



CEYLON SHIPPING CORPORATION LTD

(Converted to a Company under the Conversion of Public Corporation or Government Owned Business Undertakings into Public Companies Act: No.23 of 1987 from 01.06.1992)



Antarctica

South of it is a barren, mountainous land, and it is the only continent which is not yet discovered by man. It is the only continent which is not yet discovered by man.

Annual Report 2020/2021

The National Carrier of Sri Lanka

Ceylon Shipping Corporation Ltd.
Annual Report & Accounts of
2020/2021

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**Ceylon Shipping Corporation Ltd.
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Vision & Mission Statement

Vision

To develop a dependable and effective
National Fleet of Ships for the country.

Mission

To cater to the sea transportation needs of the export, import and local
costal trades of Sri Lanka that needs assistance from the National Carrier.

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Letter of Transmittal

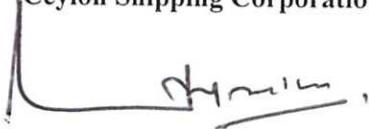
Hon. Minister Ports, Shipping and Aviation
Ministry of Ports, Shipping and Aviation
No.19, Chaithya Road
Colombo 01.

Dear Sir,

In accordance with the provisions of the conversion of Public Corporations and Government Owned Business Undertakings into Public Companies, Act. No. 23 of 1987 and the Companies Act. No. 07 of 2007, I am pleased to present the Annual Report and Financial Statements, in respect of the activities of the company for the period of 01.04.2020 to 31.03.2021.

Yours faithfully,

Ceylon Shipping Corporation Ltd



W.S. Weeraman

CHAIRMAN

Ceylon Shipping Corporation Ltd
No. 27, MICH Building
Sir Razik Fareed Mawatha
Colombo 01.

Date: 30.09.2022

Ceylon Shipping Corporation Ltd.
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Board of Directors

From - 01.04.2020 to 31.03.2021

W.S. Weeraman Esq.
Chairman
From 20/12/2019 to date

Dimuth Jagodaarachchi Esq.
Executive Director
From 08/10/2020 to date

Ms. D.H.S Pullaperuma
Director/Treasury Representative
From 11/01/2020 to date

Dr.I.D.M. Rathnayake
Director
From 20/12/2019 to 08/10/2020

Dr.G.A.J. Sanjeewa Bandara
Director
From 20/12/2019 to 08/10/2020

J.M. Jayathilaka Esq.
Director
From 20/12/2019 to 08/10/2020

P.N.G. Darshana Silva Esq.
Director
From 30/12/2019 to 07/10/2020

Ms. Shehara Jayawardena
Director
From 07/10/2020 to date

Bhatiya Udumalagla Esq.
Director
From 08/10/2020 to date

Ranga Goonawardena Esq.
Director
From 07/10/2020 to date

Mevan Peris Esq.
Director
From 08/10/2020 to date

Company Secretary

Mrs. Malkanthi Gunasekara
Associate Member of the Institute of Chartered Corporate Secretaries (ACCS)
Postgraduate Diploma in Labour Relation and Human Resource Management
University of Colombo

Secretary to the Board Up to 28//09/2020

P. Samaranayake. Esq.
Attorney-At Law
B.Sc (Special)

Secretary to the Board from 28/09/2020

Y.T.Praboditha Esq.
Attorney-At Law, Life Membership of BASL
B.Sc.

Bankers

People's Bank Corporate Banking Division
Bank of Ceylon
Commercial Bank of Ceylon PLC

Auditors

The Auditor General, The National Audit Office, No.306/72, Polduwa Road, Battaramulla.

Board Meetings

Eleven (11) Board Meetings were held during the year under review.

Registered Office

Ceylon Shipping Corporation Ltd.
No. 27, MICH Building,
Sir Razik Fareed Mawatha,
Colombo 01,
Sri Lanka.
Tel : +94 11 2328772/3
Fax : +94 11 2449486
E-mail : cscl@cscl.lk
Web : www.cscl.lk

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Management Team

Acting General Manager up to 07/01/2021

General Manager From 08/01/2021 to date

Mrs. C. Jayasinghe

FICS, MILT – UK, M.Sc. in International Shipping -UK

Diploma in Shipping (OSLO)

Acting Deputy General Manager (Legal & Insurance / HR) up to 23/02/2021

P. Samaranayake Esq.

Attorney-At Law

B.Sc. (Special)

Deputy General Manager (Commercial)

Mrs. Y. S. Wettasinghe

B.Sc. (General)

MSc in Shipping –WMU, (Malmo Sweden)

MILT – UK

Deputy General Manager (Legal & Insurance / Human Resources)

Mrs. S.A.S.K. Jayasekara

B.Sc. ,Attorney-At Law

M.Sc. in International Business & Commercial Law – University of West London

Assistant General Manager (Finance)

G.M. Vikum Pradeepa Esq.

B.Com. (Special) Hons., LICA

M.Sc. in Shipping Management WMU (Malmo-Sweden)

Designated Person Ashore

Capt. Nish Wijayakulathilaka

Master Mariner, MBA (Col),CMILT,AFNI(UK)

IMO Maritime Ambassador, Member UNA

Technical Superintendent up to 05/03/2021

Leel Senevirathne Esq.

Class 1 Marine Engineering Officer

ISM and ISPS Internal Auditor

Member of Institute of Marine Engineers Science & Technology (IMAREST) UK

Member of Chief Engineer's Association (SOCEN) SL

Member of Organization of Professional Associations (OPA) SL.

Technical Superintendent From 01/03/2021

Charaka Wickramanayake Esq.

Chartered Engineer - UK

Chartered Marine Engineer - UK

Incorporate Engineer- SL

Certificate of Competency as Chief Engineer Officer (CoC Class 1 – Unlimited)

Member of the Institute of Marine Engineers Science & Technology (IMAREST) UK

Associate Fellow Nautical Institute – UK -AFNI

Associate Member of the Royal Institution of Naval Architects - AMRINA

Member of the Institution of Incorporated Engineers,-SL- MIIESL

Internal Auditor

Y. Ponnampereuma.Esq.

LICA, FMAAT,

Post Graduate Diploma in Shipping Management (OSLO)

Manager Chartering & Agency

I. Danthanarayane.Esq.

B.Sc. Public Management (Special) Hons.

M.Sc. in Maritime Affairs, WMU (Malmo- Sweden)

MILT – UK ,LICA

Manager (Documentation)

K.L.M.Maduraja.Esq.

B.Com. (Special) Hons.

MSc in Shipping Management –WMU, (Malmo Sweden)

Manager (Liner, Logistics, NVOCC)

N.P.Kalpage.Esq.

B.A. (Special)

MSc in Shipping Management –WMU, (Malmo Sweden)

Actg.Manager (Human Resources)

Mrs. Malkanthi Gunasekara

Associate Member of Institute of Chartered Corporate Secretaries (ACCS)

Postgraduate Diploma in Labour Relations and Human Resource Management

University of Colombo

Head of Administration

H.R.L.P.P. Gunaratne Esq.

Diploma in Management – Open University

Diploma in Business Information

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Chairman's Review

On Behalf of the Board of Directors of Ceylon Shipping Corporation Ltd.(CSC) ,the National Sea Carrier of Sri Lanka, I have great pleasure in presenting the Annual Report providing an over view of CSC's operations and Audited Financial Statements of the Company for the year ended 31st March 2021.

2020/2021 was another extraordinary financial year as the world dealt with the Covid-19 pandemic. I am pleased to report that CSC was able to continue its operations in all sectors and fulfilled all its obligations during these difficult times.

Dry Bulk Shipping Market

According to Clarkson Research Services, the outlook for the dry bulk trade in 2020 was weakened compared to the last year. Clarkson figures for the first quarter of 2020 also indicated that the corona virus outbreak had a significant impact on the shipbuilding industry.

The average charter rates enjoyed by CSC vessels were comparatively lower than the last financial year.

Deployment of Ships

During the South West Monsoon period from April to mid-September, CSC two owned vessels M.V. Ceylon Breeze and M.V. Ceylon Princess were successfully employed in the International Charter Market under commercial management company based in Singapore and recorded the maximum vessel utilisation during the financial year 2020/21.

During the non-monsoon period these vessels were deployed in coal transportation between RBCT, South Africa and Puttalam to transport coal for Lakvijaya power plant contributing to national electricity generation.

Government Sector Imports

CSC was entrusted to transport of Government sector cargo under the Public Finance Circular No. 415. Accordingly CSC handled General Cargoes such as containerized cargo, vehicles, break-bulk cargoes and heavy- lift cargoes on third party ships on space charter and voyage charter basis from all over the world.

Financial Performance

CSC has recorded an operational profit of Rs.1.06bn. in 2020/21 without considering the impairment of Assets. After calculation of impairment of Assets amounting to Rs.161.70m,

the Profit from Operations was 903.96mn. in 2020/21. When compared to the 2019/20, Profit from operations was increased by approximately 7%. However, after the adjustment of finance expenses (i.e Peoples Bank Loan interest and Exchange Loss of the Loan), the loss after Tax was Rs. 527.12mn. in 2020/21. It is approximately (51%) decrease when compared to the loss after Tax of Rs. 1.09bn. in 2019/20.

During the year 2020/21, CSC was able to achieve total revenue of Rs. 3.09bn. It is approximately (20%) decrease when compared with the previous Financial Year 2019/20 considering as year-on-year basis. Direct Operational Expenses was reported as Rs. 2.04bn. in 2020/21 and Rs. 2.64b in 2019/20. So, Direct operational expenses have also decreased by approximately (23%) in 2020/21. The global Covid-19 Pandemic situation was also affected to decrease the Revenue in 2020/21.

Revenue in CSC vessel operation

It has been noted an approximate (0.8 %) revenue decrease in 2020/21 compared to the last financial year 2019/20 in the deployment of CSC owned two vessels in the international charter market during the South West Monsoon period under a commercial management agreement with a prospective Charterer selected through Bidding process. The total revenue earned by the ships was Rs. 587 m.

The average charter rate of the both vessels was USD 7,283/day in the year 2020/21 against USD 10,941.67/day in the year 2019/20.

On the other hand, freight income from transportation of coal by the owned two vessels was also decreased by (13%) in 2020/21 against the previous year. The quantity of coal 0.552 mn.MT out of the annual quantity of 2.229mn. MT consigned to LCC/CEB was carried by our owned vessels and earned freight revenue of Rs. 1.42bn. in 2020/21.

The income generated from agency commission and address commission from coal operations on third party vessels and lightering operation had been decreased by (12%) in 2020/21.

The income from the owned vessel operations was recorded as 65% out of the total income of the company.

Revenue in Non-Vessel Operating Common Carrier (NVOCC) service

The income generated from Non-Vessel Operating Common Carrier (NVOCC) operations was decreased from Rs 1.06bn. to Rs. 597.83mn due to the handling of limited number of special cargo shipments in 2020/21 when compared to previous financial year. It is a (43%) decrease compared to previous year. Also, the Pandemic situation around the globe in 2020/21 created to fall the revenue in operations due to closure of some ports, reduction of port staff with reduced efficiency causing congestion at some ports, shortage of containers, shortage of inland transport modes to ease door-to-door facilitating services.

Currency depreciation

The depreciation of Sri Lankan Rupee against the United States Dollar affected the company adversely. In 2020/21 the exchange rate was depreciated by 5% approximately. But when it

was compared with the People's Bank Vessels Loan borrowed year in 2015/2016 the exchange rate had been depreciated by 38% in 2020/2021. This had directly affected to increase the exchange loss of vessels loans amounting to Rs. 684.46m which is a mandatory provision in the annual accounts in accordance with the Sri Lanka Accounting Standards.

However, CSC was able to settle full amount of the interest instalment of the vessel loan amounting to Rs.756.81mn. 2020/21.

Further due to the significant Exchange loss and Loan interest payment, it was recorded an annual loss of Rs.813.32mn. in 2020/21. Compared to the year 2019/20 the loss was decreased by (30%).

Employees

The total number of the employees of the company was 122 as at 31.03.2021 and expenses for Salaries and wages were Rs.129.15mn. in 2020/21. Administration expenses were Rs. 215.88m in 2020/21 and shows approximately (0.4%) decrease when compared to 2019/20.

It had been identified the necessity of having well experienced/trained and well qualified staff to perform the operational functions of CSC in a professional manner and compatible to technological developments in the shipping field.

As such CSC has allocated Rs. 2Mn for staff training purposes annually and Rs.227,775 was spent in 2020/2021 to train 15 nos. staff in various shipping and finance programmes.

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Annual Report of the Board of Directors
On the Affairs of the Company

The Directors of CSC are pleased to submit their report together with the Audited Accounts of the Company, for the year ended 31st March 2021, to be presented at its Extraordinary General Meeting.

Review of the Year

Company's affairs during the current Financial Year and up to the date of this report including the challenges ahead are described in the Chairman's Review on page 08 to 10. This report together with the audited Financial Statement reflects the state of the affairs of the Company.

Principal Activities / Core Businesses

The main activities of the Company are the businesses of sea transportation of cargo, door-delivery and pickup of cargo, international moving of household goods and personal effects of Sri Lankan diplomatic staffs, Customs' House agency activities, shipping agency services, ship owners, managers and operators, charterers etc.

CSC is engaged in transport of all the types of cargo such as in the form of containerized, break-bulk, bulk (coal), vehicles, project cargo, heavy cargo etc.

Financial Statements

The Financial Statements are given on pages 32 to 63 in this Annual Report prepared in compliance with the requirements of Section 151 of the Companies Act No. 7 of 2007.

Independent Auditor's Report

The Auditor's Report on the Financial Statements is given on page 22 to 31 of this report.

Accounting Policies and Explanatory Notes

There were no changes in Accounting Policies adopted by the Company during the Financial Year under review. The Accounting Policies and explanatory Notes adopted in preparation of the Financial Statements are given on pages 36 to 63.

Financial Results/Profit and Appropriations

The Statement of Comprehensive Income is set out on page 32

Property, Plant & Equipment

During the year under review the Company invests Rs.1,750 million in property, plant & equipment.

Note 10 to the Financial Statements provide information relating to movement in Property, Plant & Equipment during the year.

Investments

Notes 13, 14, 15 and 16 to the Financial Statement on page 50 to 52 declare the details of long term investments held by the Company as of 31st March 2021.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31st March 2021.

Stated Capital

As per the terms of the Companies Act No. 7 of 2007, the stated capital of the Company is Rs. 50,000,000 as at 31st March 2021. The details are given in Note 23 to the Financial Statement on page 55.

Going Concern

The Directors have reviewed the Company's business plans and are satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future.

As such, the Financial Statement is prepared on that basis.

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Sustainability Report

Over the 50 years of long journey Ceylon Shipping Corporation Ltd, the national carrier of Sri Lanka has developed, maintained, and expanded on various initiatives relating to Environmental, Social, and governance matters.

In 2015, 193 countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). The Sustainable Development Goals provide a blueprint for the transition to a healthier planet and a more just world – for present and future generations. With concrete targets, the Goals aim to end poverty and hunger, expand access to health, education, justice and jobs, and promote inclusive and sustained economic growth, while protecting our planet from environmental degradation.

Our core business of dry bulk shipping involves the carriage of various bulk commodities which are all integral to meeting the planet's food, energy, and construction material demands. CSCL as owners of the two state owned bulk carrier vessels viz. Ceylon Breeze & Ceylon Princess is always having the focus on operating the vessels and performing the business in accordance with the sustainability frame work which is mainly concentrating the Environmental sustainability, Social sustainability and the economic sustainability.

Environmental Sustainability

The ecological risks associated with marine transportation are linked to emission of hazardous chemicals and materials. Shipping is a heavily regulated industry with a multitude of international conventions, port state and flag state requirements governing the operation of our vessels. For example, when operating in US waters, CSCL vessels are subject to the U.S. Oil Pollution Act of 1990, the Comprehensive Environmental Response, Compensation and Liability Act and the International Convention for the Control and Management of Ships' Ballast Water and Sediments – all regulations for hazardous discharge and potential spills. Similar regimes are in place at the international and local levels in the waters we navigate and the ports we call on throughout the world. Our fleet vessels experienced no spills in 2020-21 periods.

In order to improve air quality and protect the environment, International Maritime Organization (IMO) regulations on the reduction of Sulfur containing gasses (SOX) emissions from ships have been progressively tightened since 2005, as outlined under Annex VI of the International Convention for the Prevention of Pollution from Ships ("MARPOL Convention"). From 1st January 2020, the limit for sulfur in fuel oil used by ships operating outside of

emission control areas (“ECAs”) was reduced from 3.50% to 0.50%. This dramatic reduction in SOX emitted from ships is expected to provide significant health and environmental benefits around the world, particularly for coastal populations and those living near ports.

With the introduction of the 2020 Sulphur cap both our vessels switched over to the 0.5% Very Low Sulfur Fuel Oil (VLSFO) successfully. This helps to achieve IMO targets of reducing the harmful SOX emission levels.

Our two vessels are installed with electronic controlled main engines which are inherently build up with the sophisticated control algorithms in order to reduce the harmful NOx emissions.

Large cargo ships use ballast water to balance their weight and keep them stable during a voyage. Although it is essential for the safety of the ship, ballast water can be harmful to the marine environment as its discharge can release potentially invasive species into a new marine environment. Both our vessels are fitted with Ballast water treatment system and operating in accordance with the governing regulations to meet up the international standards.

The discharge of sewage into the sea is prohibited, except when the ship has in operation an approved sewage treatment plant or when the ship is discharging comminuted and disinfected sewage using an approved system at a distance of more than three nautical miles from the nearest land. Sewage which is not comminuted or disinfected may be discharged at a distance of more than 12 nautical miles from the nearest land when the ship is en route and proceeding at not less than 4 knots, and the rate of discharge of untreated sewage shall be approved by the Administration. Both CSCL vessels are fitted with approved sewage treatment plants and always maintaining the same in optimum working condition through proper planned maintenance according to the manufacturer’s instructions and guidelines.

Through shore disposal of the sludge & dirty oil accumulated in the machinery spaces, we are reducing the negative impacts to the environment. These are subsequently refined and reused in the industrial boilers etc.

Ozone layer depletion is the gradual thinning of the earth’s ozone layer in the upper atmosphere caused due to the release of chemical compounds containing gaseous bromine or chlorine from industries or other human activities. On board our vessels we are using the refrigerant gasses with low Ozone layer depletion potential.

Social Sustainability

In a year dominated by the global pandemic, health and safety took on an even greater significance as we strived to maintain a safe workplace for all of our employees – first by

doing our best to prevent the virus from entering our workplace to the extent possible, and second, by containing its spread within our facilities including onboard vessels.

While COVID-19 restrictions constrained face-to-face stakeholder engagement in 2020, we continued to engage with a wide range of industry bodies, governments and regulators, community representatives and civil society.

We comply with the Maritime Labor Convention adopted by the International Labor Organization (ILO) in 2006. The Convention outlines the minimum requirements for seafarers to work, conditions of employment, facilities while on board, and health and welfare protection. The Convention obliges all ships above 500 gross tons in international trade to have a Maritime Labor Certificate and a Declaration of Maritime Labor Compliance. All our vessels and crew are compliant with the Convention, and we intend to maintain them accordingly.

We continuously strive to provide a secure working environment and maintain the necessary security measures to ensure the wellbeing of our crew and the safety of our ships. In order to reduce the risk of accidents in our operations, we man our vessels with more crew members than required by our Flag State's safe manning requirement. Our aim always is to operate and conduct our activities safely, and to protect the health and wellbeing of our people and impacted stakeholders. We continue to stress on reporting all near misses as the improved accuracy of data gives the Company better analytics for continuous improvement of all safety aspects in the fleet.

Before planning any important work our vessel teams are always assessing the impact to the safety, environment, social and business through proper risk assessments. All the steps are being taken to mitigate the risks involved and implementation of such additional measures are always coordinated and supported by the shore team at the CSCL.

Our social responsibility framework covers complying with all applicable laws and regulations and that employees abide by our Code of Business Conduct in accordance with the government rules and regulations. We always avoid infringing human rights, to address harms that may occur and to earn and maintain a social license to operate.

As part of our sustainability framework we were able to attract, develop and retain the best people in a working environment that promotes integrity, equal opportunity and mutual respect to each other. One of the most critical elements of operating today's modern and technologically sophisticated ships safely is the seafarers themselves. CSCL is very well identifying the importance of the human capital and took all the efforts to absorb right people to the specific functions both on board and shore based.

Economic Sustainability

Corruption exposes companies not only to reputational, legal and financial risks through penalties and blacklisting but its negative effects also extend to investors and business partners. It also undermines economic efficiency, disadvantages compliant companies and is detrimental to shareholder value. Corruption underpins other risks such as breaches of human rights and environmental risk. We as CSCL is conducting the business according to the government rules, regulations and guide lines and our processes are audited by the internal auditor and finally by the government auditors. Additionally, our governance framework covers a broad range of corporate practices as well as the company's policies, standards, auditing and compliance

Maritime trade has been the lifeblood of the modern global economy, and Sri Lanka, with its close proximity to the main East West trade lane, has immensely benefited from its geographic location. One of the prominent options of achieving this to train more and more sea farers aiming the ever increasing demand in the world shipping for such trained maritime professionals. Our vessels are built with the concept of trading and training and having 26 training berths available on each vessel. Even among the many obstacles due to the Covid 19 pandemic both our vessels were fully occupied training the engineering and deck cadet officers from local institutes.

Our activities generate economic and social benefits, and stimulate development in local communities and national economies. We create employment, develop skills, build infrastructure and procure from local suppliers. As the national carrier we have open the path for many local vendors to get register with us and equal opportunities are been provided to every such vendor, strictly adhered to the government procurement procedures. Even though a government entity we maintain consistent policy on arranging all the payment timely without any delays which would otherwise create through the strict verification processes. Through this we have been able to gain the confidence of both the local and international vendors and to maintain the reputation gained throughout the 50 years of the history of CSCL as the national carrier.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is appointed by the Board of Directors of the **Ceylon Shipping Corporation** (CSC) and reports directly to the Board. The Audit Committee of CSC consisted of three Independent Non-Executive Directors during the financial year:

Mrs. D.H.S.Pullaperuma - Chairperson
Dr.I.D.M.Rathnayake - Member (up to 08/10/2020)
Dr.G.A.J.S.Bandara -Member (up to 08/10/2020)
Mrs.Shehara De.Silva -Member (from 07/10/2020)
Mr.B.A.Udumalagala -Member (from 08/10/2020)

ROLE OF THE AUDIT COMMITTEE

The Audit Committee is empowered to examine all matters pertaining to the financial affairs of the Company and assists the Board of Directors in effectively discharging their duties. The Audit Committee examines the preparation, presentation and adequacy of disclosure with the Sri Lanka Accounting Standards (SLFRS/LKAS) and whether the financial reporting requirements are in accordance with the Companies Act No. 07 of 2007 and other relevant financial reporting related regulations and requirements.

The Audit Committee reviewed and approved the annual Financial Statements prior to the final approval by the Board.

The Audit Committee also reviewed the adequacy and proper continuous functioning of the internal control procedures of the Corporation to obtain reasonable assurances that the financial statements of the Corporation accurately reflect the state of affairs of the Corporation and the results for the period to which it relates. An independent internal audit is carried out as and when required, Internal Audit Reports are reviewed and discussed with management with a view to further strengthening the internal control environment within the corporation. The Audit Committee also assessed major business and control risks of the Company.

MEETINGS

Four Audit Committee meetings were held during the year 2020/21. Audit Committee meeting attendance of the directors/members was as follows.

Mrs.D.H.S.Pullaperuma (4/4)
Dr. I.D.M.Rathnayake (2/4)
Dr.G.A.J.S.Bandara (2/4)
Mrs.Shehara De.Silva (1/4)

Mr.B.A.Udumalagala (2/4)

Mr.M.D.P.Thilaksiri-By invitation (4/4)

If Directors are unable to attend a meeting, they have the opportunity before hand to discuss any agenda items with the committee Chairman and to request for an excuse.

The Representative from the National Audit Office, Chief Accountant of the line Ministry, General Manager, Deputy General Managers, Assistant General Managers and Sectional Heads are also attended the meeting by the invitation of the Audit Committee. The Internal Auditor functions as the Convener to the Committee.

Reviews:

Audit committee reviewed followings for the year concerned.

**1. Submission the Annual Reports to the Parliament:
(2016/17, 2017/18, 2018/19, 2019/20)**

Recommendation:

It was recommended to submit the delayed annual reports to the parliament within a reasonable time period. And also, recommended that to act in accordance with the circular issued in this regard.

2. Action Plan:

Recommendation:

Audit committee recommended that to adhere to the Public Finance Circulars.

3. Audit Queries No POS/B/CSC/:/19/68 and POS/B/CSCL/19/AQ-82

Recommendation:

Audit Queries must be forwarded to the Audit Committee for their review and settlement of Audit queries should also be done within the time period given

4. Review of Internal Audit Reports-Unclaimed vehicle insurance claims:

Recommendation:

It was recommended that to claim vehicle accident damages within the period relevant and failure to do so stern actions must be taken to recover those losses from the employee/s responsible in accordance with the financial regulations.

5. Review of Internal Audit Reports-Printing of CSC owned file covers.

Recommendation:

Steps to be taken to print CSC owned file covers under the prevailing Tender Process.

6. Review of Internal Audit reports-Disposal of non moving items in the Stationery store:

Recommendation:

It was recommended to appoint a committee and arrange the disposal as per the recommendations of the committee.

7. Foreign Currency Payments:

Recommendation:

Audit committee recommended that to apply the Central Bank exchange rate for all foreign currency payments.

8. Computerized Accounting Package:

Recommendation:

Committee recommendation was to submit a progress report to the Board.

9. Letter of the Department of Management Audit (DMA/AMC/M/2020/5-4):

Recommendation:

Committee recommended that to act in accordance with the letter issued by the Department of Management Audit.

10. Vacancies to be filled:

Recommendation:

All vacancies must be filled before the next Audit Committee Meeting.

11. Report on inventory items:

Recommendation:

Committee recommendation was to appoint a three member committee and request them to review the matter and make their recommendations to the Board.

12. Special Audit proposed by the Audit Superintendent:

Recommendation:

It was recommended to assist to the Government Audit Section to complete the report.

13. Overdue advances/receivables:

Recommendation:

To take necessary steps to recover the outstanding and the committee reminded that no any authority to Audit committee to write off the dues.

14. Solvency Test:

Recommendation:

It was recommended that to develop the debt recovery process
Also, recommended to forward a detailed report to the Board.

15. Internal Audit Plan 2020/21:

Recommendation:

It was recommended that to submit the Annual Audit Plan of CSC to the next Board Meeting for approval.
Also, recommended that more attention must be focused to the high risk field.

16. Internal Control System:

Recommendation:

Committee recommendation was to submit the Internal Control systems of CSC to the Board for approval.

17. Supplies to owned vessels:

Recommendation:

It was recommended that to settle supplier invoices subject to the Goods Receive Note (GRN) attached to the payment voucher.

18. Container Deposits not Claimed:

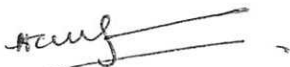
Recommendation:

It was recommended that to forward a detailed report with aging to the Committee/Board.

Conclusion:

The minutes of the Audit Committee and other reports are submitted to the Board of Directors for their reference and necessary actions and also, copies of the minutes of the meetings are submitted to the Secretary of the Ministry.

On behalf of the Committee



D.H.S. Pullaperuma (Mrs.)
Chairperson- Audit Committee

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Acknowledgement

*The Hon. Minister of Ports, Shipping and Aviation
has continued to give the Corporation,
his fullest support, advice and encouragement of which the Corporation is thankful.*

*The Corporation has also to thank the officials in the Ministry of Ports, Shipping and
Aviation for their co-operation and assistance in fulfilling the aspirations of the
Corporation.*

*The Corporation wishes to thank the Sri Lanka Ports Authority, Sri Lanka Customs and
The Foreign Agents for their assistance and co-operation at all times.*

*The Corporation also owes a debt of gratitude to all its customers who have
use of its services and for all the co-operation received from them.*

THANKS TO THE STAFF

*Management / Employees relationships continued to improve during the year under
review with the staff, generally presenting a cordial and co-operative attitude. The
unions provide to be very responsible and responsive in their dealings with the
management.*

*The management must place on record the dedicated, conscientious and loyal services
rendered by all employees, both afloat and ashore, which enabled the Corporation to
withstand the severe recession facing the Shipping Industry.*



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

} PAS/B/CSCL/01/20-21/02

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

}

21 September 2022

Chairman

Ceylon Shipping Corporation Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Shipping Corporation Limited for the year ended 31 March 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Ceylon Shipping Corporation Limited ("Company") for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



1.2. Basis for Qualified Opinion

- (a) As per the financial statements, loss for the year under review was Rs. 813,320,485 and the cumulative loss as at 31 March 2021 was Rs. 3,419,789,062. Further, net assets/equity of the company as at 31 March 2021 was a negative value of Rs. 2,041,613,494 and it was observed that these were the clear indication of material uncertainties that indicates the going concern uncertainties of the company. The main reason for the loss for the year under review was exchange loss amounting to Rs. 684,460,190 arising from converting USD loan balance to rupee value as at 31st March 2021. To overcome this situation the company had proposed some mitigating measures in the EGM on 3rd July 2021. Even though, in this meeting management was given the consent to convert the USD loan to LKR loan and rescheduling the loan with favorable terms and condition including reduce the interest rate from 7.88 percent to 2 – 4 percent as the ship building industry normal practice. However consent had not been granted by the Central Bank and loan could not convert to LKR. Loan had rescheduled by the bank by increasing the repayment period from 15 year to 20 years. But the interest rate had not reduced as expected up to 2 - 4 percent and only 0.25 percent from 5.25 percent +6 month LIBO had been deducted. Therefore, the main loss mitigating factor based on cash flows generating before and after converting the loan from USD to LKR as per the board resolution No: 259/2021/151 had not been succeeded even by 2 June 2022.

Further, refinancing process of loan as per the cabinet decision on 17 November 2020 company searched for new lender through calling Request for Proposals (RFP), based on the submitted one proposal and technical committee directed the management to clarify the tender in High commission of Sri Lanka – London, Central bank and Attorney Generals Department. However the process had not been completed even by 02 June 2022. Other proposals for diversification the business as a business strategies in achieving long-term growth as promoting Sri Lanka flag registry, operating a floating bunker storage, building a boat for the transportation of passenger and cargo at Norachchilai, operating a feeder service between Colombo and Bangladesh in coordination with Bangladesh shipping corporation and hiring a tanker Vessel in time

or bareboat charter basis to enter for the sea transportation of crude oil, have not been implemented.

- (b) As per paragraph 51 of the Sri Lanka Accounting Standard (LKAS) 16 on “Property, Plant and Equipment” the residual value and the useful life of an asset shall be reviewed at least at each financial year end and if expectation differ from previous estimate, the change(s) shall be accounted for as a change in an accounting estimate in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimate and Errors. Contrary to that it was observed that the company is using fully depreciated assets at a cost of Rs. 34,479,817 as at 31 March 2021. However action had not been taken to revalue the assets and make necessary adjustments as required.
- (c) As per paragraph 6 of the LKAS 7 – Statement of Cash Flows, definition for cash comprises cash on hand and demand deposits. And as per the accounting policy of the company, Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Contrary to that cash float (cash imprest) that the company had given to Captains of two vessels for their day-to-day operations amounting to Rs. 1,003,766 had not been considered as cash and cash equivalent and had included under other receivables. Therefore, cash and cash equivalent as at 31 March 2021 in the financial position statement and cash flow has been understated by that amount.
- (d) As per paragraph 35 of LKAS 01 on Presentation of Financial Statements, foreign exchange gains and losses on transaction and if they are material, Company shall presents such gains and losses separately. However, contrary to that the Company had offset Rs. 67,155,002 exchange gain earned, against the direct expenses of Rs. 2,109,976,010.

Further, as per paragraph 32 of the same standard, Company shall not offset assets against liabilities unless permitted by the standards. However, contrary to that the company had offset Rs. 888,948 debit balances against trade payables and Rs.3,402,124 debit balances against other payable. As a result, trade payables and other payable had understated and debit balances had understated by Rs. 4,291,042 as at the end of the year under review.

- (e) Company had not translated the balance payable Rs. of 114,247,992 (USD 745,246) which is the deposit made by the ship building company, as a warranty of two vessels. Hence guaranty repair deposit (liability) had been understated by Rs.36,321,510. Moreover, foreign creditors (Shipping agents) aggregating to Rs. 270,987,706 which were in different foreign currencies had not been translated at closing rate prevailing at the date of financial statements.
- (f) It was observed that bunker stock (Fuel Stock) account of two vessels had not been maintain accurately by the company. Therefore, accuracy of the bunker stock as at 31st March 2021 amounting to Rs.195,148,355 could not be confirmed to audit. In a sample audit test, relevant to vessel MV Ceylon Breeze, it was revealed that differences between the ledger balance of bunker stock at the chartering first term, amounting to Rs. 17,310,005 and a loss of price and quantity differences when transmitting the vessel among charters during the year under review amounting to Rs. 1,160,926 and omission of the bunker stock consumption in the month of July amounting to Rs. 43,759,166 had not been adjusted to bunker stock account and Profit & Loss account.
- (g) Accuracy and existence of Debtors aggregating to Rs. 73,809,918 from 22 debtors and Trade payable aggregating to Rs. 26,750,981 from 13 creditors could not be ascertained in audit due to lack of sufficient, appropriate evidence including confirmations.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the Company's 2020/21 Annual Report.

The other information comprises the information included in the Company's 2020/21 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2020/21 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date

of my auditor's report. However, future events or conditions may cause the Company 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2 Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the

normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

- 2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to Law/Direction	Description
(a) Paragraph No.7.4.5 of the public enterprises circular No: PED 12 dated 02 June 2003	Annual board of survey should be carried out by verification of fixed assets and inventories. Contrary to that physical verification had not been carried out as at 31 March 2021 for inventories valued Rs. 260,130,072 lying in the two vessels.
(b) Management Services Department Circulars No. 2017/05 dated 25 October 2017.	The professional allowance is entitled only to the officers who are not entitled to the allowance, mention in the circular. Contrary to this company paid professional allowance for 11 employees amounting to Rs. 856,638 who received Attendance allowance, Secretary allowance, vehicle allowance, attendance allowance, additional allowance and retention allowance during the year under review. Further, Company had paid same allowance aggregating to Rs.1,109,085 for 13 employees in 2019/20.

- 2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- 2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

3. Other Matters

- (a) Total outstanding trade receivable balance as at 31 March 2021 were amounting Rs.1,829,796,029 and provision for impairment as at that date was Rs.1,010,026,050. Out of the total debtors, 59 percent amounting to Rs.1,095,930,525 had remained over one year without being recovered. Further, it was observed that 95 percent of debtors of Freight clearance, Government Container deposit and Other Debtors aggregating to Rs. 91,139,337 had remained over 03 years without being recovered.

Further, Agency commission receivable from 18 agents amounting to Rs. 3,120,768 had remained without being recovered for over 03 years and 17 agents are not in operation and their aggregate balance, as at the end of the year under review was Rs.2,004,609. It was observed that debt collection procedures are not implemented efficiently.

- (b) Company had maintained two separate ledger accounts (Ledger account no: 16160 and Ledger account no 16120) for one bank account number (Bank of Ceylon 5935658) in the IFS accounting system maintained by the company.
- (c) The Company is liable to pay Value Added Tax (VAT) based on the cash basis according to the Inland Revenue department direction provided on 3 September 2003 by letter No: VAT/Gen/04. Therefore, amount of Rs. 66,419,287 had been existed as VAT payable due to fail to collect the VAT from the Lanka Coal Company (Pvt) Ltd for the period of 19 November 2012 to 16 January 2018, relevant to 20 invoices. Further, Inland Revenue Department had issued clarification on 17 January 2018 under letter no: ACT 17/9 regarding the dispute between Lanka Coal company Ltd

and the company relevant to the lightering that to consider declaration as zero rated from 17 January 2018, accordingly deemed that Lanka Coal company (Pvt) Ltd requires to pay the default VAT to the company. This dispute had not been resolved for long time and action had not been taken to recover the default VAT from Lanka Coal Company (Pvt) Ltd and remit to Inland Revenue Department.


W.P.C. Wickramaratne
Auditor General

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March

	Notes	2021 Rs.	2020 Rs.
Revenue	4	3,094,619,027	3,849,354,149
Direct Operational Expenses		(2,042,821,008)	(2,636,981,156)
Gross Profit		1,051,798,018	1,212,372,993
Other Income	5	229,739,950	117,664,629
Administration Expenses		(215,875,765)	(216,649,745)
Profit from Operations before Impairment of Assets		1,065,662,204	1,113,387,878
Impairment of Assets		(161,701,680)	(268,323,431)
Profit from Operations	6	903,960,524	845,064,447
Finance Expenses	7	(1,441,271,549)	(1,952,380,884)
Share of Profit of Associates - (Net of Tax)	14.2	10,185,997	22,100,882
Profit/(Loss) before Tax		(527,125,027)	(1,085,215,556)
Income Tax Income/(Expenses)	8	-	-
Profit/(Loss) for the Year after Income Tax		(527,125,027)	(1,085,215,556)
Deferred Tax Adjustment for the year	17	(286,195,458)	(69,253,553)
Profit/(Loss) for the Year after Income Tax & Deferred Tax Adjustment		(813,320,485)	(1,154,469,109)
Basic and Diluted Earnings Per Share	9	(105)	(217)
Profit/(Loss) for the Year		(813,320,485)	(1,154,469,109)
Other Comprehensive Income			
Profit/(Loss) on Changes in Fair Value of Available-for-Sale Financial Assets	16.1	5,962,650	(5,342,534)
Loss Arising from Changes in Actuarial Assumptions	29.1	(2,666,471)	(9,587,688)
Share of Other Comprehensive Income of Associates - (Net of Tax)	14.2	5,112,610	310,099
Total Comprehensive Income for the Year		(804,911,696)	(1,169,089,232)

The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION


As at 31st March

	Notes	2021 Rs.	2020 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	9,244,124,773	9,655,986,279
Capital Work-in-Progress - Vessels	11	-	-
Intangible Asset	12	-	-
Investment in Subsidiary	13	-	-
Investment in Associates	14	387,476,863	372,531,378
Available-for-Sale Financial Assets	16	19,621,054	13,658,404
Deferred Tax Asset	17	192,452,549	478,648,007
Total Non-Current Assets		9,843,675,240	10,520,824,068
Current Assets			
Inventories		260,658,042	203,586,679
Trade and Other Receivables	18	984,461,402	2,325,941,430
Statutory Receivables	19	10,606,151	32,177,013
Held to Maturity Investments	20	120,615,896	143,997,433
Short-Term Investments	21	24,839,609	24,107,923
Cash and Cash Equivalents	22	847,663,133	479,509,131
Total Current Assets		2,248,844,233	3,209,319,609
Total Assets		12,092,519,473	13,730,143,677
EQUITY AND LIABILITIES			
Equity			
Stated Capital	23	50,000,000	50,000,000
Contribution Against Equity Capital	24	543,939,497	543,939,497
Capital Reserve	25	767,029,766	767,029,766
Revaluation Reserve	26	3,065,444	3,065,444
Available-for-Sale Financial Assets Reserve		14,140,862	8,178,212
Retained Earnings		(3,419,789,062)	(2,647,715,036)
Total Equity		(2,041,613,494)	(1,275,502,117)
Non-Current Liabilities			
Long - Term Borrowings	28	12,139,697,919	12,434,283,858
Retirement Benefit Obligation - Gratuity	29	40,406,325	42,095,586
Deferred Tax Liability	17	-	-
Total Non-Current Liabilities		12,180,104,244	12,476,379,445
Current Liabilities			
Trade and Other Payables	30	831,978,507	1,618,262,435
Short Term Borrowing	31	1,020,271,290	808,290,000
Statutory Payables	32	72,570,160	76,180,071
Accrued Expenses	33	29,208,766	26,533,843
Total Current Liabilities		1,954,028,723	2,529,266,349
Total Equity and Liabilities		12,092,519,473	13,730,143,677

The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.

These Financial Statements are prepared in compliance with the requirements of the Companies Act, No.07 of 2007.


Acting General Manager


Assistant General Manager-
Finance

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

Approved and signed for and on behalf of the Board


Director


Director



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2021

	Stated Capital	Contribution Against Equity Capital	Capital Reserve	Revaluation Reserve	Available-for-Sale Financial Assets Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2019	50,000,000	543,939,497	767,029,766	3,065,444	13,520,746	(1,433,218,760.32)	(55,663,307)
Prior year Adjustment	-	-	-	-	-	(50,749,578.08)	(50,749,578)
Profit for the year	-	-	-	-	-	(1,154,469,109)	(1,154,469,109)
Other comprehensive income	-	-	-	-	(5,342,534)	(9,277,589.00)	(14,620,123)
Balance as at 31st March 2020	50,000,000	543,939,497	767,029,766	3,065,444	8,178,212	(2,647,715,035.83)	(1,275,502,117)
Prior year Adjustment	-	-	-	-	-	38,800,319.56	38,800,320
Loss for the year	-	-	-	-	-	(813,320,485.18)	(813,320,485)
Depreciation adjustment for IFRS	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	5,962,650.00	2,446,139.00	8,408,789
Balance as at 31st March 2021	50,000,000	543,939,497	767,029,766	3,065,444	14,140,862	(3,419,789,062.45)	(2,041,613,494)

The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CASH FLOWS

<i>For the year ended 31st March</i>	2021	2020
	Rs.	Rs.
Cash flows from operating activities		
Profit/(loss) before tax	(527,125,027)	(1,085,215,556)
<i>Adjustments for:</i>		
Depreciation	413,611,172	413,455,923
Profit/loss on disposals of fixed assets	(56,840)	(74,144)
Provision for gratuity	3,859,463	3,864,205
Dividend income	(192,143)	(290,117)
Share of profit of associates - (net of tax)	(10,185,997)	(22,100,882)
Provision for impairment of trade debtors	161,701,680	268,323,431
Exchange Loss	624,649,103	992,935,000
Interest income	(23,963,961)	(28,946,143)
Interest expense	756,811,358	942,422,392
Operating profit before working capital changes	1,399,108,806	1,484,374,109
(Increase)/Decrease in inventories	(57,071,363)	(118,459,326)
(Increase)/Decrease in trade and other receivables	1,341,480,027	(459,377,681)
Increase/(Decrease) in trade and other payables	(786,283,928)	284,119,049
(Increase)/Decrease in statutory receivables	21,570,862	(2,424,421)
Increase/(Decrease) in statutory payables	(3,609,911)	(3,289,971)
Increase/(Decrease) in accrued expenses	2,674,923	(2,841,041)
Cash generated from operations	1,917,869,416	1,182,100,718
Gratuity paid	(7,441,695)	(6,842,807)
Interest paid	(794,584,810)	(945,194,783)
Taxes paid	-	-
Net cash from operating activities	1,115,842,911	230,063,129
Cash flows from investing activities		
Purchase of fixed assets	(1,749,666)	(8,960,725)
Payments for vessels cost	-	-
Proceeds from disposals of fixed assets	56,840	74,144
Net Proceeds from/(investment) in held-to-maturity financial assets	(60,871,727)	(110,871,727)
Net investment in short-term investments	(731,686)	(723,679)
Interest received	20,155,818	34,588,622
Dividend received	545,265	290,117
Net cash used in investing activities	(42,595,156)	(85,603,248)
Cash flow from financing activity		
Vessel loan repayment	(705,093,752)	-
Net cash from financing activity	(705,093,752)	-
Net increase in cash and cash equivalents	368,154,002	144,459,881
Cash and cash equivalents at the beginning of the year	479,509,131	335,049,250
Cash and cash equivalents at the end of the year	847,663,133	479,509,131

Note 22

The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Accounting policies and explanatory notes to the Financial Statements for the year ended March 31, 2021

1. GENERAL INFORMATION

1.1 Domicile and Legal Form

Ceylon Shipping Corporation Limited is a Limited Company incorporated in 1992 and domiciled in Sri Lanka as the successor to the Ceylon Shipping Corporation (CSC), which was established under the Ceylon Shipping Corporation Act No. 11 of 1971. The registered office and the principal place of business of the Company is situated at No. 27, MICH Building, Sir Razik Fareed Mawatha, Colombo 01.

1.2 Principal Activity and Nature of Operations

During the year, the principal activities of the company were providing management services in relation to shipping and owning and chartering of vessels.

There were no any significant changes in the nature of the principal activities of the company during the financial year under review.

1.3 Number of Employees

Total number of employees of the Company as at March 31, 2021 was 122 (March 31, 2020-116).

1.4 Reporting Date

The Company's financial reporting period ends on March 31 and the financial reporting period of the associate companies ends on 31st December. The Company adjusts significant transactions and events, if any that occur between the Company's end of the reporting period and the reporting period end of the associate companies.

1.5 Approval of Financial Statements

These financial statements were approved by the Board of Directors and authorized for issue on 20th January 2022.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes relevant to the financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs) issued 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 statements of the Company are prepared under the historical cost convention except for quoted investments designated as available-for-sale financial assets that have been measured at fair value and the revaluation of land. Adjustments have not been made for inflationary factors affecting the financial statements.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2.3 Comparative Figures

The previous year figures and phrases have been reclassified whenever necessary to conform to the current year presentation.

2.4 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency) and rounded to the nearest rupee value.

These financial statements are presented in Sri Lankan Rupees (Rs.) which is the Company's functional and presentation currency.

2.5 Use of Estimates and Judgments

The preparation of financial statements in conformity with the SLFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6 Materiality and Aggregation

Each material class of similar item is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements prepared by the Company in accordance with the SLFRSs issued by The Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Foreign Currency Transactions/Translation

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of statement of financial position are translated to Sri Lankan Rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction.

3.2 Income Tax Expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

(a) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company's liability to tax has been computed in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and the subsequent amendments thereto.

(b) Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The carrying amount of deferred tax is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

ASSETS AND BASES OF VALUATION

Assets classified as current assets in the statement of financial position are cash and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the reporting date whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the date of financial position.

3.3 Property, Plant and Equipment

(a) Recognition and Measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses except the land which was carried at revalued amount in the statement of financial position. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent Expenditure

The Company adds to the carrying amount of an item of property, plant and equipment, the cost of replacing parts of such an item, when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

(c) Depreciation

Land is not depreciated. Depreciation is charged to the profit or loss so as to allocate the cost of assets less their residual value over the estimated useful lives of other items of property, plant and

Equipment, using the straight-line method Estimated useful lives of assets are as follows:

Assets	Years
Buildings	20
Vessels	25
Motor Vehicle	04
Furniture & Fittings & Office Equipment	10
Computers	05

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in profit or loss, and included in 'other income' or 'other operating expenses'.

3.4 Intangible Asset

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software and systems. Intangible assets acquired are stated at cost less accumulated amortization and accumulated impairment losses. These costs are amortized over their estimated useful lives, as follows:

Computer Software 05 Years

Costs associated with maintaining computer software are recognized as an expense as incurred.

3.5 Investment in Associates

Associates are entities in which the Company has significant influence but not control, generally accompanying a shareholding directly or indirectly twenty percent or more of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The Company's share of post-acquisition profit or loss is recognized in the statement of comprehensive income and its share of post-acquisition movements in the investee's other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Company determines at each reporting date whether there is any objective evidence that the



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

investments in the associates are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates in the statement of comprehensive income.

3.6 Non-Current Assets Held For Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment once classified as held for sale/distribution to owners are not depreciated or amortised.

3.7 Impairment of Non-Financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.8 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Inventories comprise of consumables. The cost incurred in bringing inventories to its present location and conditions are accounted at purchase cost on First in First Out basis (FIFO).

Net realisable value is the price at which the inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.9 Financial Instruments

Financial Assets

The Company determines the classification of its financial assets at initial recognition and classifies its financial assets as follows:



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

(a) Classification

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables, investments in term deposits, deposits and advances, and cash and cash equivalents in the end of reporting period.

ii Available for Sale Financial Assets (AFS)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets comprise of long-term quoted and unquoted equity investments.

iii. Held to Maturity Investments (HTM)

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to maturity if the Company has the positive intention and ability to hold them until maturity. Held to maturity investments are included in current assets unless the investment matures more than one year. Held to maturity investments comprise of investment in Government Treasury Bills.

(b) Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the Company originates the transaction. Other financial assets are recognized on the trade-date on which the Company becomes a party to the contractual provision of the financial instrument. A financial asset is measured initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial assets.

(c) Subsequent Measurement

i. Loans and Receivables

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment.

ii. Available for Sale Financial Assets (AFS)

After initial recognition, quoted equity investments classified as available for sale financial assets are measured at fair value. Changes in the fair value of available for sale financial assets are recognized in other comprehensive income and presented as available for sale reserve in the statement of changes in equity. Unquoted equity investments are measured at cost less any impairment losses, as currently its fair value cannot be estimated reliably.



iii. Held to Maturity Investments (HTM)

Held to maturity investments are measured subsequently at amortized cost using the effective interest method. Amortized cost is computed taking into account of discount or premium on acquisition and transaction costs.

(d) Impairment of Financial Assets

i. Assets Carried at Amortized Cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

ii. Available for Sale Financial Assets (AFS)

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. For quoted equity investments, a significant or prolonged decline in the fair value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the quoted investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are reversed through profit or loss. The amount of reversal is recognized in the other comprehensive income.

For unquoted equity investments, a significant or prolonged decline in the value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the unquoted investments, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

3.9.1 Trade and Other Receivables

Trade and other receivables are initially recognised at the transaction price. Most sales are made on the basis of normal credit terms, where the receivables do not bear interest and are valued at undiscounted amount of cash receivable. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss. CSC has applied SLFRS 9 retrospectively, with the initial application date of 1st of April 2018.

3.9.2 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the statement of financial position.

The statement of cash flows has been prepared by using the “Indirect Method”.

Financial Liabilities

3.9.3 Trade and Other Payables

Trade and other payables are initially recognised at the transaction price (including transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.

3.9.4 Bank Overdrafts

Overdrafts are repayable in full on demand and are initially measured and subsequently stated at face value.

3.10 Government Grants

Grants from the government including non-monetary grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Non-monetary grants are measured at carrying value of the non-monetary asset and account for both grant and asset at the carrying value.

LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.11 Retirement Benefit Costs



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

The Company has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually depend on one or more factors such as age, years of service and compensation.

**(a) Defined Contribution Plans - Employees' Provident Fund (EPF) and
- Employees' Trust Fund (ETF)**

All employees who are eligible for Employees' Provident Fund and Employees' Trust Fund contributions are covered by relevant contribution funds in line with respective statutes and regulations.

(b) Defined Benefit Plans - Retirement Gratuity

The liability recognised in the statement of financial position in respect of retirement gratuity is the present value of gratuity obligation at the reporting date. Gratuity obligations are measured using projected unit credit method calculated using the gratuity formula.

According to the Payment of Gratuity Act, No. 12 of 1983, the Company is liable to pay gratuity only to retiring employees who have completed five years of continuous service.

Actuarial gains/losses are recognised in other comprehensive income in the period those occurred.

Gratuity is not funded externally.

3.12 Contingencies and Capital Commitments

All material capital commitments and contingencies, which exist as at the reporting date, are disclosed in the respective notes to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

3.13 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

(a) Voyage Income

Revenue arises from cargo handling and transport services is recognized in the period in which the services are rendered based on completion of services and assessed on the basis of the actual services rendered.

(b) Charter Hire Income

Revenue from charter hiring is recognized over the period of the time charter agreement on an accrual basis.

(c) Agency Fee



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Agency fee is recognized as revenue in the period in which the services are rendered based on completion of services.

(d) Interest

Interest income is recognised using effective interest method.

(e) Other Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for profit and loss, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

(f) Dividend Income

Dividend income is recognized when the right to receive payment is established.

3.14 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year.

3.15 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.

3.16 Related Party Transactions

Disclosures have been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions/policies irrespective of a price being charged.

3.17 New and amended standards and interpretations

SLFRS 16 - Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease,

SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Company is the lessor.

The Standard did not have a material impact on Financial Statements of the Company that would require separate disclosure in the Financial Statements.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March

	Notes	2021 Rs.	2020 Rs.
4 Revenue			
Voyage		597,832,869	1,055,883,158
Freight Income Own Vessel		1,425,339,909	1,638,808,541
charter hire income from own vessel		587,535,533	592,200,642
Clearing and forwarding		8,337,584	19,583,422
Agency and address commission		475,573,131	542,878,386
		<u>3,094,619,027</u>	<u>3,849,354,149</u>
5 Other Income			
Profit on disposals of fixed assets		56,840	74,144
Dividend		192,143	290,117
Exchange gain		62,220,301	62,962,318
Interest income - Fixed deposits and treasury bills		23,963,961	28,946,143
Interest income - Staff loans		1,465,263	1,773,627
Demurrage recoveries own vessel		126,681,291	13,549,679
Documentation Charges recoveries		5,807,139	
Others		9,353,012	10,068,601
		<u>229,739,950</u>	<u>117,664,629</u>
6 Profit/(Loss) from Operations			
Profit/(loss) from operations is stated after charging all the operational expenses including the following.			
Auditor's remuneration		741,000	-
Depreciation		413,611,172	413,455,923
Professional and legal fees		637,400	953,910
Staff costs (Note: 6.1)		153,638,941	160,877,024
6.1 Staff Costs			
Directors' remuneration		1,097,000	225,560
Salaries and wages		129,155,049	131,698,381
Defined contribution plan costs - Employees' Provident Fund and			
Defined contribution plan costs - Employees' Trust Fund		16,860,958	15,501,190
Defined benefit plan cost - Retiring Gratuity		6,525,934	13,451,893
		<u>153,638,941</u>	<u>160,877,024</u>
7 Finance Expenses			
Finance Expense			
Interest expense - Vessel loan		(756,811,358)	(942,422,392)
Exchange Loss		(684,460,191)	(1,009,958,492)
		<u>(1,441,271,549)</u>	<u>(1,952,380,884)</u>
8 Income Tax Income/(Expenses)			
Tax on ordinary activities	8.1	-	-
Reversal of deferred tax asset	17	286,195,457.96	69,253,553.00
Deemed dividend tax		-	-
		<u>286,195,458</u>	<u>69,253,553</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March

	Note	2021 Rs.	2020 Rs.
8.1 Reconciliation between Taxable Profit and Accounting Profit			
Accounting profit before tax		(527,125,027)	(1,085,215,556)
<i>Add:</i> Dividend received from associates		353,122	
<i>Less:</i> Share of profit of associates - (net of tax)		(10,185,997)	(22,100,882)
		<u>(536,957,902)</u>	<u>(1,107,316,438)</u>
Aggregated disallowable items		1,858,902,160	1,360,038,189
Aggregated allowable items		(12,092,543)	(12,074,615)
Impairment provisions for debtor impairments		161,701,680	268,323,431
Income not subject to tax		(24,509,226)	(29,236,260)
Assessable Income From Business		<u>1,447,044,169</u>	<u>479,734,307</u>
Assessable Income From Investment		24,509,226	29,236,260
<i>Add:</i> Other income liable for tax-interest income)			
Total statutory income/assessable income		<u>1,471,553,395</u>	<u>508,970,567</u>
Current tax on ordinary activities for the year	8	<u>-</u>	<u>-</u>

9 Basic and Diluted Earnings Per Share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the equity holders by the weighted average number of ordinary shares in issue during the reporting period.

Amount used as the numerators

Net profit attributable to equity holders (Rs)	(527,125,027)	(1,085,215,556)
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Amount used as the denominator

Weighted average number of shares in issue	5,000,000	5,000,000
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Basic and Diluted Earnings Per Share (Rs.)	<u>(105.43)</u>	<u>(217.04)</u>
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Basic and Diluted Earnings Per Share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the equity holders by the weighted average number of ordinary shares in issue during the reporting period.

Amount used as the numerator

Net profit/(loss) attributable to equity holders (Rs.)	(527,125,027)	(1,085,215,556)
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CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2021

10 Property, Plant and Equipment

	Land and Housing Project Rs.	Buildings Rs.	Vessel Rs.	Motor Vehicles Rs.	Furniture, Fittings and Office Equipment Rs.	Computers Rs.	Total Rs.
Cost/Valuation							
Balance as at 1st April 2020	5,286,340	43,390	11,235,780,363	37,002,095	21,315,011	23,646,516	11,323,073,715
Additions during the year	-	-	-	-	994,026	755,640	1,749,666
Transferred from capital work-in-progress-vessels during the year	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	(1,229,664)	(1,192,607)	(2,422,271)
Balance as at 31st March 2021	5,286,340	43,390	11,235,780,363	37,002,095	21,079,373	23,209,549	11,322,401,110
Accumulated Depreciation							
Balance as at 1st April 2020	1,253,056	43,390	1,601,910,329	31,338,104	13,462,509	19,080,048	1,667,087,436
Charge for the year	8,316	-	408,178,758	2,182,782	1,409,966	1,831,350	413,611,172
On disposals	-	-	-	-	(1,229,664)	(1,192,607)	(2,422,271)
Balance as at 31st March 2021	1,261,372	43,390	2,010,089,087	33,520,886	13,642,811	19,718,791	2,078,276,337
Net Book Value							
					Notes	2021 Rs.	2020 Rs.
Land and housing project						4,024,968	4,033,284
Buildings						-	-
Vessels						9,225,691,276	9,633,870,034
Motor vehicles						3,481,209	5,663,991
Furniture and fittings						7,436,562	7,852,502
Office equipment and computers						3,490,758	4,566,468
						9,244,124,773	9,655,986,279
Capital work-in-progress - Buildings					10.1	3,626,440	3,626,440
Provision for impairment						(3,626,440)	(3,626,440)
					10.2	9,244,124,773	9,655,986,279

CSC performed its annual Impairment Test considering the internal and external factors related to impairment as at 31st March 2021. The recoverable amount of the vessels as at 31st March 2021 was determined based on the method of Value in Use computation using estimated future cash flows and the assessments which were carried out by CSC internal committee comprising of professionals appointed by Chairmen of CSC, in accordance with the paragraph 33 of LKAS 36.

In assessing the Value in Use calculations of the vessels, the entity has made assumptions based on historical and cyclical trend as well as future expectation and estimations on future charter hire rates for the open market operations and Time Charter hire Equivalents (TCE) based on projected market freight rates for the period when the vessels will be operated for transportation of coal for the Lakvijaya Power Station and ships operating expenses. The pre-tax discount rate applied to cash flow projections is 5.45%. Residual values were estimated using the average Scrap Price of USD 610 per MT for dry bulk ships as per the Clarkson Shipping Intelligence Weekly (CSIW)



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2021 Rs.	2020 Rs.
10.1 Capital Work-in-Progress - Buildings			
Balance at the beginning of the year		3,626,440	3,626,440
Balance at the end of the year	10	3,626,440	3,626,440
10.2 Carrying Value of Fixed Assets			
At cost		9,240,124,773	9,651,986,279
At valuation		4,000,000	4,000,000
	10	9,244,124,773	9,655,986,279

Land and Building were revalued on July 1994 by Government Valuation Department. This valuation was based on an open market value of the assets in the existing use with relevant adjustments with regard to those assets in sub optimal use. The results of the valuation net of deferred tax was recognized in the revaluation reserve.

10.3 The carrying amounts of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation are as follows:

Cost	1,120,000	1,120,000
Accumulated depreciation	(1,120,000)	(1,120,000)
Carrying value	-	-

Property, plant and equipment of the Company with a cost of Rs.16,704,617 (2015 - Rs.13,269,081) have been fully depreciated and held to continue to be in use by the Company.

11 Capital Work-in-Progress - Vessels

	MV Ceylon Breeze Rs.	MV Ceylon Prince Rs.	Total Rs.
Cost			
Balance as at 1st April 2016	-	-	-
Additions during the year	-	-	-
Borrowing costs	-	-	-
Transfer to Property, Plant and Equipment	-	-	-
Balance as at 31st March 2017	-	-	-

Average borrowing cost capitalisation rate - 15.59% (2015-10.91%)

As at 31st March

12 Intangible Asset

Computer Software

Cost

Balance at the beginning of the year	6,144,497	6,144,497
Balance at the end of the year	6,144,497	6,144,497

Accumulated Amortization

Balance at the beginning of the year	6,144,497	6,144,497
Balance at the end of the year	6,144,497	6,144,497

Written Down Value as at 31st March

	-	-
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CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

2021
Rs.

2020
Rs.

13 Investment in Subsidiary

	No. of Shares	Percentage of Holding		
Ceylon Shipping Agency (Private) Limited	9,999	100%	99,990	99,990
Provision for impairment			(99,990)	(99,990)
			-	-

Company has not consolidated the financial statements of the subsidiary as a result of the decision taken at the Board meeting held on March 20, 2006 to wind up the subsidiary. Subsequent to the Board decision, the subsidiary had ceased its operations since May 2006. Currently, the process of liquidation of subsidiary has been completed and winding up has to be done.

14 Investment in Associates

Carrying Value on Equity Method

Ceylon Shipping Lines (Private) Limited	303,274,506	293,167,807
Ceylon Shipping Agency (Pte) Ltd - Singapore	84,202,357	79,363,571
	387,476,863	372,531,378

14.1 Investment in Associates

Cost

	No of Shares	Percentage of Holding		
Ceylon Shipping Lines (Private) Limited	156,942	39%	1,569,420	1,569,420
Ceylon Shipping Agency (Pte) Ltd - Singapore	24,500	49%	143,622	143,622
			1,713,042	1,713,042

14.2 Movement of Investment in Associates on Equity Method

Investor's Share of Net Assets

Balance at the beginning of the year	372,531,378	350,473,519
Share of profit of associates - (net of tax) (14.2)	10,185,997	22,100,882
Share of other comprehensive income of associates - (net of tax)	5,112,610	310,099
Dividend income	(353,122)	(353,122)
Balance at the end of the year	387,476,863	372,531,378

14.3 Summarized Financial Information of Associates

	Ceylon Shipping Agency (Pte) Ltd - Singapore		Ceylon Shipping Lines (Private) Limited	
As at 31st December	2020	2019	2020	2019
Total assets	231,075,820	265,933,862	927,295,210	925,944,606
Total liabilities	51,771,935	96,505,049	97,378,078	122,847,529
Net assets	179,303,885	169,428,813	829,917,132	803,097,078
Revenue	701,782,376	864,388,724	352,997,880	490,132,018
Operating expenses	705,302,230	856,368,199	399,903,380	496,839,651
Other income	5,019,383	202,452	50,350,444	26,628,274
Profit for the year	1,499,529	8,222,977	24,233,919	46,337,494
Other comprehensive Income for the year	-	-	2,586,136	(951,605)



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2021 Rs.	2020 Rs.
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15 Financial Instruments

Categories of Financial Assets and Financial Liabilities

The carrying value of the financial assets and liabilities reported in the statement of financial position are as follows;

The Carrying Values of Financial Assets and Liabilities

15.1 Financial Assets

15.1.1 Available-for-Sale

Quoted investment	16.1	17,243,984	11,281,334
Unquoted investments	16.2	2,377,070	2,377,070
		<u>19,621,054</u>	<u>13,658,404</u>

Quoted investment is measured at fair value based on active market quoted prices. Unquoted investments are measured at cost less provision for impairment as their fair value can not be reliably measured.

15.1.2 Held to Maturity Investments

Investment in treasury bills	20	<u>120,615,896</u>	<u>143,997,433</u>
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Held to maturity investments are measured inclusive of interest receivable.

15.1.3 Loans and Receivables

Trade and other receivables	18	984,461,402	2,325,941,430
Short-term investments	21	24,839,609	24,107,923
Cash and cash equivalents	22	<u>847,663,133</u>	<u>479,509,131</u>
		<u>1,856,964,145</u>	<u>2,829,558,484</u>

Loans and receivables are stated at their carrying value as their carrying value approximates the fair value.

Total Financial Assets		<u><u>1,997,201,095</u></u>	<u><u>2,987,214,321</u></u>
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15.2 Financial Liabilities

Trade and other payables	30	<u>831,978,507</u>	<u>1,618,262,435</u>
Total Financial Liabilities		<u><u>831,978,507</u></u>	<u><u>1,618,262,435</u></u>

Financial liabilities are stated at their carrying value as their carrying value approximates the fair value.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2021 Rs.	2020 Rs.
16 Available-for-Sale Financial Assets			
Quoted investment	16.1	17,243,984	11,281,334
Unquoted investments	16.2	2,377,070	2,377,070
		19,621,054	13,658,404

16.1 Quoted Investment

Balance at the beginning of the year		11,281,334	16,623,868
Profit/(Loss) on changes in fair value		5,962,650	(5,342,534)
Balance at the end of the year	16	17,243,984	11,281,334

	No. of Shares	2021		2020	
		Cost Rs.	Market Rs.	Cost Rs.	Market Value Rs.
Mercantile Shipping Company PLC	238,506	2,068,800	17,243,984	2,068,800	11,281,334

16.2 Unquoted Investments

Unquoted investments are stated at cost less impairment losses as their fair value can not be reliably measured.

	Notes	2021 Rs.	2020 Rs.
	No. of Shares		
Associate News Papers of Ceylon Limited	31,206	312,060	312,060
Ceylon Port Services Limited	5,000	50,000	50,000
Sri Lanka Port Management and Consultancy Ltd	1,501	15,010	15,010
Lanka Coal Company (Private) Limited	200,000	2,000,000	2,000,000
	16	2,377,070	2,377,070

17 Deferred Tax Asset/(Liability)

Balance at the beginning of the year		478,648,007	547,901,560
Reversal during the year	8	-	-
During the year		(286,195,458)	(69,253,553)
Balance at the end of the year	17.1	192,452,549	478,648,007

Deferred tax is recognised for temporary differences between the carrying amount of assets and liabilities and tax base of assets and liabilities. Deferred tax has been measured by the effective tax rate of 24%.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2021 Rs.	2020 Rs.
17.1 The Analysis of Deferred Tax Asset and Liability			
Deferred Tax Liability			
From accelerating depreciation		(2,215,379,794)	(2,313,523,583)
		<u>(2,215,379,794)</u>	<u>(2,313,523,583)</u>
Deferred Tax Asset			
From Tax Loss		2,364,498,212	2,717,671,026
Provision for impairment		33,636,613	64,397,623
From retirement benefit obligation		9,697,518	10,102,941
		<u>2,407,832,343</u>	<u>2,792,171,590</u>
17		<u>192,452,549</u>	<u>478,648,007</u>

Deferred tax asset is recognized for provision for retirement benefit obligation and tax loss to the extent that the realization of the related tax benefits through future taxable profits/loss are probable and deferred tax liabilities are recognized for accelerating depreciation and revaluation surplus.

18 Trade and Other Receivables

Trade receivables	18.1	848,370,068	2,199,742,282
Deposits and advances	18.2	20,020,967	18,350,308
Staff receivables	18.3	55,042,036	52,540,792
Other receivables	18.4	61,028,331	55,308,048
		<u>984,461,402</u>	<u>2,325,941,430</u>

18.1 Trade Receivables

Trade receivables		1,829,796,029	3,049,370,999
Trade Control A/C (Local)		28,316,889	19,961,580
Coal Transaction Control A/C		283,199	283,199
Provision for impairment		(1,010,026,050)	(869,873,496)
18		<u>848,370,068</u>	<u>2,199,742,282</u>

Trade receivables comprise the following receivables from related parties.

Receivables from Related Parties

Government Institutions		217,806,005	243,243,702
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The aging of the trade receivables is as follows.

Aging of the Trade Receivables

Up to one year		733,865,504	1,931,374,657
1 to 4 years		346,677,041	532,088,212
More than four years		749,253,484	585,908,130
		<u>1,829,796,029</u>	<u>3,049,370,999</u>

Trade receivables have been reviewed for impairment. Certain trade receivables are found to be impaired and provision for impairment has been made on the basis as stated in note 3.9.1

The Details of Provision for Impairment of the Trade Receivables;

Specific Impairment

Government institutions		36,206,870	36,206,870
Foreign agents		64,024,592	64,024,592
Private institutions		44,083,601	44,083,601
Others		31,944,098	31,944,098
Collective Impairment		<u>833,766,889</u>	<u>693,614,335</u>
		<u>1,010,026,050</u>	<u>869,873,496</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2021 Rs.	2020 Rs.
18.2 Deposits and Advances			
Container deposits		18,554,346	13,642,255
Other refundable deposits		6,124,052	6,042,809
Advances		3,671,478	6,994,154
		28,349,877	26,679,218
Provision for impairment		(8,328,910)	(8,328,910)
	18	20,020,967	18,350,308
18.3 Staff Receivables			
Staff loans		51,789,854	51,092,349
Advances and others		3,252,182	1,448,442
	18	55,042,036	52,540,792
18.4 Other Receivables			
Guarantee repairs receivable		19,839,635	19,839,635
State institutions temporary surplus fund at the general treasury		-	-
Others		64,490,507	58,770,223
		84,330,142	78,609,858
Provision for impairment		(23,301,810)	(23,301,810)
	18	61,028,331	55,308,048
19 Statutory Receivables			
Withholding Tax		8,464,489	8,472,050
Goods and Services Tax		18,936,777	18,936,777
Provision for impairment		(18,936,777)	-
National Security Levy		2,612,349	2,612,349
Provision for impairment		(2,612,349)	-
Double Tax		2,141,662	2,141,662
		10,606,151	32,177,013
20 Held to Maturity Investments			
Investment in treasury bills		120,615,896	143,997,433
21 Short-Term Investments			
Investment in fixed deposits	21.1	1,945,051	1,890,429
S/I Surplus Fund at the General TR		-	57,019
State Mortgage and Investment Bank - for staff loans		22,894,559	22,160,475
		24,839,609	24,107,923
21.1 Investment in Fixed Deposits			
Bank of Ceylon		1,310,700	1,310,700
Commercial Bank of Ceylon PLC		35,000	35,000
Commercial Bank of Ceylon PLC - security and housing loan		599,351	544,729
	21	1,945,051	1,890,429



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2021 Rs.	2020 Rs.
22 Cash and Cash Equivalents			
Cash in hand		77,090	91,968
Cash at bank		847,586,043	479,417,163
Balance for Statement of Cash Flows		<u>847,663,133</u>	<u>479,509,131</u>
23 Stated Capital			
<i>Issued and Fully Paid</i>			
5,000,000 Ordinary Shares of Rs. 10/= each		<u>50,000,000</u>	<u>50,000,000</u>
24 Contribution Against Equity Capital			
This represents funds received from the treasury for capital contribution, advances to working capital and for investing in new passenger terminal for ferry services.			
25 Capital Reserve			
This represents settlements made by the treasury on behalf of the Company including ASTARSA loan and treasury guaranteed loan obtained from People's Bank.			
26 Revaluation Reserve			
The revaluation reserve relates to the revaluation surplus of property, plant and equipment as per the valuation carried out in 1994. Once the respective revalued assets have been derecognised, portion of revalued surplus will be transferred to retained earnings.			
28 Long - Term Borrowings			
People's Bank - Vessel Loan	28.1	11,283,156,548	11,527,755,000
People's Bank - Interest Capitalisation Loan	28.2	856,541,371	906,528,858
		<u>12,139,697,919</u>	<u>12,434,283,858</u>
28.1 People's Bank - Vessel Loan			
Balance at the beginning of the year		12,336,045,000	11,411,082,000
Payments during the year		(705,093,752)	-
Exchange loss		577,315,750	924,963,000
		12,208,266,998	12,336,045,000
Repayable within one year	31	925,110,450	808,290,000
Repayable after one year	28	11,283,156,548	11,527,755,000
Treasury has given guarantee to cover the full value and tenor.			
28.2 People's Bank - Interest Capitalisation Loan			
Balance at the beginning of the year		906,528,858	838,556,858
Exchange loss		45,173,353	67,972,000
Balance at the end of the year		951,702,211	906,528,858
Repayable within one year	31	95,160,840	-
Repayable after one year	28	856,541,371	906,528,858
Treasury has given guarantee to cover the full value and tenor.			



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2021 Rs.	2020 Rs.
29 Retirement Benefit Obligation - Gratuity			
Balance at the beginning of the year		42,095,585	35,486,499
Provision for the year	29.1	6,525,934	13,451,893
		48,621,519	48,938,392
Gratuity Payable		(773,500)	
Payments made during the year		(7,441,695)	(6,842,807)
Balance at the end of the year		40,406,325	42,095,585

29.1 Provision for the Year

Current service cost		2,320,215	2,136,515
Interest charge for the year		1,539,248	1,727,690
Loss arising from changes in actuarial assumptions		2,666,471	9,587,688
	29	6,525,934	13,451,893

The principal assumptions used are as follows.

Discounting factor	4.50%	6.00%
Expected future salary increment	1.11%	1.11%
Staff turnover factor	5.13%	6.80%
Retirement age	60 years	60 years

These assumptions are developed by the Company based on the management's best estimates of variables used to measure the retirement benefit obligation. Discounting factor is determined on the basis of market rates of long-term Government Bond.

30 Trade and Other Payables

Trade payables	502,049,215	1,161,351,942
Deposits	5,472,748	4,980,684
Interest payable for vessel loan	111,746,281	149,519,734
Others	212,710,263	302,410,075
	831,978,507	1,618,262,435

31 Short -Term Borrowings

People's Bank - Vessel loan	1,020,271,290	808,290,000
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32 Statutory Payables

N.B.T	-	9,010
Income Tax	9,665,215	9,665,215
Stamp Duty	31,699	30,974
Value Added Tax	62,871,983	66,473,609
Goods Services Tax	1,262	1,262
	72,570,160	76,180,071

33 Accrued Expenses

Accrued expenses	29,208,766	26,533,843
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CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2021

34 Contingent Liabilities

There were no materialized Contingent liabilities as at the end of the reporting period which required adjustments or disclosure to be made in the financial statements except the legal claims arising in the ordinary course of business operation to consider, if these claims to be made justified and probability of an outflow due to remoteness of settlement. This evaluation is in consistent with legal opinion of the Company's Legal Division; therefore no provision has been made for the following cases,

1. Mv Lanka Mahapola had been chartered out to M/s Triple "s" Shipping Ltd in the year 2011 and the said company has defaulted the Charter hire, after paying few hires and subsequently deserted the ship at the Port of Mombasa, Kenya without proper redelivery of the vessel with huge amount of arrears in crew wages and operations expenses and also the vessel was under arrest and detained by the Maritime Authorities. With a view of recovering all dues from M/s Triple "S" Shipping Ltd, an Arbitral process has been initiated in terms of Charter party signed with them and currently it is in the process.

The hearing held on 25.01.2021 at the Sri Lanka National Arbitration Centre in the presence of both parties, former sole Arbitrator informed the parties that he has been appointed as the Chairman of the Public Service Commission and as the Claimant is a government owned company there could be a potential conflict of interest if a matter relating to the Claimant is referred to the Public Service Commission. Accordingly, the Arbitrator withdrew and/or resigned himself from the said arbitration. Accordingly, we nominated two arbitrators and informed them via registered post though there was no response from, Triple "S" Shipping. The next step is to proceed as set out in the said notice by acting in terms of the provisions of the Arbitration Act to appoint a new arbitrator. Accordingly, as provided for in Sections 9 and 7 of the Arbitration Act, an application was made by way of Petition and Affidavit to the High Court seeking the appointment of an Arbitrator by High Court. CSC awaits for the Application to be registered by the High Court.

2. The Company entered into an Agreement with Ms Taurian Iron & Steel Company (TISC) in Mumbai, India to supply coal for Lanka Coal Company (Pvt)Ltd(LCC), the procuring arm of coal for "Lakvijaya" power plant in Puttalam belongs to Ceylon Electricity Board (CEB) The supply of coal under the said Agreement had to be halted due to a quality issue of coal supplied by the TISC. In order to reach an amicable solution as advised by AG's Department a Committee has been appointed by the Cabinet of Ministers and the Committee compiled a report and submitted the same for the line Ministry for further action. The line Ministry in turn has submitted the report to the CEB and LCC for their review and comments before the report to be submitted to the Cabinet of Ministers. The comments and concerns are yet to be received by the line Ministry as informed.

3. The transportation of crude oil for Ceylon Petroleum Corporation(CPC) had to be discontinued due to a dispute arose between the foreign ship owner and the disponent owner of the vessel from whom the CSC chartered the vessel for the carriage of crude oil. This discontinuation resulted financial dispute between Ceylon Shipping Corporation Ltd and the disponent owner Ms Luna Shipping and finally with the CPC. The financial dispute with the Ms Luna Shipping and CSC was brought to the notice of at the AG's Department and the AG was of the view that the Arbitration process could be initiated in London as per the COA signed with them for the recovery option, In the meantime to resolve the issue with Ceylon Petroleum Corporation a Committee was appointed with the high ranking officers of CSC, CPC and from the Treasury, The Committee in their process has requested CSC and CPC to make a joint submission to AG's Department for the clarity on certain legal issues to finalize the Committee report. The preparation of the joint submission is in the process. In these circumstances the Board of Directors of the CSC set aside the initiation of Arbitral process against Luna Shipping in London until the issue with CPC is resolved. The said Committee in its interim report recommended referring certain legal issues to be clarified from AG's Department by submitting a joint request. The concurrence of the draft letter from CPC is yet to be received.

4. In and around 28th April 2020 there was a reported collision incident between Mv.Ceylon Breeze and a Fishing Vessel(FV) in Chinese territorial waters. This matter was considered under collision liabilities in which the liability of H&M insurance was exempted due to the damage claim falling below the deductible of USD100,000. But the liability of P&I Club for their portion (¼) remains unchanged. In these circumstances, the balance (¾) has to be absorbed by Ceylon Shipping Corporation Ltd in the final claim and its associated expenses i.e Survey expenses, Correspondent's expenses, Legal fees etc. The matter is currently under negotiation between lawyers appointed by P&I Club and the lawyers of FV.

35 Related Party Disclosures

The Company's related parties includes Government of Sri Lanka, State-Owned Enterprises, Other Related Entities and Key Management Personnel.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2021

35 Related Party Disclosures (Continued)

35.1 Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standards, LKAS 24 - "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Directors, General Manager and Operational Managers have been classified as Key Management Personnel of the Company.

Transactions with Key Management Personnel	2021 Rs.	2020 Rs.
Remuneration and other short-term employment benefits	35,378,957	36,626,336
Balance outstanding - Loans and advances	6,494,542	7,835,787
Balance Outstanding- Post employment benefits	14,144,916	14,859,187

35.2 Transactions with Related Entities

Details of significant related party transactions that the Company carried out are as follows:

Transactions with Government of Sri Lanka, State-Owned Enterprises and Other Government Related Entities

The Government of Sri Lanka is only the capital holder of the Company and thus has control over its operation. Accordingly, the Company has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as related parties.

Related Parties	Nature of Transactions	Transaction Value Rs.	Balance (Due)/ Receivable as at 31/03/2021 Rs.
Government of Sri Lanka	Freight charges, charter hire, container rent, clearing & forwarding and other charges	325,134,564	
	Settlements	(203,954,956)	121,179,608
State-Owned Enterprises	Freight charges, clearing & forwarding and other charges	134,710,109	
	Settlements	(20,020,985)	114,689,124
Lanka Coal Company	Freight charges, lightering and bunker escalation charges	4,652,902,079	
	Settlements	(3,552,949,885)	1,099,952,195
Other Government Related Entities	Clearing & forwarding and other charges	2,174,919	
	Settlements	(54,606)	2,120,314

36 Events after the end of the Reporting Period

No circumstances have been arisen since the date of Statement of Financial Position which would require adjustments to or disclosures in the Financial Statement other than the following.

Collision incidents of MV Ceylon Breeze with MV. Leopold and MV. Cyclade

Mv.Ceylon Breeze was on a time charter voyage from port of Paradip, India to port of Lianyungang, China to discharge 60,100MT iron Ore pellet in bulk. She had called Port of Singapore on 11/06/2021 for a bunkering stoppage.

1st Collision (Mv.LeopoldLD)

While taking bunkers at port of Singapore on 11/06/2021 another vessel by the name, Mv.Leopold (flag reg.Malta) had dragged towards Mv.Ceylon Breeze making a contact causing damage to our vessel to the port quarter vessel bow area of the Hull as well as incurring damage to her own. This matter was considered under collision liabilities in which the liability of H&M cover. The estimated damage to our vessel was approx. USD 590,000/-.

2nd Collision (Mv.Cyclade)

While Mv.Ceylon Breeze was in the anchorage on 12/06/2021, our vessel had dragged towards another vessel which was in stationery in outer port area named Mv.Cyclade and made contact causing damage to Mv.Cyclades as well as to her own. This matter was considered under collision liabilities where H&M insurance Cover was activated due to the estimated damage to our vessel being above deductible level (USD 100,000/-) Solicitors have been appointed by the P & I Club with the consent of CSC and the matter is currently under negotiation to exchange securities between both parties.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2021

37 Capital Commitments

The company has committed to purchase two new 63,600 DWT Ultramax Bulkers with training purpose amounting to US\$ 70 Mn. from the Avic International Beijing Company Ltd. (China) on February 18, 2014. Cabinet of Ministers approved the purchase of two new 63,600 DWT Ultramax Bulkers with training purpose under the unsolicited proposal on December 23, 2013.

The Company has entered into an agreement with the supplier under the buyer credit terms and therefore the Company has sought its fund requirement by obtaining loan facility from the People's Bank amounting to US\$ 70 Mn. with the interest rate of 06 months LIBOR + 5.25% p.a. Further, the People's Bank has granted additional amount of US\$ 10Mn. with the interest rate of 06 months LIBOR +3% p.a. in order to pay the interest which has arisen from the above loan which CSC had utilized only US\$ 5.5Mn.

As at date of Statement of Financial Position, amount payable to the bank is US\$ 65,135,464.31

38 Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments and the Company applies various risk management strategies to mitigate these risks from time to time.

- 38.1 Credit Risk**
- 38.2 Liquidity Risk**
- 38.3 Market Risk (Currency Risk and Interest Rate Risk)**
- 38.4 Capital Management**

The financial instruments of the Company comprise of quoted and unquoted equity investments, investment in term deposits and treasury bills, cash and cash equivalents. The Company also has trade receivables and payables from its core business activities. The main purpose of investment in short-term deposits are to maintain liquidity for the operations. Investment in quoted and unquoted equity investments are strategic investments.

38.1 Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty fails to meet its contractual obligations. Credit risk arises principally from deposits held with banks, cash and cash equivalents (excluding cash in hand) and receivables from customers. The maximum risk exposures of financial assets that are subject to credit risk are equal to their carrying amounts.

Following table depicts the maximum risk exposure of financial assets reported as at 31 March 2021

	Notes	2021 Rs.	2020 Rs.
Cash and cash equivalents	38.1.1	847,586,043	479,417,164
Term deposits with banks		24,839,609	24,107,923
Trade receivables	38.1.2	1,829,796,029	3,049,370,999
Other receivables		136,091,334	126,199,148
		<u>2,838,313,016</u>	<u>3,679,095,234</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2021

38.1.1 Cash and Cash Equivalents

Cash and cash equivalents include cash at bank (excluding cash in hand), demand deposits and other short-term highly liquid investments with original maturities of three months or less described as follows.

	Note	2021 Rs.	2020 Rs.
Cash at bank		847,586,043	479,417,164
	38.1	<u>847,586,043</u>	<u>479,417,164</u>

38.1.2 Trade Receivables

The Company trades mainly with shipping agents and government institutions. The management assesses the credit quality of the shipping agents based on the past experience. In addition, outstanding balances are monitored on an ongoing basis in the management committee and the Board.

The age analysis of the Company's trade receivables portfolio is as follows:

	Note	2021 Rs.	2020 Rs.
Aging of the Trade Receivable			
Up to one year		733,865,504	1,931,374,657
1 to 4 years		346,677,041	532,088,212
More than four years		749,253,484	585,908,130
	38.1	<u>1,829,796,029</u>	<u>3,049,370,999</u>

The Company establishes policy for provision for impairment (Refer note 3.9.1 to the financial statements) that represents the estimate of incurred losses in respect of trade receivables. According to the impairment policy established, customers are reviewed individually to measure the impairment loss. Please refer note 18.1 to the financial statements relating to trade receivables and provision for impairment loss.

38.1.3 Other Financial Assets

Credit risk arising from other financial assets of the Company comprises deposits held with banks. The Company's exposure to credit risk arises from default in meeting contractual obligations of the contractual parties, with a maximum exposure equal to the carrying amount of these financial instruments. The Company manages its credit risks with regard to these financial instruments by mainly placing its fund with state banks and credit rated banks.



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For the year ended 31st March 2021

38.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due under both normal and unexpected conditions without incurring unacceptable losses.

The Company monitors financial assets and liabilities and prepares the forecasted operational cash flows monthly. Annual budget is prepared in each division to monitor the divisional performance. The management monitors the both monthly forecasted operational cash flows, annual budget and liquidity requirements to ensure the Company has sufficient cash to meet operational needs.

The following table depicts the Company's financial assets and liabilities maturity analysis as at 31 March 2019 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Assets and Liabilities	Carrying Amount Rs.	6 Months or Less Rs.	6-12 Months Rs.	More than 1 Year Rs.
Financial Assets				
AFS financial assets	19,621,054	-	-	19,621,054
Held to maturity investments	120,615,896	120,615,896	-	-
Short-term investments	24,839,609	-	1,945,051	22,894,559
Trade receivables	1,829,796,029	1,829,796,029	-	-
Other receivables	136,091,334	61,028,331	75,063,003	-
Cash and cash equivalents	847,586,043	847,586,043	-	-
	<u>2,978,549,966</u>	<u>2,859,026,300</u>	<u>77,008,054</u>	<u>42,515,613</u>
Financial Liabilities				
Trade payables	502,049,215	502,049,215	-	-
Other payables	329,929,292	212,710,263	5,472,748	-
	<u>831,978,507</u>	<u>714,759,478</u>	<u>5,472,748</u>	<u>-</u>

38.3 Market Risk (Currency Risk and Interest Rate Risk)

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the Company's income or the carrying value of holdings of financial instruments.



CEYLON SHIPPING CORPORATION LIMITED
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For the year ended 31st March 2021

38.3.1 Currency Risk

The Company's exposure to currency risk is arising from fluctuations in the value of US Dollar (USD) and other foreign currencies against Sri Lankan Rupee. The Company's functional currency in respect of certain services rendered is USD and other foreign currencies. Certain trade receivables & payables are denominated in foreign currencies.

The net foreign exchange loss that the Company has reported and included in the operating results for the reporting period 2020/21 is Rs.622,239,890/-.

38.3.2 Interest Risk

The Company's exposure to interest risk is the changes in market interest rates relate to short-term bank deposits, treasury bills and term deposits.

The Company has bank balances including term deposits placed with state banks and credit rated banks. The Company manages interest rate risk by actively monitoring the interest rate movements.

38.4 Capital Management

The Company manages its capital for safeguarding the Company's ability to continue as a going concern in order to provide maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital structure on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings by total equity. Total borrowings include non-current and current borrowings as shown in the statement of financial position. Following table depicts the Company's total borrowing and equity ratio as at 31 March 2020 and 2021

	2020/21 Rs.	2019/20 Rs.
Class of Capital		
Total borrowings	12,139,697,919	12,434,283,858
Total equity	(2,041,613,494)	(1,275,502,117)
Gearing ratio (x)	-595%	-975%

39 Absorption of Costs of Cargo Insurance

In accordance with the approval granted by the Cabinet of Ministers on 17/06/2019 on the Cabinet Paper No. 17/1791/129/023 and the decision taken at the Board of Directors of CSCL dated 29/07/19, Cargo Insurance Costs need to be absorbed to CSC and the details are as follows.

Financial Year	Amounts (Rs)
2015/16	12,512,559.00
2016/17	21,447,333.00
2017/18	21,502,890.00
2018/19	22,571,307.28

Further, original documents such as VAT invoices, Receipts issued from the Insurers are required for accounting treatments and amounting to Rs.22,571,307.28 has already absorbed in the accounts for the year ended 31/03/2019.

Reimbursement of cargo insurance amounting to Rs. Rs10,808,348.62 has not been taken into accounts due to non-availability of documents required. Other reimbursements of cargo insurance amounting to Rs.44,654,433.25 have been adjusted to the retained earnings of the financial year 2019/20 and 2020/2021



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For the year ended 31st March 2021

40 Serious Loss of Capital

The financial statements of the Ceylon Shipping Corporation Ltd (CSC) have been prepared on going concern basis. CSC has incurred a net loss of Rs.813,320,485 for the year ended 31 March 2021 (2019/20 - Rs.1,154,469,109). As at reporting date the company's net assets show a negative figure of Rs.2,041,613,494 (2019/20 - Rs.1,275,502,117). The above financial results are mainly due to;

- High interest component being paid for vessel's loan
- Depreciation of the two vessels charged for the Statement of Comprehensive Income
- Extraordinary exchange losses charged to the Statement of Comprehensive Income for reason of depreciation the Sri Lanka Rupees against the United States of Dollar
- Earning of the two vessels are in marginal level with compared to daily operational cost except the ships loan installment
- High maintenance costs of vessels
- Net Losses After Tax arises since the year 2016/17 to 2020/21

Further the financial performance and financial cost of the repayment of the ships loans will be done in terms of the United States Dollar.

Accordingly, net worth (Total equity) of the financial position for the year ended 31st march 2021 shows a negative figure

Further, the net assets value of the company has surpassed the Stated Capital (SLRS 50 Mn.) of the company and there is a serious loss of capital situation in terms of section 220 of the Companies Act No 07 of 2007.

In terms of section 219 of the Companies Act No. 07 of 2007 Directors of the company should discussed this situation and act prudently with the going concern situation of the company.

CSC is a fully Government owned business entity and also ship loans amounting to US\$ 71,910,464.32 have been granted with the Treasury Guarantee which will be continue till 03rd of June 2034.



CEYLON SHIPPING CORPORATION LIMITED

Lead Schedule

ADMINISTRATION EXPENSES

A/c No	Description	2021	2020
50000	STAFF TRAINING	227,775	231,180
50030	CONTRIBUTION TO PROVIDEND FUND	14,050,798	12,918,595
50040	EXECUTIVE STAFF SALARIES	66,470,465	68,820,367
50050	CLERICAL & ALLIED STAFF SALARIES	40,606,871	38,007,197
50060	TEMPORARY & CASUAL EMPLOYEES WAGES	1,169,596	954,631
50080	OVERTIME	9,633,445	11,183,957
50090	BONUS	338,995	2,726,942
50100	CONTRIBUTION TO MEDICAL FUND	44,000	-
50110	CONTRIBUTION TO E.T.F	2,810,160	2,582,595
50120	MEDICAL LEAVE PAY	4,568,835	3,773,043
50140	GRATUITY	6,525,934	13,451,893
50170	HARDSHIP ALLOWANCE-NORROCHCHPLAI	1,376,850	1,046,900
60010	OFFICE RENT	18,798,180	18,254,880
60020	PRINTING & STATIONARY	1,373,209	1,622,390
60030	MEMBERSHIP SUBSCRIPTIONS	1,409,553	248,743
60050	INSURANCE	6,896,863	7,907,244
60060	MAINT. OF OFFICE PREMISES & EQUIPME	4,700,118	4,387,206
60070	ELECTRICITY CHARGES -HEAD OFFICE	1,354,857	1,793,010
60072	ELECTRICITY CHARGES -QUARTERS	24,949	26,450
60080	STAFF WELFARE	4,762,216	4,954,163
60090	SECURITY CHARGES	2,322,300	2,046,959
60110	COMPUTER EXPENSES	520,190	813,331
60140	BANGALOW MAINTENENCE - MODARA	17,520	57,692
60170	TRASLATION CHARGES	169,628	190,596
60210	WATER CONSUMPTION HEAD OFFICE	180,000	180,000
60220	WATER CONSUMPTION - QUARTERS	38,497	21,927
61010	TELEPHONE CHARGES	2,210,467	2,272,408
61020	POSTAGE & TELEGRAMMES	5,065	25,370
61040	INTERNET / E-MAIL CHARGES	2,223,117	2,580,924
62000	FOREIGN TRAVEL & EXPENSES	-	610,043
62010	LOCAL TRAVEL	4,835,293	3,464,925
62030	MAINTENENCE OF MOTOR VEHICLES	3,597,727	4,247,781
62040	TRAVELLING & SUBSISTANCE	54,700	83,400
63010	ENTERTAINMENT	134,976	190,669
63020	ADVERTISMENT	2,670,056	2,664,015
63040	EXPENSES FOR GOVERNMENT EXHIBITIONS	-	72,950



63060	ANNUAL REGISTRATION LEAVY	41,000	271,860
64000	DIRECTORS FEES	1,097,000	225,560
64010	AUDIT FEES	741,000	-
64020	PROFESSIONAL CHARGES & LEGAL FEES	637,400	953,910
64060	TENDER COMMITTEE ALLOWN AND EXPENSES	556,000	846,000
65010	MISCELLANEOUS EXPENSES	287,162	104,266
65040	DONATIONS	32,500	112,500
65800	DEPRECIATION	5,432,414	5,277,432
70000	BANK CHARGES	3,552,427	3,981,429
70030	OVERDRAFT INTEREST	203	-
70050	STAMP DUTY EXPENSES A/C	41,925	50,100.00
	LOSS ARISING FROM CHANGES IN ACTUARIAL ASSUMPATIONS	(2,666,471.00)	(9,587,688)
		215,875,765	216,649,745

