



# *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)**

## *Annual Report 2018/2019*



*The National Carrier of Sri Lanka*

**Ceylon Shipping Corporation Ltd.**  
**Annual Report & Accounts of**  
**2018/2019**

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**Ceylon Shipping Corporation Ltd.  
Annual Report & Accounts of  
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**Vision & Mission Statement**

## Vision

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

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## Mission

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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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**Ceylon Shipping Corporation Ltd.**  
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Letter of Transmittal

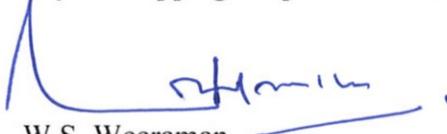
Hon. Minister Ports and Shipping  
Ministry of Ports & Shipping and Southern Development  
No.19, Chaithya Road  
Colombo 01.

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 01.04.2018 to 31.03.2019.

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: 24.01.2022**

**Ceylon Shipping Corporation Ltd.**  
**Annual Report & Accounts of**  
**2018/2019**

**Board of Directors**

**From - 01.04.2018 to 31.03.2019**

Ranjith Athukorala.Esq.

Chairman

From 27/06/2017 to 01/03/2019

Buddika Madihahewa.Esq.

Executive Director

From 27/06/2017 to 29/01/2019

A.K. Seneviratne .Esq.

Director/Treasury Representative

23/11/2015 to date 21/02/2019

Dr. M. Parakrama Dissanayake

Director

From 02/06/2017 to 01/01/2019

Nawagamuwage Purna Perera.Esq.

Director

From 02/06/2017 to 21/02/2019

L.C. Nishantha Vithanage.Esq.

Director

From 02/06/2017 to 21/02/2019

A.K. Janaka Nandakumara.Esq.

Director

From 02/06/2017 to 10/07/2018

D.I.S. Abeywardene .Esq.

Director

From 21/02/2019 to date

W.G. Amila Indika .Esq.

Director

From 21/02/2019 to date

Roger Srivasan .Esq.  
Director  
From 27/03/2019 to date

**Company Secretary**

Mrs. Malkanthi Gunasekara (Since 14th November 2017)  
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**

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

**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**

Eight (08) 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](mailto:cscl@cscl.lk)  
Web : [www.cscl.lk](http://www.cscl.lk)

**Ceylon Shipping Corporation Ltd.**  
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**Management Team**

*General Manager*

*S.M.D.N. Dharmapriya .Esq.*

*B.Sc. MSc. in Maritime Studies UK,*

*MILT - UK*

*Deputy General Manager (Commercial)*

*Mrs. C. Jayasinghe*

*FICS, MILT - UK*

*M.Sc. in International Shipping -UK*

*Diploma in Shipping (OSLO)*

*Actg. Deputy General Manager (Legal & Insurance / Human Resources)*

*P. Samaranyake. Esq.*

*Attorney-At Law*

*B. Sc (Special)*

*Assistant General Manager (Finance )*

*G.M. Vikum Pradeepa .Esq.*

*B.Com. (Special) Hons.,LICA*

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

*Assistant General Manager (Business Development)*

*Mrs. Y. Wettasinghe*

*B.Sc. (General)*

*MSc in Shipping –WMU, (Malmo Sweden)*

*Designated Person Ashore*

*Capt.Nish Wijayakulathilaka*

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

*IMO Maritime Ambassador, Member UNA*

*Technical Superintendent*

*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 (SOCEM) SL*

*Member of Organization of Professional Associations (OPA) SL*

*Internal Auditor*

*Y. Ponnampereuma .Esq.*

*LICA, FMAAT,*

*Post Graduate Diploma in Shipping Management (OSLO)*

*Manager (Finance)*

*W.A.D.S.Wijesinghe .Esq.*

*Higher National Diploma in Accountancy, LICA*

*Postgraduate Diploma in Port Shipping and Transport Management (OSLO)*

*Manager Chartering & Agency*

*I. Danthararayne.Esq.*

*B.Sc. Public Management (Special) Hons.*

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

*MILT – UK ,LICA*

*Manager (Documentation)*

*K.L.M.Maduraja .Esq.*

*B.Com. (Special) Hons.*

*MSc in Shipping –WMU, (Malmo Sweden)*

*Manager (Liner, Logistics, NVOCC)*

*N.P.Kalpage.Esq.*

*B.A. (Special)*

*MSc in Shipping –WMU, (Malmo Sweden)*

*Actg.Manager (Human Resources)*

*Mrs. M.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*

**Ceylon Shipping Corporation Ltd.**  
**Annual Report & Accounts of**  
**2018/2019**

**Chairman's Review**

On Behalf of the Board of Directors of the National Sea Carrier of Sri Lanka, Ceylon Shipping Corporation, it is my pleasure in presenting the Annual Report and Audited Financial Statements of the Company for the year ending 31<sup>st</sup> March 2019.

Despite the numerous challenges experienced during the year, the company has achieved a great deal of success in terms of business operations.

CSC has been successfully continuing its ongoing business activities in vessel operation as a ship owner, operator, and charterer, Non-Vessel Operating Common Carrier, Agent and Total Logistics Provider.

Dry Bulk Shipping Market

The Baltic Dry Index benchmark for dry freight market has been an upward trend since the start of 2016. The time charter market for dry bulk carriers have similarly improved. In the financial year 2018/2019 charter hire rate enjoyed by our two vessels was significantly increased.

Deployment of Ships

During the South West Monsoon period from April to mid-September 2018 CSC two owned vessels M.V.Ceylon Breeze and M.V. Ceylon Princess were successfully deployed in the International Charter Market under a commercial management company based in Singapore and recorded the maximum vessel utilisation during the financial year 2018/2019.

During the non-monsoon period these vessels were engaged in coal transportation between RBCT, South Africa and Puttalam.

Government Sector Imports

During the financial year 2018/19 CSC engaged in transportation of Government sector cargo using its mandate to carry Government sector import under the Public Finance Circular No. 415. Accordingly CSC handled General Cargoes such as containerized cargo, vehicles, beak-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 had a satisfactory growth with an operational profit of Rs. 859 m compared to Rs. 811m in 2017/18 by 6%. However the loss after Tax and financial expenses of the loan (including the exchange loss) which was borrowed to build the two vessels amounted to Rs. 1.1b compared to Rs. 175m in the preceding year.

During the year 2018/2019, CSC was able to achieve total revenue of Rs. 3,053.15Mn. When compared with previous Financial Year, it has been increased by 22% on year-on-year basis. However, Direct Operational Expenses increased by 25% from Rs. 1665.63Mn to Rs. 2,075.87 Mn and Gross Profit increased by 17% from Rs. 833.83Mn to Rs. 977.27 Mn.

### Revenue in CSC vessel operation

It has been noted that nearly 50 % of the revenue increase was recorded comparing to the last financial year in the employment of two vessels under commercial management during the six months period of South West Monsoon

In addition, Freight and Charter Hire income generated from two ships has been increased by 36% from Rs. 1534.17 Mn to Rs. 2018.47 Mn in the financial year.

The quantity of coal 0.611 million MT out of the annual quantity of 2.25 million MT consigned to LCC/CEB was carried by our owned vessels and earned freight revenue of Rs. 1,165.40 million.

The income generated from agency commission and address commission from coal operation on third party vessels and lightering operation was slightly increased from Rs. 467.46 in 2017/2018 to Rs. 484.76 in 2018/2019.

### Non-Vessel Operating Common Carrier (NVOCC) service

The income generated from Non-Vessel Operating Common Carrier (NVOCC) basis has increased from Rs. 359.80 Mn. in previous year to Rs. 504.66 Mn approximately in 2018/2019.

### Currency depreciation

The depreciation of Sri Lankan Rupee against the United States Dollar has affected the company adversely. It was increased by 13% in 2018/2019. This has directly affected to increase the exchange loss of vessels loans amounting to Rs. 1.4 b 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 which was borrowed to build the ships and part payment of the capital instalment due for the

above financial year amounting to Rs. 930,030,813 & Rs. 535,880,000(USD 3.01 Mn) respectively.

Further due to the significant Exchange loss and Loan interest payment, it was recorded an annual loss of Rs. 1,102,839,589.00 This has drastically affected to the Net worth of the company.

#### Employees

One of the underlying strengths of the company is the quality of its people. Their dedication to CSC was resulted to overall success of the year.

The total number of employees of the Company was 121. Six employees retired/resigned from CSC, whereas 08 new recruits were employed. Cost of Salary and related expenses increased by Rs. 4,453,641 in 2018/2019 which was a 3.08% increase as against the expenditure of 2017/2018.

63 Employees were provided various training opportunities spending of Rs. 467,010 which was 23% of the Budgeted Expenditure for training of Rs. 2,000,000/-.

In addition 04 employees were given training abroad in China and one employee in India which were arranged through the External Resources Department Scholarship programmes during the financial year under review.

#### Welfare Activities

Welfare & Recreation Association continued its activities with the assistance of the Management and the staff members of CSC.

**Ceylon Shipping Corporation Ltd.**  
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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 31<sup>st</sup> March 2019, 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 27 to 57 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 20 to 26 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 31 to 57.

### **Financial Results/Profit and Appropriations**

The Statement of Comprehensive Income is set out on page 27

### **Property, Plant & Equipment**

During the year under review the Company invests Rs.6.184 million in property, plant & equipment.

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

### **Investments**

Notes 13, 14, 15 and 16 to the Financial Statement on page 45 to 46 declare the details of long term investments held by the Company as of 31<sup>st</sup> March 2019.

### **Dividend**

The Directors do not recommend payment of a dividend for the financial year ended 31<sup>st</sup> March 2019.

### **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 31<sup>st</sup> March 2019. The details are given in Note 23 to the Financial Statement on page 50

### **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**

Shipping is an essential component of any program for future sustainable economic growth. Through IMO, the Organization's Member States, civil society and the shipping industry are working together to ensure a continued and strengthened contribution towards a green economy and sustainable growth.

Ceylon Shipping Corporation(CSC) being the National Sea Carrier of Sri Lanka is committed to maintain the highest degree of integrity, transparency and accountability when conducting its business by complying with all local and international regulations applicable to the shipping industry.

As a fully owned Government Company, CSC is one of the key contributors in achieving Sustainable Development Goals and wish to submit its first Sustainability Report to be included in the Annual Report 2018/2019.

According to the United Nations Agenda 2030 on Sustainable Developments Goals and Sri Lanka Sustainable Development Act, No. 19 of 2017 which was passed in Parliament on 03.10.2017, this report gives an overview of the company's sustainability performance during the year under review, considering three key areas i.e. Economic, Environmental and Social performance of the Company.

**Environmental Sustainability**

As stated in our Environmental Responsibility Policy CSC is committed to incorporating leading environmental practices into our business strategy and operations, in complying with the regulations of the International Maritime Organization (IMO)and working towards green economy.

According to the IMO, more than a billion people live in coastal areas and this number is set to increase sharply in the coming years. IMO's conventions and other instruments not only contribute to the reduction of shipping-related pollution in the wider oceans, but also in ports and coastal regions.

CSCL vessels have been designed, built and operated in compliance with all such emission regulations and standards implemented globally through shipping administrations.

Emissions from international shipping are regulated by Annex VI of IMO's MARPOL Convention. They cover air pollution, energy efficiency and greenhouse gas (GHG) emissions.

Effective implementation of the SEEMP (Ship Energy Efficiency Management Plan) is ensured through various mechanisms of verifications both on board and by office. Through this the continuous efforts of energy conservation attempts and such achievements reached during the report period.

Vessels have been effectively contributed for the IMO's program of gathering the fuel consumption data in order to formulate more specific and realistic future regulations to govern the harmful emissions pertaining to the sea transportation.

Because international shipping takes place on the world's oceans, the work of IMO, which is responsible for measures to improve the safety and security of international shipping and to prevent pollution from ships, is integral to most, if not all, of the SDG 14 targets

Both CSCL vessels are in full compliance with MARPOL regulations and ensure to preserve the delicate balance of the marine eco system.

All BMPs are in place to minimize the on board waste generation and same is encouraged by the shore management by providing necessary awareness and resources.

### **Social Sustainability**

Today we all depend on seafarers for most of the things we take for granted in our everyday lives. Over one million seafarers operate the global fleet – they bring both the essentials and the luxuries of life to billions of people. Shipping is essential to the world – but there would be no shipping without seafarers.

As a company CSCL addresses the issues such as fatigue, fair treatment and liability and compensation of the floating staff and the high retention rate of the sea staff prove success of the same.

Through its Women in Maritime program, IMO encourages its Member States to enable women to train alongside men in their maritime institutes and acquire the high-level of competence that the maritime industry demands.

IMO supports gender equality and the empowerment of women through gender specific fellowships; by facilitating access to high-level technical training for women in the maritime sector in developing countries. By creating the environment in which women are identified and selected for career development opportunities in maritime administrations, ports and maritime training institutes.

In close collaboration of the all leading maritime colleges in the country CSCL encourage and support the above mentioned future plans of the IMO at global scale. Gender equality is ensured not only in our office but also on board our vessels.

Reports of employment decisions influenced by factors such as gender, ethnicity, nationality, religion or sexual orientation were dealt with through internal grievance system.

CSC complies with International Labor Organization (ILO) regulations to address various issues concerning health and social security protection of seafarers and has tried its level best to match the industry standards in paying crew wages including EPF/ETF and compensation by subscribing to insurance policies, providing all medical and other hygienic facilities on board ships.

### **Economic Sustainability**

Our main strategy of ensuring the Economic sustainability is through securing the on board Quality, Health, Safety and Environment management through effective implementation of the ISM (International Safety Management System).

We consider the safety as a basic human right and the work place conditions are not only influencing the efficiency and effectiveness but also affect their families and communities. Keeping our work force safe is one of our primary concerns. Through effective implementation of the ISM system we have able to secure the safety on board our two vessels.

Through frequent communication between the vessel and shore management and constant preventive and corrective actions we have able to secure safe and secure work culture onboard.

As the national carrier of Sri Lanka we have committed in promoting trade by sea, nurturing national shipping lines and promoting seafaring as a career. On board our vessels there are 52 cadet training opportunities where we have utilized the same to produce high quality, well trained deck and engine officers since the inception of our new vessels M.V. Ceylon Breeze and M.V. Ceylon Princess.

Some of the trained cadets were absorbed to the CSCL vessels while others were guided to work on various other shipping companies as ranked officers. All of them are in active sea service bringing thumping amount of foreign exchange to the country annually. Their involvement in uplifting the social and economic status of the own families is creating a colossal effect of economic prosperity of the nation, beneficial from the concept of training and trading implemented by CSCL

# **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:

Mr. A.K.Senevirathne - Chairman

Mr.Purna Perera- Member

Mr.Janaka Nanda Kumara-Member

## **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**

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

Mr. A.K.Senevirathne (2/2)

Mr. Purna Perera (2/2)

Mr.M.D.P.Thilaksiri-By invitation (2/2)

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. Review of Annual Budget 2018/19:**

Committee discussed the Annual Budget prepared

***Recommendations:***

Audit Committee recommended followings.

To include the comparative figures

To maintain a growth rate (10%)

To include KPI data

To appointment a Budget Committee

**2. Submission the Annual Report to the Parliament:**

***Recommendation:***

Audit Committee instructed to submit the Annual Report to the Parliament with in the period given.

**3. Communication Expenses:**

***Recommendation:***

Audit Committee instructed that the communication expenses should be paid/reimbursed in accordance with the PED Circular and further informed that to ensure that all communication expenses incurred only for the purpose of official duties and therefore, it was suggested to maintain an approved limit for said expenses

And further instructed that to submit a justification note for all communication expenses incurred beyond the approved limit.

**4. Fuel Limits:**

***Recommendation:***

To maintain the limits mentioned in the PE Circular.

**5. Housing Loan Installment:**

***Recommendation:***

Except the housing loan installment other salary deductions should be considered with in the 60% of the salary deductions

**6. Release of foreign exchange on official travels and related expenses:**

***Recommendation:***

To consider the Officers who are in HM salary scales as the 1<sup>st</sup> category Officers of the circular No M/F/01/2015/01.

**7. Cargo insurance costs in the import of coal for the Lakvijaya Power Station:**

***Recommendation:***

Since the Cabinet Decision is pending for the subject matter, the Audit Committee recommended that to follow the decision which will be taken by the Cabinet.

**8. ERP System for CSC:**

***Recommendation:***

Committee recommended that to call EOI for a suitable ERP system.

**9. Corporate Plan 2018/23**

***Recommendation:***

Audit Committee recommended that to prepare the Corporate Plan and submit same to the Board/Secretary of the Ministry for approval.

**10. Credit Card Settlements of the Chairman/ED:**

***Recommendation:***

Audit Committee recommended that to check the Credit Card detailed bills before the payment authorization.

**11. Excess funds with SMIB:**

***Recommendation:***

To forward a Chairman signed reminder to the Chairman of SMIB

**12. Disposal of non inventory items in the inventory records:**

***Recommendation:***

To prepare a list for the review of the Audit Committee

**13. Increasing the building rent:**

***Recommendation:***

It was recommended that to compare the additional facilities/benefits available to match the increased rent.

**14. Internal Audit Reports to the Audit Committee:**

***Recommendation:***

It was recommended that to submit Internal Audit Reports to the Audit Committee for review.

**15. Overdue advances/receivables:**

***Recommendation:***

To submit outstanding debtor lists and logistic advances to the Audit Committee for review and make suitable actions.

**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



**A.K.Senevirathne**

Chairman- Audit Committee

**Ceylon Shipping Corporation Ltd.**  
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***Acknowledgement***

*The Hon. Minister of Ports & Shipping and Southern Development  
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 Southern Development 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.

} POS/B/CSCL/1/19/68

ඔබේ අංකය  
உமது இல.  
Your No.

}

දිනය  
திகதி  
Date

}

21 May 2021

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 2019 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 Ltd (“Company”) for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 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 2019, 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 the Qualified Opinion

(a) As per the paragraph 25 of the Sri Lanka Accounting Standard No.01, when preparing financial statement management should make and assessment of an entity's ability to continue as a going concern. In making its assessments, if management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entities ability to continue as a going concern the entity shall disclose those uncertainties. However, though uncertainties were cast from the financial statements, it had not been disclosed in the financial statements.

(b) As per the paragraph 32 of the Sri Lanka Accounting Standards on Presentation of Financial Statements (LKAs 01), offsetting of assets and liabilities or income and expenses is not permitted unless required by other SLFRS. However, contrary to that the Company had set off trade & other credit balances amounting to Rs.46,755,453 against the debit balances of trade and other receivables though they accounted separately. As a result, total trade and other receivable and trade and other payables had been understated by that amount as at the end of the year under review.

Further, twelve (12) expense accounts, five (5) exchange conversion accounts and two (2) recovery accounts which were represented credit balances aggregating to Rs. 30,957,004, had set off against the direct expenses. As a result, direct expenses had understated by similar amount.

(c) Although the relevant demurrage charges had been paid off to the shipping agent, over-charged demurrage charges from CPC amounting to Rs. 30,302,352 are shown in the financial statement as receivable from CPC and payable for crude oil transportation. Therefore, payables and receivables are overstated by that amount.

(d) Financial expense of vessel loan for the year under review was understated by Rs. 2,796,858 due to the error in computation of interest. Therefore, total expenditure for the year under review was understated by that amount.

(e) According to the paragraph 23 (a) of the Sri Lanka Accounting Standard on Effect of Changes in Foreign Exchange Rate (LKAS 21), at the end of each reporting period, foreign currency monetary items shall be converted using the closing rate. However, contrary to that, foreign trade debtors and foreign trade creditors as at 31 March 2019, amounting to Rs. 348,746,443 (US\$ 2,293,529) and Rs.536,871,355 respectively, had

been converted using the spot rate that prevail at the date of transaction occurred. Further, US Dollar values for foreign creditors did not submitted to audit.

- (f) Interest income earned from investment in REPO had been shown as short term deposit in the financial statement, hence, the other income was understated and short term investment over stated by Rs. 3,333,240
- (g) As per the Sri Lanka Accounting Standards on Impairment of Assets (LKAS 36), the Company had assessed that there was no impairment of the two vessels of its own. In that process the Company had estimated, expected future cash flows for next 23 years. As per that scheduled average charter rate of each vessel was USD 13,754 per day on open market operations for the year 2020/21. However, it is observed that actual earnings up to August 2020 as per the agreement entered into with commercial management companies were only USD 5,893 and USD 8,236 per day for MV Ceylon Breeze and MV Ceylon Princess respectively. It had shown a significant difference between actual and forecasted charter rates. However, no disclosure had been made in the notes to the financial statements on that matter by the Company.
- (h) The tax loss for the year of assessment had been overstated by Rs. 3,303,845 due to understatement of gratuity provision by Rs, 2,814,945 considering of disallowable donations of Rs. 448,500 and not considering the assessable charge of Rs. 40,400 on disposed assets for the income tax computation.
- (i) According to note No: 19 of the financial statement, withholding tax receivable was Rs. 8,189,291 as at 31 March 2019. Even though the entity had set off the withholding tax receivable amounting to Rs. 4,768,757 against the income tax payable in 2016/17 and 2017/18, the set off entry had not been passed between relevant accounts. Therefore, the income tax payable and withholding tax receivable had been overstated by Rs.4,768,757.
- (j) According to note No: 19 of the financial statement, Good and Service tax receivable and National Security Levy receivable were Rs. 18,936,777 and Rs. 2,612,349 respectively, which were outstanding over 9 years. However, as required by the paragraph 5.5 of the SLFRS 9 – Impairment, an entity had not recognized a loss allowance for expected credit losses on financial asset.

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. 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.

### **1.4. 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 scepticism 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

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

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

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

- 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.
- 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;
  - (a) “If at any time it appears to a director or a company that net assets of the company are less than half of its stated capital, the board shall within twenty working days of that fact becoming know to the director, call an extraordinary general meeting

of shareholders of the company for the purpose of this section, to be held later than forty working days from that date of calling of such meeting. However, net assets position of the company as at 31 March 2019 had gone down to negative of Rs. 55.6 Million and Management had not been taken any steps to comply with the requirement of section 220 of the Company Act No.07 of 2007.

- (b) According to the Public Enterprises Circular No: 03/2016 dated on 29 April 2016, public enterprises shall not bear the PAYE Tax of the employees. However, contrary to that the Board had approved PAYE Tax allowance to the seafarers. In sample audit, it was revealed that, a sum of Rs. 2,831,440 had been paid to 16 seafarers during the year under review.
- 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.
  - 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 Audit Observation

The amount payable to foreign agents as at 31 March 2019 was Rs. 21,101,755. Out of that a sum of Rs. 14,236,685 had remained over a 10 years without been settled.

  
**W.P.C. Wickramaratne**  
Auditor General

**CEYLON SHIPPING CORPORATION LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31<sup>st</sup> March*

	Notes	2019 Rs.	2018 Rs.
<b>Revenue</b>	4	3,053,156,359	2,499,470,005
Direct Operational Expenses		(2,075,877,736)	(1,665,635,225)
<b>Gross Profit</b>		<u>977,278,623</u>	<u>833,834,780</u>
Other Income	5	237,068,906	256,707,889
Administration Expenses		(221,076,152)	(219,929,477)
<b>Profit from Operations before Impairment of Assets</b>		<u>993,271,377</u>	<u>870,613,191</u>
Impairment of Assets		(133,297,811)	(59,383,630)
<b>Profit from Operations</b>	6	<u>859,973,566</u>	<u>811,229,561</u>
Finance Expenses	7	(2,417,806,566)	(1,061,395,928)
Share of Profit of Associates - (Net of Tax)	14.2	34,691,909	17,111,132
<b>Profit/(Loss) before Tax</b>		<u>(1,523,141,091)</u>	<u>(233,055,234)</u>
Income Tax Income/( Expenses)	8	-	(12,214,634)
<b>Profit/(Loss) for the Year after Income Tax</b>		<u>(1,523,141,091)</u>	<u>(245,269,868)</u>
Deferred Tax Adjustment for the year		420,301,502	69,713,367
<b>Profit/(Loss) for the Year after Income Tax &amp; Deferred Tax Adjustment</b>		<u>(1,102,839,589)</u>	<u>(175,556,501)</u>
<b>Basic and Diluted Earnings Per Share</b>	9	<u>(305)</u>	<u>(49)</u>
Profit for the Year		(1,102,839,589)	(175,556,501)
<b>Other Comprehensive Income</b>			
Loss on Changes in Fair Value of Available-for-Sale Financial Assets	16.1	(2,218,106)	2,122,703
Loss Arising from Changes in Actuarial Assumptions	29.1	2,823,945	(633,608)
Share of Other Comprehensive Income of Associates - (Net of Tax)	14.2	10,637,743	5,784,547
<b>Total Comprehensive Income for the Year</b>		<u>(1,091,596,007)</u>	<u>(168,282,859)</u>

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 31<sup>st</sup> March

	Notes	2019 Rs.	2018 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	10	10,060,481,476	10,467,909,940
Capital Work-in-Progress - Vessels	11	-	-
Intangible Asset	12	-	-
Investment in Subsidiary	13	-	-
Investment in Associates	14	350,473,519	305,496,989
Available-for-Sale Financial Assets	16	19,000,938	21,219,044
Deferred Tax Asset	17	547,901,560	125,300,596
<b>Total Non-Current Assets</b>		<b>10,977,857,493</b>	<b>10,919,926,569</b>
<b>Current Assets</b>			
Inventories		85,127,353	197,380,995
Trade and Other Receivables	18	1,863,230,508	1,519,834,220
Statutory Receivables	19	29,752,592	27,638,001
Held to Maturity Investments	20	354,715,680	420,327,291
Short-Term Investments	21	26,717,485	295,430,308
Cash and Cash Equivalents	22	335,049,250	411,380,464
<b>Total Current Assets</b>		<b>2,694,592,871</b>	<b>2,871,991,280</b>
<b>Total Assets</b>		<b>13,672,450,365</b>	<b>13,791,917,848</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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		13,520,746	15,738,852
Retained Earnings		(1,433,218,760)	(350,742,997)
<b>Total Equity</b>		<b>(55,663,307)</b>	<b>1,029,030,561</b>
<b>Non-Current Liabilities</b>			
Long - Term Borrowings	28	11,502,038,858	10,002,263,026
Retirement Benefit Obligation - Gratuity	29	35,486,499	36,773,560
Deferred Tax Liability	17	-	-
<b>Total Non-Current Liabilities</b>		<b>11,537,525,358</b>	<b>10,039,036,586</b>
<b>Current Liabilities</b>			
Trade and Other Payables	30	1,334,143,387	1,307,570,921
Short Term Borrowing	31	747,600,000	1,322,916,000
Statutory Payables	32	79,470,042	85,856,627
Accrued Expenses	33	29,374,886	7,507,154
<b>Total Current Liabilities</b>		<b>2,190,588,314</b>	<b>2,723,850,702</b>
<b>Total Equity and Liabilities</b>		<b>13,672,450,365</b>	<b>13,791,917,848</b>

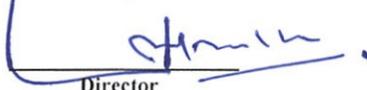
The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.

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

  
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 31<sup>st</sup> March 2019*

	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 2017	50,000,000	543,939,497	767,029,766	3,065,444	13,616,149	(233,099,911.00)	1,144,550,945
						52,762,469.90	52,762,470
Profit for the year	-	-	-	-	-	(175,556,501.00)	(175,556,501)
Other comprehensive income	-	-	-	-	2,122,703	5,150,945.60	7,273,649
<b>Balance as at 31st March 2018</b>	<b>50,000,000</b>	<b>543,939,497</b>	<b>767,029,766</b>	<b>3,065,444</b>	<b>15,738,852</b>	<b>(350,742,996.50)</b>	<b>1,029,030,563</b>
prior year Adjustment						6,902,137.66	<b>6,902,138</b>
Loss for the year	-	-	-	-	-	(1,102,839,589.19)	(1,102,839,589)
Depreciation adjustment for IFRS							
Other comprehensive income	-	-	-	-	(2,218,106.00)	13,461,688.00	11,243,582
<b>Balance as at 31st March 2019</b>	<b>50,000,000</b>	<b>543,939,497</b>	<b>767,029,766</b>	<b>3,065,444</b>	<b>13,520,746</b>	<b>(1,433,218,760.03)</b>	<b>(55,663,306)</b>

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**

*For the year ended 31<sup>st</sup> March*

	2019 Rs.	2018 Rs.
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	(1,523,141,091)	(233,055,234)
<b>Adjustments for:</b>		
Depreciation	413,573,546	417,268,522
Profit/loss on disposals of fixed assets	(40,400)	(54,755)
Provision for gratuity	4,943,265	5,004,531
Dividend income	(31,206)	(52,636)
Share of profit of associates - (net of tax)	(34,691,909)	(17,111,132)
Provision for impairment of trade debtors	133,297,811	59,383,630
Exchange Loss	1,328,213,870	
Interest income	(73,416,766)	(73,059,766)
Interest expense	930,030,813	767,082,249
<b>Operating profit before working capital changes</b>	<b>1,178,737,934</b>	<b>925,405,409</b>
(Increase)/decrease in inventories	112,253,642	(12,224,330)
Decrease in trade and other receivables	(343,396,288)	(401,227,232)
Increase/(decrease) in trade and other payables	26,572,466	276,874,400
(Decrease)/increase in statutory receivables	(2,114,591)	(2,479,609)
(Decrease)/increase in statutory payables	(6,386,585)	27,181,601
Increase in accrued expenses	21,867,732	826,786
<b>Cash generated from operations</b>	<b>987,534,310</b>	<b>814,357,025</b>
Gratuity paid	(3,406,381)	(8,416,675)
Interest paid	(901,125,631)	(767,082,249)
Taxes paid	-	(7,302,110)
<b>Net cash from operating activities</b>	<b>83,002,298</b>	<b>31,555,992</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(6,184,946)	(3,967,761)
Payments for vessels cost	-	-
Proceeds from disposals of fixed assets	40,400	55,750
Net Proceeds from/(investment) in held-to-maturity financial assets	65,611,610	192,439,285
Net investment in short-term investments	268,712,823	-
Interest received	48,335,394	40,872,933
Dividend received	31,206	52,636
<b>Net cash used in investing activities</b>	<b>376,546,487</b>	<b>229,452,843</b>
<b>Cash flow from financing activity</b>		-
Vessel loan repayment	(535,880,000)	-
<b>Net cash from financing activity</b>	<b>(535,880,000)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>(76,331,215)</b>	<b>261,008,835</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>411,380,465</b>	<b>150,371,630</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>335,049,250</b>	<b>411,380,465</b>

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**

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**Accounting policies and explanatory notes to the Financial Statements for the year ended March 31, 2019**

**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**

Providing management services in relation to shipping and owning and chartering of vessels.

**1.3 Number of Employees**

Total number of employees of the Company as at March 31, 2019 was 121(March 31, 2018-121).

**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 December 31. 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 22<sup>nd</sup> June 2020

**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.

**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.

##### **(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.



**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The Company's liability to tax has been computed in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 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 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





### **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:

#### **(a) Classification**

##### **i. Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable



**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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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 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 1<sup>st</sup> 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**

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



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**NOTES TO THE FINANCIAL STATEMENTS**

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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 disclose 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**

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 Accounting Standard Implemented by CSC for the Financial Year 2018/19**  
**SLFRS 9 Financial Instruments**

**SLFRS 9 Financial Instruments**

This standard applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. This standard was issued in 2012 and CSC has applied SLFRS 9 retrospectively, with the initial application date 1<sup>st</sup> of April 2018.

**SLFRS 15 Revenue from Contract with Customers**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including LKAS 18-Revenue, LKAS 11-Construction Contracts and IFRIC 13-Customer Loyalty Program. This standard is effective for the annual periods beginning on or after January 01, 2018. CSC has applied SLFRS 15 first time in 2018/19 period.

Based on the assessment performed, the above Standards do not have any material impact on the CSC financial statements.



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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March

	Notes	2019 Rs.	2018 Rs.
<b>4 Revenue</b>			
Voyage		504,664,830	359,804,557
Freight Income Own Vessel		1,165,408,583	1,103,608,246
Charter hire income from coal vsl		-	-
Charter hire income from own vsl		853,074,876	430,562,416
Clearing and forwarding		45,227,864	138,032,457
Agency and address commission		484,767,562	467,462,329
Ocean master shipment income		12,645	
		<u>3,053,156,359</u>	<u>2,499,470,005</u>
<b>5 Other Income</b>			
Profit on disposals of fixed assets		40,400	54,755
Dividend		31,206	52,636
Exchange gain		101,867,615	62,647,290
Interest income - Fixed deposits and treasury bills		73,416,766	73,059,767
Income from bunker recoveries own vessel		13,024,463	-
Interest income - Staff loans		1,683,728	1,510,649
Demurrage recoveries own vessel		45,815,346	110,847,219
Management fees - Ceylon Electricity Board tugs and barges		-	7,888,400
Others		1,189,384	647,174
		<u>237,068,906</u>	<u>256,707,889</u>
<b>6 Profit/(Loss) from Operations</b>			
Profit/(loss) from operations is stated after charging all the operational expenses including the following.			
Auditor's remuneration		-	-
Depreciation		413,573,546	417,268,522
Professional and legal fees		2,088,645	5,599,454
Staff costs (Note: 6.1)		148,920,592	144,466,951
<b>6.1 Staff Costs</b>			
Directors' remuneration		250,920	288,600
Salaries and wages		132,029,334	125,167,225
Defined contribution plan costs - Employees' Provident Fund and Employees' Trust Fund		14,521,018	13,372,987
Defined benefit plan cost - Retiring Gratuity		2,119,320	5,638,139
		<u>148,920,592</u>	<u>144,466,951</u>
<b>7 Finance Expenses</b>			
<b>Finance Expense</b>			
Interest expense - Vessel loan		(930,030,813)	(767,082,249)
Exchange Loss		(1,487,775,753)	(294,313,679)
		<u>(2,417,806,566)</u>	<u>(1,061,395,928)</u>
<b>8 Income Tax Income/( Expenses)</b>			
Tax on ordinary activities	8.1	-	12,214,634
Reversal of deferred tax asset	17	(420,301,501.52)	(69,713,367.00)
Deemed dividend tax		-	-
		<u>(420,301,502)</u>	<u>(57,498,733)</u>



CEYLON SHIPPING CORPORATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March

	Note	2019 Rs.	2018 Rs.
<b>8.1 Reconciliation between Taxable Profit and Accounting Profit</b>			
Accounting profit before tax		(1,523,141,091)	(233,055,234)
<i>Less:</i> Share of profit of associates - (net of tax)		(34,691,909)	(17,111,132)
		<u>(1,557,833,000)</u>	<u>(250,166,366)</u>
Aggregated disallowable items		416,199,919	424,646,779
Aggregated allowable items		(1,892,873,081)	(3,756,672,062)
Impairment provisions for debtor impairments		133,297,811	59,383,630
Income not subject to tax		(73,217,134)	(74,623,051)
Assessable Income From Business		(2,974,425,485)	(3,597,431,070)
Assessable Income From Investment		73,217,134	
<i>Add:</i> Other income liable for tax-interest income (Rs. 74,570,715 @ 35%)			26,099,645
Total statutory income/assessable income		<u>(2,901,208,351)</u>	<u>(3,571,331,425)</u>
<i>Add:</i> Taxable income liable for tax-interest income (Rs. 74,570,415.30 @ 65%)			48,470,770
Tax charged at statutory tax rate of 28%			13,571,816
<b>10% Income Tax relief as per IRD Act 10 of 2006 section 59H</b>			<u>(1,357,182)</u>
		-	12,214,634
<i>Less:</i> Notional tax		-	-
<b>Current tax on ordinary activities for the year</b>	<b>8</b>	<u>-</u>	<u><b>12,214,634</b></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.) (1,523,141,091) (245,269,868)

*Amount used as the denominator*

Weighted average number of shares in issue 5,000,000 5,000,000

**Basic and Diluted Earnings Per Share (Rs.)** **(304.63)** **(49.05)**

**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.) (1,523,141,091) (245,269,868)



CEYLON SHIPPING CORPORATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

As at 31<sup>st</sup> March 2019

10 Property, Plant and Equipment

	Land and Housing Project	Buildings	Vessel	Motor Vehicles	Furniture and Fittings	Office Equipment and Computers	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/Valuation</b>							
Balance as at 1st April 2018	5,286,340	43,390	11,235,780,363	30,753,015	16,609,459	22,650,506	11,311,123,073
Additions during the year	-	-	-	479,900	4,716,100	988,946	6,184,946
Transferred from capital work-in-progress-vessels during the year	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	(567,367)	(434,924)	(1,002,291)
Balance as at 31st March 2019	5,286,340	43,390	11,235,780,363	31,232,915	20,758,192	23,204,529	11,316,305,729
<b>Accumulated Depreciation</b>							
Balance as at 1st April 2018	1,236,424	43,390	785,552,813	27,155,324	11,647,527	17,577,655	843,213,133
Charge for the year	8,316	-	408,178,758	2,564,718	1,052,749	1,769,005	413,573,546
On disposals	-	-	-	-	(527,504)	(434,924)	(962,428)
Balance as at 31st March 2019	1,244,740	43,390	1,193,731,571	29,720,042	12,172,773	18,911,736	1,255,824,251
<b>Net Book Value</b>							
					Notes	2019 Rs.	2018 Rs.
Land and housing project						4,041,600	4,049,916
Buildings						-	-
Vessels						10,042,048,792	10,450,227,550
Motor vehicles						1,512,873	3,597,692
Furniture and fittings						8,585,419	4,961,932
Office equipment and computers						4,292,792	5,072,851
						10,060,481,476	10,467,909,941
Capital work-in-progress - Buildings					10.1	3,676,440	3,626,440
Provision for impairment						(3,626,440)	(3,626,440)
					10.2	<u>10,060,481,476</u>	<u>10,467,909,941</u>

CSC performed its annual Impairment Test considering the internal and external factors related to impairment as at 31st March 2019. The recoverable amount of the vessels as at 31st March 2019 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 internally in accordance with the LKAS 36.

In assessing the value in use of the vessel, the entity has made assumptions about future charter hire rates. Ship operating expenses, and the estimated remaining useful life and the residual values of the vessel. The assumptions are based on historical and cyclical trends as well as future expectations. The management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, however, such assumption are highly subjective.

The pre-tax discount rate applied to cash flow projections is 7.25% and cash flows beyond the five year period are considered assumptions made by the CSC Impairment Committee.

**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31<sup>st</sup> March*

	Notes	2019 Rs.	2018 Rs.
<b>10.1 Capital Work-in-Progress - Buildings</b>			
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
<b>10.2 Carrying Value of Fixed Assets</b>			
At cost		10,056,481,476	10,877,151,273
At valuation		4,000,000	4,000,000
	10	10,060,481,476	10,881,151,273

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.
<b>Cost</b>			
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 31<sup>st</sup> 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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**NOTES TO THE FINANCIAL STATEMENTS**

<i>As at 31<sup>st</sup> March</i>		2019	2018
		Rs.	Rs.
<b>13 Investment in Subsidiary</b>			
	<b>No. of Shares</b>	<b>Percentage of Holding</b>	
Ceylon Shipping Agency (Private) Limited	9,999	100%	99,990
Provision for impairment			(99,990)
			<u>-</u>
			<u>-</u>

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 subsidiary is in the process of liquidation.

**14 Investment in Associates**

**Carrying Value on Equity Method**

Ceylon Shipping Lines (Private) Limited	275,820,432	247,581,896
Ceylon Shipping Agency (Pte) Ltd - Singapore	74,653,087	57,915,093
	<u>350,473,519</u>	<u>305,496,989</u>

**14.1 Investment in Associates**

**Cost**

	<b>No of Shares</b>	<b>Percentage of Holding</b>		
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
			<u>1,713,042</u>	<u>1,713,042</u>

**14.2 Movement of Investment in Associates on Equity Method**

**Investor's Share of Net Assets**

Balance at the beginning of the year	305,496,989	282,954,432
Share of profit of associates - (net of tax)	34,691,909	17,111,132
Share of other comprehensive income of associates - (net of tax)	10,637,743	5,784,547
Dividend income	(353,122)	(353,122)
Balance at the end of the year	<u>350,473,519</u>	<u>305,496,989</u>

**14.3 Summarized Financial Information of Associates**

<b>As at 31st December</b>	<b>Ceylon Shipping Agency (Pte) Ltd - Singapore</b>		<b>Ceylon Shipping Lines (Private) Limited</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Total assets	263,801,265	180,623,948	880,728,973	815,490,618
Total liabilities	103,985,685	54,967,540	91,176,262	98,976,597
Net assets	159,815,580	125,656,408	758,616,654	686,599,817
Revenue	986,854,688	518,045,380	488,004,656	468,044,584
Operating expenses	974,417,729	516,708,177	524,770,687	480,935,301
Other income	124,862	174,096	93,736,801	34,642,136
Profit for the year	11,988,323	1,511,299	73,891,362	41,975,884
Total comprehensive Income for the year	-	-	(579,419)	(319,572)

**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31<sup>st</sup> March

Notes	2019 Rs.	2018 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	16,623,868	18,841,974
Unquoted investments	16.2	2,377,070	2,377,070
		19,000,938	21,219,044

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	354,715,680	420,327,290
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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	1,863,230,508	1,519,834,220
Short-term investments	21	26,717,485	295,430,308
Cash and cash equivalents	22	335,049,250	411,380,464
		2,224,997,242	2,226,644,992

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

<b>Total Financial Assets</b>		<b>2,598,713,860</b>	<b>2,668,191,326</b>
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**15.2 Financial Liabilities**

Trade and other payables	30	1,334,143,387	1,307,570,921
<b>Total Financial Liabilities</b>		<b>1,334,143,387</b>	<b>1,307,570,921</b>

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 31<sup>st</sup> March*

	Notes	2019 Rs.	2018 Rs.
<b>16 Available-for-Sale Financial Assets</b>			
Quoted investment	16.1	16,623,868	18,841,974
Unquoted investments	16.2	2,377,070	2,377,070
		<u>19,000,938</u>	<u>21,219,044</u>

**16.1 Quoted Investment**

Balance at the beginning of the year		18,841,974	16,719,271
Loss on changes in fair value		(2,218,106)	2,122,703
Balance at the end of the year	16	<u>16,623,868</u>	<u>18,841,974</u>

	No. of Shares	2019		2018	
		Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Mercantile Shipping Company PLC	238,506	<u>2,068,800</u>	<u>16,623,868</u>	<u>2,068,800</u>	<u>18,841,974</u>

**16.2 Unquoted Investments**

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

	Notes	2019 Rs.	2018 Rs.
	<b>No. of Shares</b>		
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	<u>2,377,070</u>	<u>2,377,070</u>

**17 Deferred Tax Asset/(Liability)**

Balance at the beginning of the year		125,300,596	4,522,072
Reversal during the year	8	2,299,463	51,065,156
During the year		420,301,502	69,713,367
Balance at the end of the year	17.1	<u>547,901,560</u>	<u>125,300,596</u>

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 28%.



CEYLON SHIPPING CORPORATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

As at 31<sup>st</sup> March

	Notes	2019 Rs.	2018 Rs.
<b>17.1 The Analysis of Deferred Tax Asset and Liability</b>			
<b>Deferred Tax Liability</b>			
From accelerating depreciation		(2,813,413,600)	(2,399,964,631)
		<u>(2,813,413,600)</u>	<u>(2,399,964,631)</u>
<b>Deferred Tax Asset</b>			
From Tax Loss		3,314,055,553	2,498,341,214
Provision for impairment		37,323,387	16,627,416
From retirement benefit obligation		9,936,220	10,296,597
		<u>3,361,315,160</u>	<u>2,525,265,227</u>
	17	<u>547,901,560</u>	<u>125,300,596</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	1,761,527,698	1,422,223,028
Deposits and advances	18.2	14,268,100	15,024,023
Staff receivables	18.3	51,652,961	49,123,721
Other receivables	18.4	35,781,750	33,463,446
		<u>1,863,230,508</u>	<u>1,519,834,219</u>

**18.1 Trade Receivables**

Trade receivables		2,303,952,163	1,799,146,391
Trade Control A/C (Local)		58,842,401	70,844,856
Coal Transaction Control A/C		283,199	20,484,036
Provision for impairment		(601,550,065)	(468,252,254)
	18	<u>1,761,527,698</u>	<u>1,422,223,028</u>

Trade receivables comprise the following receivables from related parties.

**Receivables from Related Parties**

Government Institutions		290,372,622	1,422,890,513
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The aging of the trade receivables is as follows.

**Aging of the Trade Receivables**

Up to one year		1,526,385,903	1,199,359,462
1 to 4 years		197,417,883	153,387,558
More than four years		580,148,377	446,399,372
		<u>2,303,952,163</u>	<u>1,799,146,392</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
<b>Collective Impairment</b>		<u>425,290,904</u>	<u>291,993,093</u>
		<u>601,550,065</u>	<u>468,252,254</u>



CEYLON SHIPPING CORPORATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31<sup>st</sup> March</i>		2019	2018
	Notes	Rs.	Rs.
<b>18.2 Deposits and Advances</b>			
Container deposits		11,967,590	11,002,886
Other refundable deposits		6,758,232	7,914,465
Advances		3,871,187	4,435,583
		<u>22,597,009</u>	<u>23,352,934</u>
Provision for impairment		(8,328,910)	(8,328,910)
	18	<u>14,268,100</u>	<u>15,024,023</u>
<b>18.3 Staff Receivables</b>			
Staff loans		49,917,885	44,828,812
Advances and others		1,735,076	4,294,909
	18	<u>51,652,961</u>	<u>49,123,721</u>
<b>18.4 Other Receivables</b>			
Guarantee repairs receivable		19,839,635	19,839,635
State institutions temporary surplus fund at the general treasury		-	-
Others		39,243,925	36,925,621
		<u>59,083,560</u>	<u>56,765,256</u>
Provision for impairment		(23,301,810)	(23,301,810)
	18	<u>35,781,750</u>	<u>33,463,446</u>
<b>19 Statutory Receivables</b>			
Withholding Tax		8,189,291	6,074,700
Goods and Services Tax		18,936,777	18,936,777
National Security Levy		2,612,349	2,612,349
ESC		14,175	14,175
		<u>29,752,592</u>	<u>27,638,001</u>
<b>20 Held to Maturity Investments</b>			
Investment in treasury bills		<u>354,715,680</u>	<u>420,327,290</u>
<b>21 Short-Term Investments</b>			
Investment in fixed deposits	21.1	5,127,397	262,591,822
S/I Surplus Fund at the General TR		57,019	
State Mortgage and Investment Bank - for staff loans		21,533,069	32,838,486
		<u>26,717,485</u>	<u>295,430,308</u>
<b>21.1 Investment in Fixed Deposits</b>			
People's Bank		3,333,240	260,797,666
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		448,457	448,457
	21	<u>5,127,397</u>	<u>262,591,822</u>



**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

<i>As at 31<sup>st</sup> March</i>		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>Rs.</b>	<b>Rs.</b>
<b>22 Cash and Cash Equivalents</b>			
Cash in hand		93,171	83,419
Cash at bank		334,956,078	411,297,045
Balance for Statement of Cash Flows		<u>335,049,250</u>	<u>411,380,464</u>
<b>23 Stated Capital</b>			
<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>
<b>24 Contribution Against Equity Capital</b>			
This represents funds received from the treasury for capital contribution, advances to working capital and for investing in new passenger terminal for ferry services.			
<b>25 Capital Reserve</b>			
This represents settlements made by the treasury on behalf of the Company including ASTARSA loan and treasury guaranteed loan obtained from People's Bank.			
<b>26 Revaluation Reserve</b>			
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.			
<b>28 Long - Term Borrowings</b>			
People's Bank - Vessel Loan	<b>28.1</b>	10,663,482,000	9,260,412,000
People's Bank - Interest Capitalisation Loan	<b>28.2</b>	838,556,858	741,851,026
		<u>11,502,038,858</u>	<u>10,002,263,026</u>
<b>28.1 People's Bank - Vessel Loan</b>			
Balance at the beginning of the year		10,583,328,000	10,619,790,000
Payments during the year		(535,880,000)	(234,720,000)
Exchange loss		1,363,634,000	198,258,000
		<u>11,411,082,000</u>	<u>10,583,328,000</u>
Repayable within one year	<b>31</b>	747,600,000	1,322,916,000
Repayable after one year	<b>28</b>	10,663,482,000	9,260,412,000
Treasury has given guarantee to cover the full value and tenor.			
<b>28.2 People's Bank - Interest Capitalisation Loan</b>			
Balance at the beginning of the year		741,851,026	724,970,448
Proceeds during the year		-	-
Exchange loss		96,705,832	16,880,578
Balance at the end of the year		<u>838,556,858</u>	<u>741,851,026</u>
Repayable after one year	<b>28</b>	838,556,858	741,851,026
Treasury has given guarantee to cover the full value and tenor.			



**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

<i>As at 31<sup>st</sup> March</i>		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>Rs.</b>	<b>Rs.</b>
<b>29 Retirement Benefit Obligation - Gratuity</b>			
Balance at the beginning of the year		36,773,560	39,552,097
Provision for the year	29.1	2,119,320	5,638,139
		<u>38,892,880</u>	<u>45,190,236</u>
Payments made during the year		(3,406,381)	(8,416,675)
Balance at the end of the year		<u><u>35,486,499</u></u>	<u><u>36,773,560</u></u>
<b>29.1 Provision for the Year</b>			
Current service cost		1,588,770	1,877,427
Interest charge for the year		3,354,495	3,127,104
Loss arising from changes in actuarial assumptions		(2,823,945)	633,608
	29	<u>2,119,320</u>	<u>5,638,139</u>
<b>The principal assumptions used are as follows.</b>			
Discounting factor		10.74%	10.70%
Expected future salary increment		1.25%	1.20%
Staff turnover factor		2.56%	4.30%
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.			
<b>30 Trade and Other Payables</b>			
Trade payables		951,687,533	919,260,670
Deposits		2,517,615	85,440
interest payable for vessel loan		152,292,125	123,386,943
Others		227,646,113	264,837,866
		<u><u>1,334,143,387</u></u>	<u><u>1,307,570,921</u></u>
<b>31 Short -Term Borrowings</b>			
People's Bank - Vessel loan		<u><u>747,600,000</u></u>	<u><u>1,322,916,000</u></u>
<b>32 Statutory Payables</b>			
N.B.T		9,768	12,424
Current Tax		9,665,215	9,665,215
Stamp Duty		30,399	28,399
Value Added Tax		69,876,246	76,262,176
N.O.L		(111,587)	(111,587)
		<u><u>79,470,042</u></u>	<u><u>85,856,627</u></u>
<b>33 Accrued Expenses</b>			
Accrued expenses		<u><u>29,374,886</u></u>	<u><u>7,507,154</u></u>



**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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*For the year ended 31<sup>st</sup> March 2019*

**34 Contingent Liabilities**

There were no material 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,

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 an advised by AG's Department for this long outstanding issue a Committee has been appointed by the Cabinet of Ministers and a committee compiled a report and submit 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.

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 this circumstances the Board of Directors of the CSC to set aside the Arbitration process against Luna Shipping until the issue with CPC is resolved.

Mv Lanka Mahapola was chartered out to Triple "s" Shipping in the year 2011 The said Company defaulted the charter hire after paying few installments and subsequently deserted the ship at Mombasa Kenya without proper redelivery of the vessel with huge amount of arrears in crew wages. With a view of recovering all dues from Ms Luna Shipping, the Arbitration process has been initiated and currently it is in the progress.

**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 31<sup>st</sup> March 2019*

**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	2019 Rs.	2018 Rs.
Remuneration and other short-term employment benefits	33,034,831	17,179,573
Balance outstanding - Loans and advances	8,827,264	4,951,450
- Post employment benefits	15,592,576	8,877,913

**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 31/03/2019 Rs.
Government of Sri Lanka	Freight charges, charter hire, container rent, clearing & forwarding and other charges	387,400,500	
	Settlements	(202,264,136)	185,136,364
State-Owned Enterprises	Freight charges, clearing & forwarding and other charges	178,700,500	
	Settlements	(79,918,185)	98,782,315
	Freight charges, lightering and bunker escalation charges	3,850,600,700	
	Settlements	(2,408,261,268)	1,442,339,432
Other Government Related Entities	Clearing & forwarding and other charges	3,700,350	
	Settlements	(1,247,495)	2,452,855

**36 Events after the end of the Reporting Period**

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



**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31<sup>st</sup> March 2019*

**37 Capital Commitments**

The Company has committed to purchase two new 63,600 DWT Panamax Bulkers with training purpose amounting to US\$ 70 Mn from the AVIC International Beijing Company Limited (China) on February 18, 2014. Cabinet of Ministers approved the purchase of two new 63,600 DWT Panamax Bulkers with training purpose under the unsolicited proposal on December 23, 2013. As at the date of Statement of Financial Position, amount payable to the bank is USD 56 Mn.

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

**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)**

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 2019

	Notes	2019 Rs.	2018 Rs.
<b>Risk Exposure to Financial Assets</b>			
Cash and cash equivalents	38.1.1	334,956,078	411,297,046
Term deposits with banks		26,717,485	295,430,308
Trade receivables	38.1.2	2,303,952,163	1,799,146,391
Other receivables		101,702,810	97,611,190
		<u>2,767,328,536</u>	<u>2,603,484,935</u>



**CEYLON SHIPPING CORPORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31<sup>st</sup> March 2019*

**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	2019 Rs.	2018 Rs.
Cash at bank		334,956,078	411,297,046
	<b>38.1</b>	<u>334,956,078</u>	<u>411,297,046</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	2019 Rs.	2018 Rs.
<b>Aging of the Trade Receivable</b>			
Up to one year		1,526,385,903	1,199,359,462
1 to 4 years		197,417,883	153,387,558
More than four years		580,148,377	446,399,372
	<b>36.1</b>	<u>2,303,952,163</u>	<u>1,799,146,392</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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2019

### 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.
<b>Financial Assets</b>				
AFS financial assets	19,000,938	-	-	19,000,938
Held to maturity investments	354,715,680	354,715,680	-	-
Short-term investments	26,717,485	-	5,127,397	21,533,069
Trade receivables	2,303,952,163	2,303,952,163	-	-
Other receivables	101,702,810	35,781,750	65,921,061	-
Cash and cash equivalents	334,956,078	334,956,078	-	-
	<u>3,141,045,154</u>	<u>3,029,405,671</u>	<u>71,048,457</u>	<u>40,534,007</u>
<b>Financial Liabilities</b>				
Trade payables	951,687,533	951,687,533	-	-
Other payables	382,455,853	227,646,113	2,517,615	-
	<u>1,334,143,387</u>	<u>1,179,333,647</u>	<u>2,517,615</u>	<u>-</u>

### 38.3 Market 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**  
**NOTES TO THE FINANCIAL STATEMENTS**

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*For the year ended 31<sup>st</sup> March 2019*

**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 2018/19 is Rs.1,385,908,138/-.

**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 2018 and 2019

	<b>2018/19</b>	<b>2017/18</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Class of Capital</b>		
Total borrowings	11,502,038,858	10,002,263,026
Total equity	(55,663,307)	1,029,030,561
Gearing ratio (x)	-20664%	972%



CEYLON SHIPPING CORPORATION LIMITED

LEAD SCHEDULE

ADMINISTRATION EXPENSES

A/c No	DESCRIPTION	2019	2018
50000	STAFF TRAINING	583,660	1,149,369
50030	CONTRIBUTION TO PROVIDEND FUND	12,100,413	11,144,156
50040	EXECUTIVE STAFF SALARIES	66,303,334	62,120,533
50050	CLERICAL & ALLIED STAFF SALARIES	37,247,950	36,540,419
50060	TEMPORARY & CASUAL EMPLOYEES WAGES	1,748,642	1,409,223
50080	OVERTIME	10,950,665	10,511,673
50090	BONUS	4,215,000	1,236,918
50110	CONTRIBUTION TO E.T.F	2,420,605	2,228,831
50120	MEDICAL LEAVE PAY	3,456,471	2,979,230
50140	GRATUITY PAYMENTS	2,119,321	5,638,139
50170	HARDSHIP ALLOWANCE-NORROCHCHOLAI	1,396,600	1,274,325
60010	OFFICE RENT	15,212,400	14,564,440
60012	OFFICE RENT NORROCHOLAI	566,700	-
60020	PRINTING & STATIONERY	1,972,854	1,630,301
60030	MEMBERSHIP SUBSCRIPTIONS	2,520,214	1,938,409
60040	NEWS PAPERS & PERIODICALS	11,764	85,060
60050	INSURANCE	7,845,375	8,369,147
60060	MAINT. OF OFFICE PREMISES & EQUIPMENT	5,321,571	3,481,734
60070	ELECTRICITY CHARGES	2,085,394	1,994,440
60080	STAFF WELFARE	6,127,011	7,945,534
60090	SECURITY CHARGES	2,534,925	2,647,328
60110	COMPUTER EXPENSES	573,845	988,720
60140	BUNGALOW MAINTENENCE - MODARA	72,682	127,231
60170	TRASLATION CHARGES	65,261	22,910
60210	WATER CONSUMPTION HEAD OFFICE	60,000	-
61010	TELEPHONE CHARGES	2,758,717	3,456,535
61020	POSTAGE & TELEGRAMMES	27,398	5,000
61040	INTERNET / E-MAIL CHARGES	2,834,341	3,245,612
62000	FOREIGN TRAVEL & EXPENSES	1,288,702	2,117,410
62010	LOCAL TRAVEL	3,564,808	4,199,870
62030	MAINTENENCE OF MOTOR VEHICLES	5,324,386	5,543,026
62040	TRAVELLING & SUBSISTANCE	63,300	56,575
63010	ENTERTAINMENT	507,053	1,133,238
63020	ADVERTISMENT	1,222,675	2,427,519



63030 COMPLIMENTS & PRESENTATION	40,180	-
63060 ANNUAL REGISTRATION LEVY	11,900	(444,880)
64000 DIRECTORS FEES	250,920	288,600
64020 PROFESSIONAL CHARGES & LEGAL FEES	2,088,645	5,599,454
64060 TENDER COMMITTEE ALLOWANCE AND EXPENSES	383,600	328,800
65010 MISCELLANEOUS EXPENSES	553,315	359,511
65030 AGENCY MEETING EXPENSES	11,122	-
65040 DONATIONS	448,500	109,050
65800 DEPRECIATION	5,394,789	9,089,765
65810 COST OF FIXED ASSETS SOLD	39,863	22,182
70000 BANK CHARGES	3,859,135	2,920,759
70050 STAMP DUTY EXPENSES A/C	66,200	76,991
LOSS ARISING FROM CHANGES IN ACTUARIAL ASSUMPTIONS	2,823,945.00	(633,608)
	<u>221,076,152</u>	<u>219,929,479</u>