash.

11.1.5 As at 31 March 2023, the group had fully depreciated assets still in use amounting to Rs. 23,216,917 (2022- Rs.23,216,917/-).

11.1.6 There were no borrowing costs capitalised on interest-bearing loans and borrowings and lease liabilities by the Group on qualifying assets during the financial years 2022/2023 and 2021/2022

11.1.7 The Group has no property, plant and equipment pledged as security for liabilities.

	Balance As at 01.04.2022 Rs.	Additions Rs.	Disposals	Balance As at 31.03.2023 Rs.
11.2 Company				
11.2.1 Gross Carrying Amounts				
At Cost				
Office Equipment	6,554,553	-	-	6,554,553
Motor Vehicles	174,990	-	-	174,990
Air-conditioning Equipment	13,236,178	-	-	13,236,178
Computers	2,716,947	-	-	2,716,947
Generator	925,000	-	-	925,000
Total Gross Carrying Amount	23,607,667	-	-	23,607,667

Notes to the Financial Statements

	Balance As at 01.04.2022 Rs.	Charge for the period Rs.	Disposals	Balance As at 31.03.2023 Rs.
11.2.2 Depreciation				
At Cost				
Office Equipment	6,386,845	43,750	-	6,430,595
Motor Vehicles	174,990	-	-	174,990
Air-conditioning Equipment	13,236,178	-	-	13,236,178
Computers	2,588,077	53,937	-	2,642,014
Generator	925,000	-	-	925,000
Total Depreciation	23,311,089	97,687	-	23,408,777

	2023 Rs.	2022 Rs.
11.2.3 Net Book value		
At Cost		
Office Equipment	123,958	167,708
Computers	74,932	128,870
Total Carrying Amount	198,891	296,578

11.2.4 During the financial year, the Company has not acquired Property, Plant and Equipment (2022- Rs.175,000/-)

11.2.5 As at 31 March 2023, the company had fully depreciated assets still in use amounting to Rs. 23,216,917 (2022- Rs.23,216,917/-).

	Group / Company	
	2023 Rs.	2022 Rs.
12. INVESTMENT PROPERTY		
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	54,300,792	51,789,908
Charge for the Year	2,515,727	2,510,884
As at 31 March	56,816,519	54,300,792
Net Book Value	39,611,228	42,126,955

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

As at 31 March	Group / Company	
	2023 Rs.	2022 Rs.
12.3 Amount recognised in the statement of profit or loss for the investment property		
Rental income from the investment property	17,200,885	19,687,989
Direct operating expenses for the investment property	700,475	884,487
Depreciation	2,515,727	2,510,904

As at 31 March	Group / Company	
	2023 Rs.	2022 Rs.
12.4 Leasing arrangements		
Minimum lease payments receivable on leases of investment property is as follows.		
Less than one year	16,127,610	21,273,034
One to two years	17,593,756	21,964,357
	33,721,366	43,237,391

12.5 Fair values of the investment properties have been assessed by an independent incorporated professional valuer Mr.M.C.Abdul Malick on 31, March 2023 and such fair value has been estimated as Rs. 391,000,000/- on an Income basis.

Fair value hierarchy is Level 3.

The significant assumptions used by the valuer in year 2022/2023 are same as the assumptions used in year 2021/2022.

Significant unobservable 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. 101,000,000	Rs. 290,000,000
Estimated Price per perch	Rs. 5,500,000/-	Rs. 7,500,000/-
Estimated Price per square ft.	Rs. 7,500/-	Rs. 7,000/-
Estimated Gross Income from Rent	Rs. 700,000 /- per month	Rs. 2,200,000 /- per month
Yield rate per annum %	6%	6%

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. M. C. A. Malick, a Chartered valuer, who has recent experience in valuing properties of similar location and category. In determining the fair value of the building .The capitalization of net income method has been used, which is based upon assumptions including future rental income, anticipated maintenance costs, appropriate yeild rate and in determine the fair value of land, make reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

The valuations of investment properties as at 31 March 2023 have been prepared on the basis of 'material valuation uncertainty' as recommended by The Royal Institution of Chartered Surveyors, a professional body promoting and enforcing international standards in valuation, management and development of land, real estate, construction and infrastructure, in order to highlight the difficulties in undertaking valuations in the current environment.

Notes to the Financial Statements

12.7 Information on the Freehold Land and Buildings of the Group

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

	Country of Incorporation	Holding		2023 Rs.	2022 Rs.
		2023 %	2022 %		
13. INVESTMENT IN SUBSIDIARIES					
13.1 Non-Quoted					
Mercantile Global Shipping Limited	Sri Lanka	100%	100%	15,000,000	15,000,000
Total Carrying Value of Investment in Subsidiaries				15,000,000	15,000,000

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

13.2 Provision for impairment of investments in subsidiaries

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

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
14. OTHER FINANCIAL ASSETS				
14.1 Other Current Financial Assets				
Financial Assets at Fair Value through profit or loss				
Quoted Equity Shares (Note 14.1.1)	686,868	973,896	686,868	973,896
	686,868	973,896	686,868	973,896
Financial Assets at Amortised Cost				
Fixed Deposits	47,958,096	40,163,749	47,958,096	40,163,749
	47,958,096	40,163,749	47,958,096	40,163,749
Total other current financial assets	48,644,964	41,137,645	48,644,964	41,137,645

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

	No. of Shares		Amount	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
14.1.1 Investments in Quoted Equity Securities				
Lanka Walltiles PLC	14,280	14,280	686,868	973,896
	14,280	14,280	686,868	973,896

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 2023, the Group held the following financial instruments carried at fair value on the statement of financial position:

Financial Assets measured at fair value	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
As at 31 March 2023				
Financial assets at fair value through profit or loss				
Quoted Equity Shares	686,868	686,868	-	-
As at 31 March 2022				
Financial assets at fair value through profit or loss				
Quoted Equity Shares	973,896	973,896	-	-

During the reporting period ended 31 March 2023 and 31 March 2022 there were no transfers between Level 1 and Level 2 fair value measurements.

Notes to the Financial Statements

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
15. OTHER RECEIVABLES				
Other Debtors	2,955,605	2,725,465	2,955,605	2,725,465
Refundable Deposits	938,750	992,500	938,750	992,500
	3,894,355	3,717,965	3,894,355	3,717,965
VAT Receivables (Note 15.1)	9,605,625	9,605,625	9,605,625	9,605,625
(-) Provision for VAT Receivables	(9,605,625)	(9,605,625)	(9,605,625)	(9,605,625)
	3,894,355	3,717,965	3,894,355	3,717,965

15.1 The negotiations in respect of the VAT receivable with the Department of Inland Revenue is in progress to date.

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
16. CASH AND CASH EQUIVALENTS				
Components of Cash and Cash Equivalents				
Favorable Cash and Cash Equivalent Balances				
Bank Balances	399,430	3,411,695	320,540	3,332,105
	399,430	3,411,695	320,540	3,332,105
Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft	(1,523,404)	(318,257)	(1,523,404)	(318,257)
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	(1,123,974)	3,093,438	(1,202,864)	3,013,848
Net cash (outflow)/inflow			-	-

17. STATED CAPITAL

Fully Paid Ordinary Shares

	2023		2022	
	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

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

18. OTHER FINANCIAL LIABILITIES

18.1 Interest Bearing Loans and Borrowings

	Group / Company					
	2023 Amount Repayable Within 1 Year Rs.	2023 Amount Repayable After 1 Year Rs.	2023 Total Rs.	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.
Group						
Bank Overdraft (Note 16)	1,523,404	-	1,523,404	318,257	-	318,257
	1,523,404	-	1,523,404	318,257	-	318,257
Company						
Bank Overdraft (Note 16)	1,523,404	-	1,523,404	318,257	-	318,257
	1,523,404	-	1,523,404	318,257	-	318,257

	Group		Company	
	2023 Rs.	2022 Rs.	2022 Rs.	2022 Rs.
19. RETIREMENT BENEFIT OBLIGATION				
Defined Benefit Obligation - Gratuity				
As of 01 April	1,124,378	966,575	1,124,378	966,575
Charge for the year	105,277	128,658	105,277	128,658
Interest for the year	268,277	78,969	268,277	78,969
Acturial (Gain)/Loss	(490,148)	(49,824)	(490,148)	(49,824)
As of 31 March	1,007,784	1,124,378	1,007,784	1,124,378

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

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Administrative Expenses	373,554	207,627	373,554	207,627
Other comprehensive income	(490,148)	(49,824)	(490,148)	(49,824)

19.1 Actuarial valuation of the retirement benefit obligation for the company has been calculated internally as at 31st March 2023. 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:

Notes to the Financial Statements

19.2 Principal assumptions used in determining the cost of retirement benefit.

	Group/Company	
	2023 Rs.	2022 Rs.
Discount rate as at 31 March	23.86%	8.17%
Future salary escalation	10.00%	5.00%
Retirement age	60 Years	60 Years
Staff turnover rate	17%	40%
Average remaining working life of employees	3 Years	11 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	
		2023 Rs.	2022 Rs.
1%		(29,867)	(22,836)
-1%		31,125	23,514
	1%	34,816	23,813
	-1%	(33,845)	(23,524)

19.4 Expected average future working life of the active participants is 7.2 years.

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
20. OTHER PAYABLES				
Amounts Payable to Related Parties (Note 20.1)	-	-	28,378,639	28,464,195
Sundry Creditors including Accrued Expenses	8,871,550	9,911,545	8,815,384	9,861,924
VAT Payable	2,175,706	2,175,706	-	-
	11,047,256	12,087,251	37,194,023	38,326,119

	Relationship	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.

20.1 Other Payable- Related Parties

Mercantile Global Shipping Limited	Subsidiary	-	-	28,378,639	28,464,195
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Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

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

The Group/Company does not have contingent assets or liabilities as at the balance sheet date except for the followings

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 20th January 2022)

The Company is continuing negotiations/discussions with the department of Inland revenue regarding default tax claims of Rs. 44.2 Mn which are over 10 years old and which includes penalties .

22. ASSETS PLEDGED

There were no assets pledged as at the year end 31 March 2023.

23. EVENTS OCCURRING AFTER THE REPORTING DATE

Group/Company

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

Notes to the 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, Affiliates

Name of the Company and Relationship	Company				Group	
	Fully Owned Subsidiary		Affiliates		Affiliates	
	Mercantile Global Shipping Ltd		Mercantile Marine Management Ltd			
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nature of Transaction						
As at 01 April	(28,464,195)	(28,533,507)	-	27,454	-	27,454
Settlement of Liabilities by the Company /on behalf of the Company	85,556	69,312	62,733	21,562	62,733	21,562
Other Expenses Charged	-	-	(62,733)	(49,016)	(62,733)	(49,016)
Rent Charged	-	-	15,994,324	14,971,431	15,994,324	14,971,431
WHT Charge on Rent	-	-	(399,858)	-	(399,858)	-
Settlement of Rent	-	-	(15,594,466)	(14,971,431)	(15,594,466)	(14,971,431)
As at 31 March	(28,378,639)	(28,464,195)	-	-	-	-
Included in						
Trade and Other Receivables (Note 15)	-	-	-	-	-	-
Trade and Other Payables (Note 20)	(28,378,639)	(28,464,195)	-	-	-	-
	(28,378,639)	(28,464,195)	-	-	-	-

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 (Contd...)

Year ended 31 March 2023

24.2 Following Directors are also Directors of the Related Entities

Name Of the Director	Mercantile Shipping Company PLC (Parent Company)	Mercantile Global Shipping Limited (Subsidiary Company)	Mercantile Marine Management Limited (Affiliate Company)	Reederi Eugan Freiderich GmbH (Affiliate Company)
H A R K Wickramatileka	√	√	-	-
Capt K Kriwat	√	√	-	-
T Kriwat	√	√	√	√
W S Weeraman	√	-	-	-
Ms C D A Peiris	√	-	-	-
Capt. R E G Codipilly	√	-	-	-
M S P Gunawardena	√	-	-	-
P A Nandasena	√	-	-	-
(Mrs) Y S Wettasinghe	√	-	-	-
C C Wickramatileka	√	-	-	-
(Mrs) S A S K Jayasekera	√	-	-	-

25 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	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Key Management Personnel Compensation				
Short-term employee benefits	5,767,500	4,395,000	5,767,500	4,395,000
	5,767,500	4,395,000	5,767,500	4,395,000

Notes to the Financial Statements

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.

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. Currently the Mercantile Emerald Shipping (Pvt) Ltd which is the fully owned subsidiary of Mercantile Shipping Company PLC is in liquidation. 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	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Rs. '000						
As at 31 March 2023						
Group						
Interest Bearing loans and Borrowings	1,523	-	-	-	-	1,523
Other Payables	11,047	-	-	-	-	11,047
Rs. '000						
As at 31 March 2023						
Company						
Interest Bearing loans and Borrowings	1,523	-	-	-	-	1,523
Other Payables	37,194	-	-	-	-	37,194

Notes to the Financial Statements (Contd...)

Year ended 31 March 2023

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Rs. '000						
As at 31 March 2022						
Group						
Interest Bearing loans and Borrowings	318	-	-	-	-	318
Other Payables	12,087	-	-	-	-	12,087
Rs. '000						
As at 31 March 2022						
Company						
Interest Bearing loans and Borrowings	318	-	-	-	-	318
Other Payables	38,326	-	-	-	-	38,326

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 is not exposed to interest rate risk since the Mercantile Emerald Shipping (Pvt) Ltd is under liquidation.

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 2023.

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.1,523,404.41. (2022 - Rs. 318,257)

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 31 March 2022.

Shareholders Information

Directors Share Holding as of 31 March 2023

Thomas Kriwat (Director / Alternate Director to Capt. Klaus Kriwat)	Nil
Captain Klaus Kriwat	Nil
Hettiarachchige Ranjith Kumara Wickramatileka	11,414
Mrs.Charmaine Divinia Anne Peiris	Nil
Capt. Rohan Edward Guy Codipilly	4,162
Mallawarachchige Sarathchandra Perera Gunawardena	Nil
Panambara Arachchilage Nandasena	Nil
Wineendra Sudhammika Weeraman	Nil
Mrs.Yamuna Susari Wettasinghe	Nil
Chathura Chanaka Wickramatileka	Nil

Public Shareholding as of 31 March 2023

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

H A R K Wickrematileka	(11,414)	
Capt. Rohan Edward Guy Codipilly	(4,162)	(15,576)

(c) Chief Executive Officer and his close family members

-

(d) Key management Personnel and their close family members

-

(e) Any party acting in concert with the parties set out in (a),(b),(c) & (d)

-

(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.

(g) Shares that are in a locked account with the CDS due to statutory or regulatory requirement other than the shareholders exempted under (h) below.

(h) Entities, Single shareholders or Single shareholders jointly or severally holding 10% or more (5% for Dirisavi Board)

Reederei Eugen Friederich	(1,155,352)	
Mercantile Marine Management Ltd	(593,580)	(1,748,932)

Public Holding

1,080,482

Public Holding %

37.98%

No.of public Shareholders

902

Total number of shareholders representing the public holding

1,080,482

Existing Floated adjusted Market Capitalization (Rs.)

205,291,580

The Company complies with option 5 of the Listing Rules 7.13.1 (a) - Less than Rs.2.5Bn Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

Shareholders Information (Contd...)

Analysis of Share Holders According to the No of Shares (Local /Foreign)

Description	Local Holders	Foreign Holders	Local Shares	Foreign Shares	Local %	Foreign %
1 To 1,000 Shares	876	4	59,716	192	2.10%	0.01%
1,001 To 10,000 Shares	19	0	53,367	0	1.88%	0.00%
10,001 To 100,000 Shares	2	0	21,684	0	0.76%	0.00%
100,001 To 1,000,000 Shares	3	1	1,316,420	238,259	46.27%	8.37%
OVER 1,000,001 Shares	0	1	0	1,155,352	0.00%	40.61%
	900	6	1,451,187	1,393,803	51.01%	48.99%

Analysis of Share Holders According to the No of Shares (Company /Member)

Description	Company Holders	Member Holders	Company Shares	Member Shares	Company %	Member %
1 To 1,000 Shares	24	856	4,853	55,055	0.17%	1.94%
1,001 To 10,000 Shares	4	15	13,155	40,212	0.46%	1.41%
10,001 To 100,000 Shares	1	1	10,270	11,414	0.36%	0.40%
100,001 To 1,000,000 Shares	4	0	1,554,679	0	54.65%	0.00%
OVER 1,000,001 Shares	1	0	1,155,352	0	40.61%	0.00%
	900	6	2,738,309	106,681	96.25%	03.75%

Trading Prices at the Colombo Stock Exchange		2023	2022
	Date	Rs.	Rs.
Closing Price for the year ended 31st march		190.00	223.50
Highest price during the year ended 31st March	15th Sep 2022	369.75	793.75
Lowest price during the year ended 31st March	20th July 2022	141.00	65.10

Shareholders Information

Top 20 Share Holders as of 31st March 2023

Name of the Shareholder	No.of Shares	%
Reederei Eugen Friederich GmbH Schiffahrtsgesellschaft	1,155,352	40.61
Mercantile Marine Management Limited	593,580	20.86
Hemas Holdings Plc	484,334	17.02
Ceylon Shipping Corporation Limited	238,506	8.38
State Street Munich C/O Ssbt-Deg-Deutsche Investitions-Und Entwicklungsgesellschaft Mbh	238,259	8.37
Mr. Hetti Arachchige Ranjith Kumara Wickramatileka	11,414	0.40
T R L Holdings (Pvt) Limited	10,270	0.36
People'S Leasing & Finance Plc/L.P.Hapangama	9,056	0.32
Mr. Priyanka Manjula Pathiraja /Mrs. D.A.O. Kandamudali	5,239	0.18
Mr. Jaliya Jayampathi Lokeshwara	5,033	0.18
Mr. Sinniah Sellathurai Sithambaranathan	4,620	0.16
Mr. Rohan Edward Guy Codipilly	4,162	0.15
Miss Amitha Sumithra Ranasinghe	3,804	0.13
Mr. Ginige Cyril Walter De Silva (Deceased)	3,424	0.12
Mr. Gajath Chrysantha Goonetilleke	3,210	0.11
Mr. Gaya Hemantha Manamperi	1,985	0.07
Sampath Bank PLC/Mr. Llewlyn Alphonsus Joseph Fiedelis Morais	1,541	0.05
Mr. Warnakulaarachiralalage Don Lalantha Joseph Warnakulaarachchi	1,525	0.05
Commercial Bank of Ceylon Plc/S.A.Gulamhusein	1,483	0.05
Mr. Mohamed Haris Mohamed Hafis	1,350	0.05
	2,778,147	97.62
Other Shareholders	63,6282	2.24
Total Issued Capital	2,844,990	100

Five Years Summary

		2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
Turnover	Rs.	17,220,885	19,687,989	18,833,428	18,227,910	18,106,035
Profit	Rs.	(1,124,863)	(4,682,076)	2,795,916,171	(443,454,164)	(1,059,606,801)
Reserves	Rs.	43,340,584	44,122,342	48,766,552	(2,747,149,618)	(2,546,196,703)
Net Assets	Rs.	80,603,190	81,384,948	86,029,158	(3,352,447,608)	(2,908,993,445)
ROCE	%	(0.077)	(0.11)	75.03	(11.90)	(28.44)
EPS	Rs.	(.40)	(1.65)	982.75	(70.63)	(278.63)
P/E Ratio	times	(475)	(135.81)	0.07	(0.67)	(0.25)
Dividend Per Share	Rs.	-	-	-	-	-
Net Asset per Share	Rs.	28.33	28.61	30.24	(1,178.37)	(1,022.50)

SUPPLEMENTARY NOTICE TO SHAREHOLDERS

MERCANTILE SHIPPING COMPANY PLC 42nd 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 2023 is scheduled to be held as a virtual meeting using audio visual technology at 2.30 p.m on 22nd September 2023 as per the Notice of Meeting of the AGM.

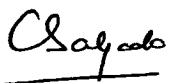
Please note the following procedure to be adopted in terms of the same;

1. The AGM will be held in compliance with the principles set out in the Guidelines issued by the CSE for the hosting of a virtual Annual General Meetings
2. 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.
3. The Annual Report along with the Notice of Meeting, Form of Proxy, Form of Pre-Registration and Circular to Shareholders are made available on the official website of the company (<https://mercmarine.net/MSCLAGM>) and on the website of the Colombo Stock Exchange (CSE) (<https://www.cse.lk>).
4. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform, with log-in information being forwarded to shareholders in advance of the meeting. In order to enable such facilities, Shareholders who wish to participate in the meeting 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.
6. 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 with the log in information forwarded in advance of the meeting.
7. For any clarifications on the Annual Report please contact (Mrs) C.D.A.Peiris on 0777327717 or on email, charmainep@mercmarine.net.
8. All documents relating to the AGM must be forwarded to menaka@msl.lk or to the registered office of the Company Secretary, not less than forty eight hours prior to the date of the AGM.

For any queries regarding any of the documents sent, please contact the Company Secretaries, Ms. Menaka De Silva on Tel: 0112015942 or 0703667942 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
(Ms.) C. Salgado

Director/Secretaries
14th August 2023

Form of Proxy

I/we the undersigned
 bearing NIC no of
 being a member / members of Mercantile Shipping Company PLC, hereby appoint
 Full name of proxy -
 NIC of Proxy -
 Address of Proxy -
 Contact Numbers - Land Mobile Email address -

Hetti Arachchige Ranjith Kumara Wickramatileka	or failing him
Captain Klaus Kriwat	or failing him
Thomas Kriwat	or failing him
Mrs. Charmaine Divinia Anne Peiris	or failing her
Captain Rohan Edward Guy Codipilly	or failing him
Mallawaarachchige Sarathchandra Perera Gunawardena	or failing him
Panambara Arachchilage Nandasena	or failing him
Wineendra Sudhammika Weeraman	or failing him
Chathura Chanaka Wickramatileka	or failing him
Mrs. Sakalasuriya Appuhamilage Sureka Keshani Jayasekera	

as my/our proxy to represent me/us and *vote for me/us on my/our behalf as indicated below at the 42nd Annual General Meeting of the Company to be held at 2.30 p.m on 22nd September 2023 via zoom 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
1. To receive and consider the Annual Report of the Board of Directors and the statement of Audited Accounts for the year ended 31st March 2023 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Capt. R E G Codipilly who retires by rotation in terms of Article 84, of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
3. To appoint Mrs. S A S K Jayasekera who has been appointed to the Board since the last Annual General Meeting in terms of Article 91 of the Articles of Association of the Company, being eligible for re-election	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint following Directors, to the Board in terms of Section 211 of the Companies Act, No.07 of 2007;		
a) Captain K Kriwat retires and being eligible offers himself for re-appointment	<input type="checkbox"/>	<input type="checkbox"/>
b) Mrs. C D A Peiris retires and being eligible offers herself for re-appointment	<input type="checkbox"/>	<input type="checkbox"/>
c) Mr. M S P Gunawardena retires and being eligible offers himself for re-appointment.	<input type="checkbox"/>	<input type="checkbox"/>
d) Mr. P A Nandasena retires and being eligible offers himself for re-appointment	<input type="checkbox"/>	<input type="checkbox"/>
e) Mr. H A R K Wickramatileka retires and being eligible offers himself for re-appointment	<input type="checkbox"/>	<input type="checkbox"/>
5. 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"/>
6. To Authorize Directors to determine contribution to Charities	<input type="checkbox"/>	<input type="checkbox"/>
7. To consider any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

Signed thisday of2023.

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.8, Tickell Road, Colombo 08, or e-mailed to "menaka@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

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E-mail : info@mercmarine.net Web : www.mercmarine.net