



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 2016/2017



National Carrier of Sri Lanka

**CSCL ANNUAL REPORT & ACCOUNTS
2016/2017**

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**CSCL ANNUAL REPORT & ACCOUNTS
2016 / 2017**

Letter of Transmittal

Hon. Minister Ports & Shipping and Southern Development
Ministry of Ports & Shipping and Southern Development
No.19, Chaithyaya 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 01.04.2016 to 31.03.2017.

Yours faithfully,

Ceylon Shipping Corporation Ltd



Admiral Daya Sandagiri (Rtd), RSP, VSV, USP

CHAIRMAN

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

Date: 09.10.2019

CSCL ANNUAL REPORT & ACCOUNTS
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Board of Directors

From - 01.04.2016 to 31.03.2017

Shashi Dhanatunge Esq.

Chairman

From 27.01.2015 – to date

Dr. Malika Gunasekara

Executive Director

From 27/01/2015 to date

A.K. Seneviratne Esq.

Director/Treasury Representative

27/01/2015 to date

T.S. Nanayakkara Esq.

Director

From 27.01.2015 to date

Suren Goonewardene Esq.

Director

From 09/11/2015 to date

Ms.Maneesha Kannangara

Director

From 09/11/2015 to date

Secretary to the Board

Mrs. E.M.S. Perera

Secretary - Attorney – At – Law, Post Graduate Diploma in Port, Shipping & Transport Management
Netherlands

Bankers

People's Bank Corporate Banking Division

Bank of Ceylon

Commercial Bank of Ceylon PLC

Auditors

The Auditor General, The Auditor General's Department, Polduwa Road, Battaramulla

Board Meetings

Fourteen (14) Board Meetings were held during the year under review including Three (3) Emergency Meetings and One (01) Adjourned Meeting.

Registered Office

Ceylon Shipping Corporation Ltd.

No. 27, MICH Building,

Sir Razik Fareed Mawatha,

Colombo 01,

Sri Lanka.

Tel : +94 11 2328772/3

Fax : +94 11 2449486

E-mail : cscl@cscl.lk

Web : www.cscl.lk

CSCL ANNUAL REPORT & ACCOUNTS
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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(Legal & Insurance / Human Resources

Mrs. E.M.S. Perera

Attorney-At-Law

Post Graduate Diploma in Port, Shipping & Transport Management – Netherlands

Deputy General Manager (Commercial)

Mrs. C. Jayasinghe

FICS, MILT - UK

M.Sc. in International Shipping -UK

Diploma in Shipping (OSLO)

Deputy General Manager (Technical)

S.L. Rajapakse Esq.

Mechanical Engineering Degree

Corporate Member of Institute of Engineering Sri Lanka and registered as Chartered Engineer

Assistant General Manager Finance

G.M. Vikum Pradeepa Esq.

B.Com. (Special) Hons.,LICA

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

Assistant General Manager Legal & Insurance

P. Samaranayake Esq.

Attorney-At Law

B. Sc (Special)

Internal Auditor

Y. Ponnampereuma Esq.

LICA, FMAAT,

Post Graduate Diploma in Shipping Management (OSLO)

Manager Chartering & Agency

I. Danthanarayane Esq.

B.Sc. Public Management (Special) Hons.

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

MILT – UK ,LICA

Manager (Business Development)

Mrs. Y. Wettasinghe

B.Sc. (General)

MSc in Shipping –WMU, (Malmo Sweden)

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)

Manager (Finance)

W.A.D.S.Wijesinghe Esq.

Higher National Diploma in Accountancy, LICA

Postgraduate Diploma in Port Shipping and Transport Management (OSLO)

Manager (Human Resources)

Mrs. T.L. Naligama

International Advance diploma in Logistics & Transport (UK), MILT,

Diploma in Professional Shipping (SL)

Head of Administration

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

Diploma in Management – Open University

Diploma in Business Information

Shipping Training Programme Course-CSCL

Ceylon Shipping Corporation Ltd.
Annual Report & Accounts of
2016 / 2017

Chairman's Review

1. Delivery of Mv Ceylon Princess:

The Financial Year 2016/17 marked another milestone of the organization with taking delivery of Mv Ceylon Princess, the identical sister vessel of Mv Ceylon Breeze, on 23rd June 2016 at Weihai Shipyard of the ship building contractor, AVIC International Beijing Company Ltd.

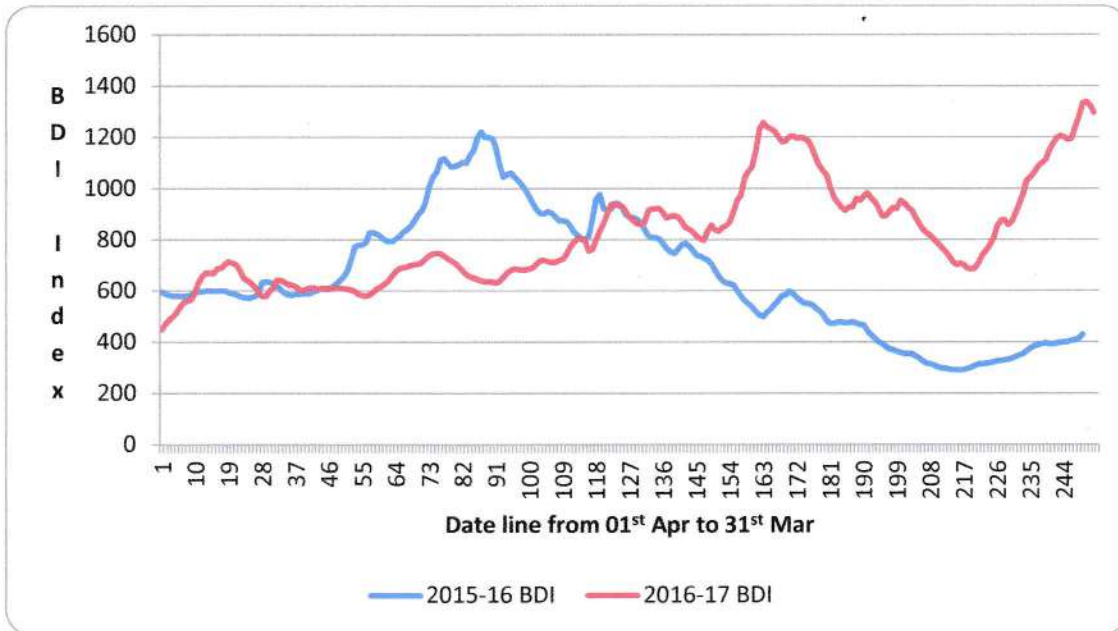
After supplying necessary stores and provisions, when the vessel was ready for her maiden voyage, CSC was able to fix the vessel for a trip charter effective from 9th July 2016 for loading from China & South Korea to Taiwan and Philippines carrying steel cargo, without idling the ship for a day.

2. Dry-bulk Shipping Market:

The downturn befell in 2008 in the world economy and the inevitable consequences to the seaborne trade and the dry-bulk shipping markets continued until Feb 2016.

Baltic Dry Index (BDI) compiled by the Baltic Exchange based in London, UK is highly recognized as a composite indicator of charter hire income of dry-bulk ships consisting of Cape size, Panamax size and Supramax size ships.

Since the launching of BDI in Jan 1985 with an Index point of 1000, Index rose up to 11793 points on 20th May 2008 and fell down to 663 points on 05th Dec 2008. Having recovered again, BDI descended to the record lowest level of 290 points on 10th and 11th Feb 2016. BDI turned to rise from there onwards intermittently. The highest index point of 1338 during the 24 month period from 01st April 2015 to 31st March 2017 was reported on 29th March 2017, including the Financial Year under review, as depicted in the following graph.



Source: Baltic Exchange

3. Deployment of Ships:

Two ships were built for dual purpose of Trading and Training. Under the objective of Trading, the vessels were to be deployed for transportation of Coal imported for the Lak Vijaya Power Plant (LVPP) at Puttalam as well as for the proposed Coal Fired Power Plant at Sampur. Since Coal can be transported to the LVPP at Puttalam only during the off-South-West Monsoon period, the vessels were intended to be deployed for delivery of Coal to the proposed Sampur Power Plant.

Since the Sampur Power Plant was not materialized, two ships had to be deployed in the overseas charter market from around May 2016 to August 2016 under a Commercial Manager.

4. Financial Review:

In view of the new freight and charter revenue generated from two ships, the total revenue increased by 312% from Rs. 617 million to 2,541 million, whilst the Direct Operational Expenses increased by 513% from 261 million to 1,600 million. Gross Profit increased by 164% from Rs. 356 million to Rs. 940 million.

Finally, the Profits from Operations increased from Rs.185 million to Rs.871 million by 370%.

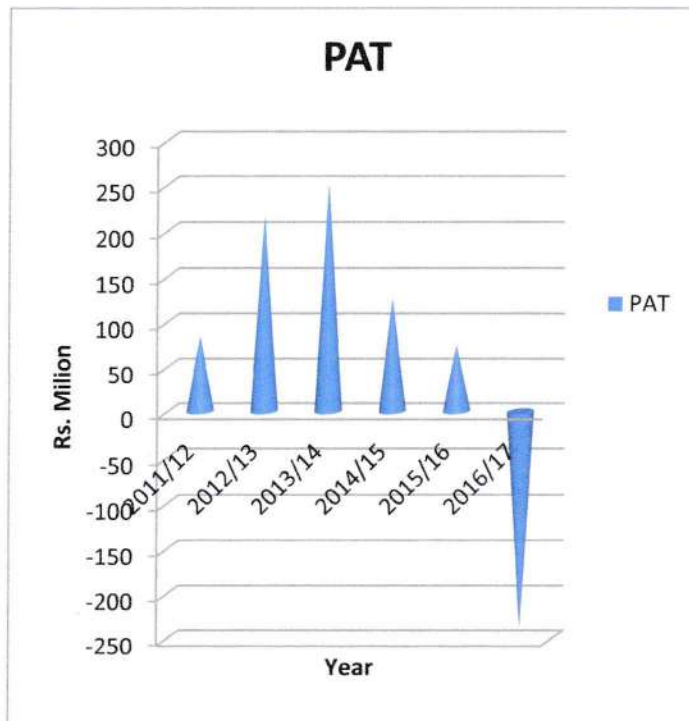
In the Financial Year under review, the value of Sri Lanka Rupees against United States Dollar eroded by 4.53% since the Exchange Rate of Rs.147.23 prevailed on 01st April 2016

ended up as Rs.153.90 on 31st March 2017. When the value of the remaining Loan Balance taken from the People's Bank was revalued in accordance with the Sri Lanka Accounting Standards, an Exchange Loss of Rs.501,927,566 was recorded as against that of Rs. 37,564,838 in 2015/16.

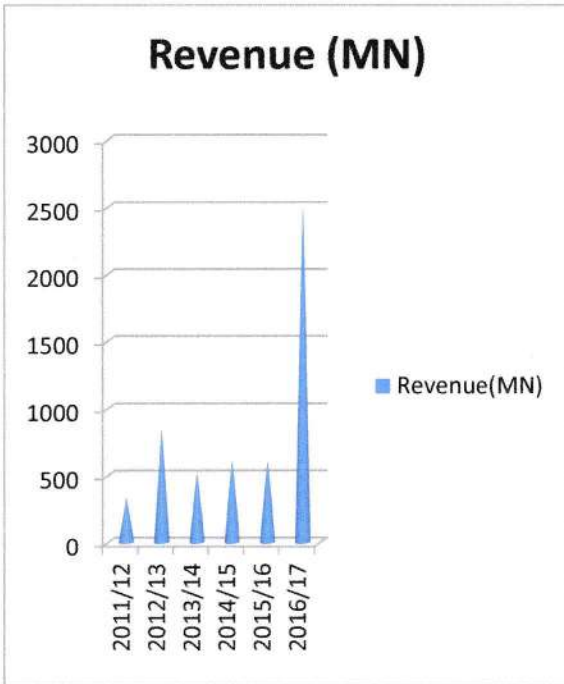
Further, CSC was able to settle the full amount of Interest Installment to the tune of Rs. 651,923,689.

Consequently, due to the significant Exchange Loss and Loan Interest Payment, CSC recorded a Loss of Rs. 237,010,652 as against the Profit of Rs.74,317,129, as per the Audited Annual Accounts.

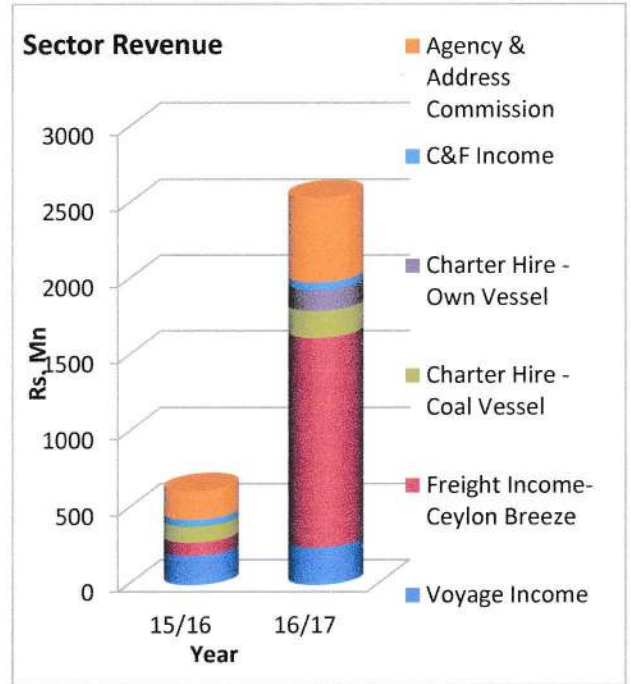
**Profit after Income Tax
(PAT) for the Year Ended 31st March in last 06 Years**



**Revenue for the Year Ended 31st March
Income**



**Sector Revenue Including Other
For the Year Ended 31st March**



5. Main Sectors of Business:

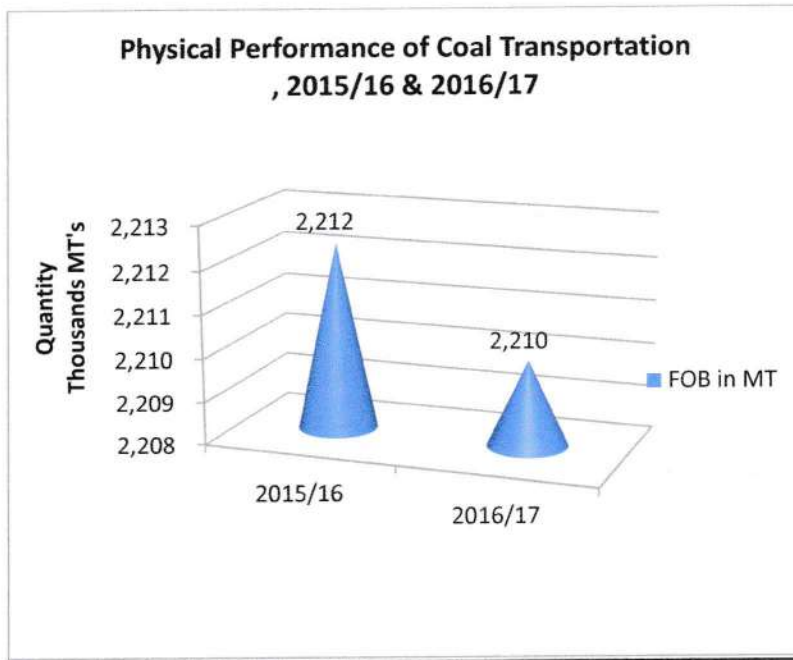
Coal Transportation and Lightering

The revenue earned from the sea transportation of Coal for Ceylon Electricity Board on CSC's owned vessels, amounting to Rs.1,375.05million, were added to the revenue in 2016/17.

CSC managed to get the Revenue from Coal Discharging and Lightering operations increased from Rs176.14 to Rs534.39 due to timely action taken to call a fresh Tender in August 2016.

In view of above reasons, the overall Agency and Address Commission income from the coal transportation and lightering operations was increased from Rs.188.89million in 2015/16 to Rs.556.32million in 2016/17.

Physical Performance of Coal Transportation

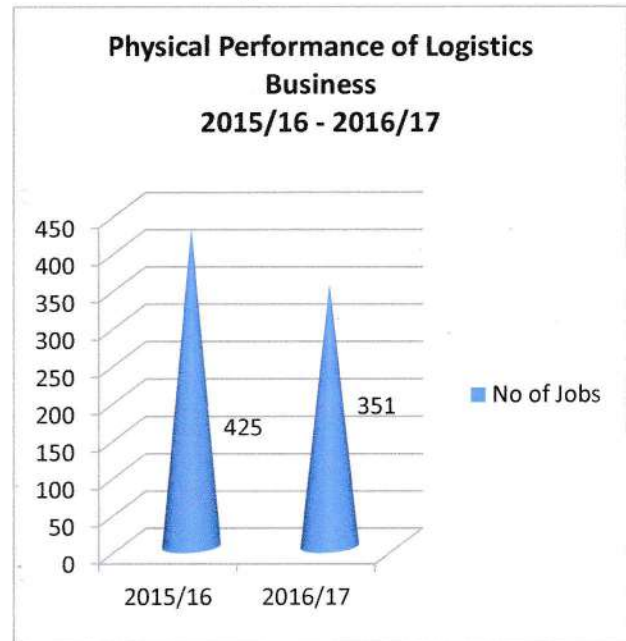
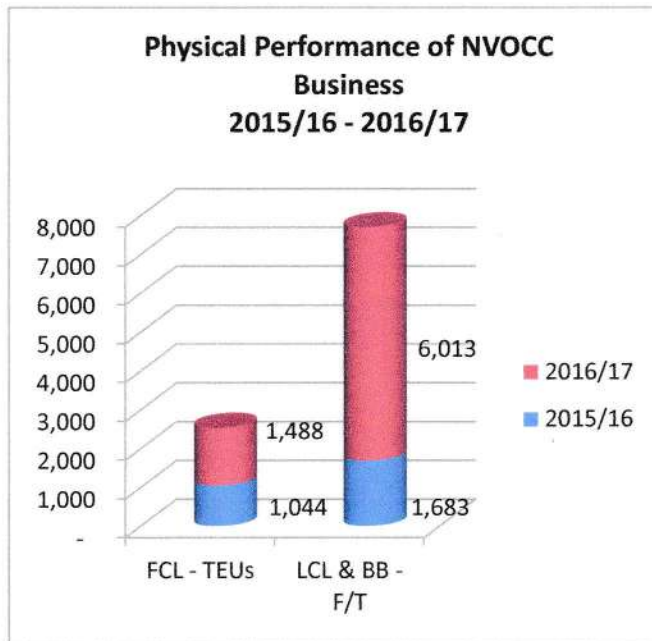


Non-Vessel Operating Common Carrier (NVOCC) Service using Third-party Ships

CSC continued to carry other General Cargoes such as containerized cargo, vehicles, break-bulk cargoes, and heavy-lift cargoes on third-party ships on space charter and voyage charter basis, using its mandate to carry Government sector import cargoes under the Public Finance Circular No. 415 from all over the world during the year 2016/2017. However, there were a lot of instances of non-compliances by some state Enterprises with the Public Finance Circular No. 415 due to various reasons i.e. nature of cargoes, urgency of cargoes, special conditions made by the suppliers, special approvals obtained from the cabinet, etc. and hence CSC lost revenues.

NVOCC Income has increased from Rs192 Million in previous year to Rs.244 Million in the current year.

Physical performances in NVOCC business and Logistics business are depicted in following graphs.



When compared with the performance in 2015/2016, there was an increase of 42.53 % in year 2016/2017 in the carriage of cargoes in Full Container Loads, as a result of increased sales efforts.

There has been a decline in Logistics business when compared with the previous financial year due to lack of Diplomatic cargo shipments, loss of some clearing accounts.

6. Human Resources Development:

03 employees retired from CSC, whereas .03 new recruits were employed. Cost of salary and related expenses increased by Rs3,174,404 in 2016/17, which was a 3.9% as against the expenditure of 2015/16.

70 employees were provided various training opportunities spending Rs538,175 which was 53.81% of the Budgeted Expenditure for training Rs.1mn.

7. Welfare Activities:

Welfare & Recreation Association continued its activities assisted by the management and the member staff of CSC.

CSCL ANNUAL REPORT & ACCOUNTS

2016/ 2017

Annual Report of the Board of Directors

On the Affairs of the Company

The Directors of CSC are pleased to submit their report together with the Audited Accounts of the Company, for the year ended 31st March 2017, to be presented at its Extra Ordinary 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 07 to 12. 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 23 to 55 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 19 to 22 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 27 to 55.

Financial Results/Profit and Appropriations

The Statement of Comprehensive Income is set out on page 23

Property, Plant & Equipment

During the year under review the Company invests Rs.5,661 million in property, plant & equipment.

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

Investments

Notes 13, 14, 15 and 16 to the Financial Statement on page 41 to 43 declare the details of long term investments held by the Company as of 31st March 2017.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31stMarch 2017.

Stated Capital

As per the terms of the Companies Act No. 7 of 2007, the stated capital of the Company is Rs. 50,000,000 as at 31st March 2017. The details are given in Note 23 to the Financial Statement on page 40

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.

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 (Independent Non-Executive Director,)

Mr. T.S.Nanayakkara - Member (Independent Non-Executive Director)

Mr. Suren Goonewardene - Member (Independent Non-Executive Director)

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

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

Mr. A.K.Senevirathne (3/3)

Mr. T.S.Nanayakkara (3/3)

Mr. Suren Goonewardene (1/3)

Mr.K.P.G.Hemarathne (2/3)

Mr.M.D.P.Thilaksiri (1/3)

The Membership of the committee together with their attendance at meetings during the year 2016/17. If Directors are unable to attend a meeting, they have the opportunity beforehand 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. Audit Plan-2016/17:

Committee discussed the Audit plan

Decision:

Audit Committee recommended the Audit Plan and instructed to submit it to the next Board for approval.

2. Internal Control System:

Committee discussed the Internal Control System

Decision:

Audit Committee recommended the Internal Controls and instructed to submit it to the next Board for approval.

3. Finalization of the Audit of the Financial Statements for the year ended 31/03/2016:

Decision:

Audit Committee instructed that to complete the Audit within the stipulated time.

4. Submission the Annual Report to the Parliament:

Decision:

Audit Committee instructed to submit the Annual Report of 2014/15 to the Parliament.

5. Management Letter-2014/15:

Audit Committee discussed the Management Letter submitted by the External Auditors.

Decision:

Chairman of the Audit Committee instructed to reply to the Management Letter and advised that to make suitable arrangements to minimize the reporting items of the Management Letter.

6. Revenue Recognition:

Decision:

Audit Committee instructed the AGM (f) and FM to explain the normal procedure of CSC's Revenue Recognition to the auditors and ensures that the understated or overstated profits are not shown in the Financial Statements and CSC's revenue recognition is done as per the INCO terms.

7. Communication Expenses:

Decision:

Audit Committee instructed to maintain an approved limit for communication expenses to relevant managers/officers depending on the nature of their duties.

And further instructed that a written justification is required for extra cost on communication expenses

And also the Audit committee pointed out that there is a separate circular for the subject matter and advice that to apply the said circular and avoid possible queries in future.

8. Sponsorship Expenses over Rs.2.0 Million:

Decision:

Chairman instructed that not to pay future paper advertisements costs beyond Rs.2.0 million without the approval of the Minister of Finance

9. Employments for ships after coal season:

Decision:

Committee instructed to find suitable business opportunities for ships after the coal season and to maintain a proper asset management.

10. Long outstanding list:

Decision:

Committee instructed to submit the list to the audit committee for deliberation.

11. Bank guarantees for more than four years:

Decision:

AGM (f) was instructed to check these bank guarantees and check whether any impairment provisions needed or not as per the prevailing accounting standards

12. Overdue receivables of Government Sector:

Decision:

Chairman instructed that to forward the list to the Director General of Public Finance and make necessary arrangements to write off.

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

CSCL ANNUAL REPORT & ACCOUNTS
2016/ 2017

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.*



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

POS/B/CSCL/1/17/37

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

9 July 2019

To the Shareholders of the Ceylon Shipping Corporation Limited.

Report of the Auditor General on the Financial Statements of the Ceylon Shipping Corporation Limited for the year ended 31 March 2017.

The audit of financial statements of the Ceylon Shipping Corporation Limited (“the Company”) for the year ended 31 March 2017 comprising the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, 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.

Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial



statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

- (a) The company had erroneously debited a sum of Rs 91,338,313 of freight charges to the Comprehensive Income statement instead of entered to the coal transport control account. As a result, loss and trade payable for the year under review had been overstated by the similar amount. Further, it was revealed that an unreconciled balance of Rs 144,405,551 in the coal transport control account as at 31 March 2017.
- (b) Interest income on treasury bills had been accounted after deducting the notional tax. As a result, interest income of the year under review had been understated by Rs 2,892,483.
- (c) The Company had considered provision for current tax liability of Rs.7,281,062 after deducting notional tax of Rs. 2,892,548. Whereas Company should make a provision for the gross tax payable before setting off the tax credits. As a result, the current tax expense had been understated by Rs. 2, 892,548.
- (d) 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 credit balances against the debit balances of trade and other receivables. As a result, total trade and other receivable and trade and other payables as at the end of the year under review had been understated by Rs.176,067,313.
- (e) Due to non-posting of journal entries relating to freight clearance and exchange conversion accounts the loss had been understated and debtor had been overstated by Rs. 3,274,697.

- (f) The Company had calculated deferred tax asset without considering the correct current and previous year tax losses and omission of collective impairment. As a result, the deferred tax assets as at 31 March 2017 and the provision for the year under review had been understated by Rs.51,065,156.
- (g) Income earned from crude oil transport activities in the previous year had been recognized as revenue of the year under review. As a result, revenue of the year under review had been overstated by Rs.1, 885,152.

Qualified Opinion

In my opinion, except for the effects of the matters describe in Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Ceylon Shipping Corporation Limited as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act, No.07 of 2007, I state the followings:

- a. The basis of qualified opinion and scope and limitations of the audit are as stated above.
- b. In my opinion:
- Except for the effect of the matters described in basis for qualified opinion paragraph, I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No. 07 of 2007.



Report to Parliament

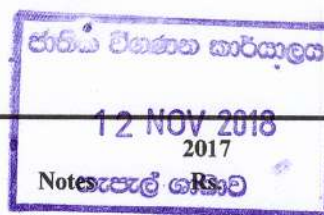
My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

W.P.C Wickramaratne

Auditor General

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March



		2017 Notes සටහන්	2016 Rs.
Revenue	4	2,541,008,930	617,071,388
Direct Operational Expenses		(1,600,439,754)	(260,993,862)
Gross Profit		940,569,176	356,077,526
Other Income	5	182,979,559	65,730,273
Administration Expenses		(209,857,125)	(184,758,721)
Profit from Operations before Impairment of Assets		913,691,610	237,049,077
Impairment of Assets		(42,265,427)	(51,471,119)
Profit from Operations	6	871,426,183	185,577,958
Finance Expenses	7	(1,153,851,255)	(78,308,423)
Share of Profit of Associates - (Net of Tax)	14.2	12,506,937	16,541,363
Profit/(Loss) before Tax		(269,918,135)	123,810,898
Income Tax Income/(expenses)	8	32,907,483	(49,493,769)
Profit/(Loss) for the Year		(237,010,652)	74,317,129
Basic and Diluted Earnings Per Share	9	(47)	15
Profit for the Year		(237,010,652)	74,317,129
Other Comprehensive Income			
Loss on Changes in Fair Value of Available-for-Sale Financial Assets	16.1	(3,482,187)	(7,942,250)
Loss Arising from Changes in Actuarial Assumptions	29.1	(12,507,919)	(2,275,482)
Share of Other Comprehensive Income of Associates - (Net of Tax)	14.2	4,083,099	316,372
Total Comprehensive Income for the Year		(248,917,659)	64,415,769

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



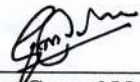
CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st March


	Notes	2017 Rs.	2016 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	10,881,232,886.55	5,583,712,032
Capital Work-in-Progress - Vessels	11	-	3,438,496,046
Intangible Asset	12	-	-
Investment in Subsidiary	13	-	-
Investment in Associates	14	282,954,432.25	266,364,396
Available-for-Sale Financial Assets	16	19,096,341.10	22,578,528
Deferred Tax Asset	17	4,522,072.69	-
Total Non-Current Assets		11,187,805,734	9,311,151,002
Current Assets			
Inventories		185,156,665.05	80,348,915
Trade and Other Receivables	18	869,320,160.49	832,360,894
Statutory Receivables	19	25,158,391.44	22,974,946
Held to Maturity Investments	20	689,224,660.10	150,380,701
Short-Term Investments	21	274,558,560.85	249,127,541
Cash and Cash Equivalents	22	149,226,907.63	388,146,363
Total Current Assets		2,192,645,346	1,723,339,360
Total Assets		13,380,451,079	11,034,490,362
EQUITY AND LIABILITIES			
Equity			
Stated Capital	23	50,000,000.00	50,000,000
Contribution Against Equity Capital	24	543,939,496.61	543,939,497
Capital Reserve	25	767,029,765.50	767,029,766
Revaluation Reserve	26	3,065,443.58	3,065,444
Available-for-Sale Financial Assets Reserve		13,616,148.50	17,098,336
Retained Earnings		(233,099,911.15)	12,335,561
Total Equity		1,144,550,943	1,393,468,603
Non-Current Liabilities			
Long - Term Borrowings	28	9,774,878,448.43	7,964,256,501
Retirement Benefit Obligation - Gratuity	29	39,552,096.82	27,226,665
Deferred Tax Liability	17	-	35,666,473.00
Total Non-Current Liabilities		9,814,430,545	8,027,149,639
Current Liabilities			
Trade and Other Payables	30	781,409,694.69	744,216,815
Short Term Borrowing	31	1,569,882,000.00	821,968,000.00
Statutory Payables	32	63,497,528.27	40,511,470
Accrued Expenses	33	6,680,368.16	7,175,835
Total Current Liabilities		2,421,469,591	1,613,872,120
Total Equity and Liabilities		13,380,451,079	11,034,490,362

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
 November 8, 2018
 Colombo.


 Director

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CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2017

	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Stated Capital	Contribution Against Equity Capital	Capital Reserve	Revaluation Reserve	Available-for- Sale Financial Assets Reserve	Retained Earnings	Total
Balance as at 1st April 2015	50,000,000	543,939,497	767,029,766	3,065,444	25,040,585	(60,022,456.00)	1,329,052,836
Profit for the year	-	-	-	-	-	74,317,129.00	74,317,129
Other comprehensive income	-	-	-	-	(7,942,249)	(1,959,112.00)	(9,901,361)
Balance as at 31st March 2016	50,000,000	543,939,497	767,029,766	3,065,444	17,098,336	12,335,561.00	1,393,468,604
Loss for the year	-	-	-	-	-	(237,010,652.15)	(237,010,652)
Depreciation adjustment for IFRS	-	-	-	-	-	(8,424,820.00)	(11,907,007)
Other comprehensive income	-	-	-	-	(3,482,187)	(8,424,820.00)	(11,907,007)
Balance as at 31st March 2017	50,000,000	543,939,497	767,029,766	3,065,444	13,616,149	(233,099,911.15)	1,144,550,945

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



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CASH FLOWS

<i>For the year ended 31st March</i>	2017	2016
	Rs.	Rs.
Cash flows from operating activities		
Profit/(loss) before tax	(269,918,135)	123,810,898
Adjustments for:		
Depreciation	363,579,622	34,766,522
Profit/loss on disposals of fixed assets	(19,740,653)	(704,900)
Provision for gratuity	4,397,543	3,440,695
Dividend income	(46,191)	(581,959)
Share of profit of associates - (net of tax)	(12,506,937)	(16,541,363)
Provision for impairment of trade debtors	42,265,427	51,471,119
Interest income	(60,875,650)	(37,999,749)
Interest expense	651,923,689	40,743,585
Operating profit before working capital changes	699,078,715	198,404,848
(Increase)/decrease in inventories	(104,807,750)	(79,938,519)
Decrease in trade and other receivables	(79,224,694)	56,044,140
Increase/(decrease) in trade and other payables	37,192,880	30,866,806
(Decrease)/increase in statutory payables	32,900,987	(33,278,411)
Increase in accrued expenses	(495,467)	35,143
Cash generated from operations	584,644,671	172,134,006
Gratuity paid	(4,580,032)	(2,602,502)
Interest paid	(651,923,689)	(40,743,585)
Taxes paid	(12,098,374)	(82,425,543)
Net cash from operating activities	(83,957,424)	46,362,377
Cash flows from investing activities		
Purchase of fixed assets	(5,014,947)	(2,444,989)
Payments for vessels cost	(2,217,589,483)	(4,069,243,888)
Proceeds from disposals of fixed assets	19,740,653	704,900
Net Proceeds from/(investment) in held-to-maturity financial assets	(538,843,959)	251,423,933
Net investment in short-term investments	(25,431,020)	(12,563,185)
Interest received	53,594,585	28,429,896
Dividend received	46,191	581,959
Net cash used in investing activities	(2,713,497,979)	(3,803,111,374)
Cash flow from financing activity		
Proceeds from vessel loan	2,558,535,947	3,924,436,958
Net cash from financing activity	2,558,535,947	3,924,436,958
Net increase in cash and cash equivalents	(238,919,456)	167,687,961
Cash and cash equivalents at the beginning of the year	388,146,363	220,458,402
Cash and cash equivalents at the end of the year	149,226,907	388,146,363

Note 22

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



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Accounting policies and explanatory notes to the Financial Statements for the year ended March 31, 2017

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, 2017 was 127 (March 31, 2016-115).

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 8th November 2018.

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.

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

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

Assets	Years
Buildings	20
Vessels	25
Motor Vehicles	04-10
Furniture and Fittings	10
Office Equipment and Computers	05

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

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

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

3.4 Intangible Asset

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

Computer Software	05 Years
-------------------	----------

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

3.5 Investment in Associates

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

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

The Company determines at each reporting date whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates in the statement of comprehensive income.

3.6 Non-Current Assets Held For Sale

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

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

3.7 Impairment of Non-Financial Assets

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

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

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

3.8 Inventories

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

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

3.9 Financial Instruments

Financial Assets

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

(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

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.

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 benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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 Standards Issued but not yet Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new accounting standards that have an effective date in the future and have not yet been applied for in preparing the financial statements for the year ended March 31, 2016.

SLFRS 9 - Financial Instruments: Classification and Measurement

This standard applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. This standard was issued in 2012 and is effective for financial periods beginning from January 01, 2018.

SLFRS 14 – Regulatory Deferral Accounts

The scope of this standard is limited to first time adopters of SLFRS that already recognize regulatory deferral account balances in their financial statements. This standard is effective for the annual periods beginning on or after January 01, 2016.

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the existing revenue recognition guidance, including LKAS 18-Revenue, LKAS 11-Construction Contracts and IFRIC 13-Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after January 01, 2018.

Based on the preliminary analysis performed, the above Standards on adoption are not expected to have any material impact on the financial statements.

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March

	Notes	2017 Rs.	2016 Rs.
4 Revenue			
Voyage		243,814,361	191,931,985
Freight		1,375,053,894	86,158,193
Charter hire income from coal vsl		175,474,589	105,221,782
Charter hire income from own vsl		138,620,100	
Clearing and forwarding		51,717,196	44,860,061
Agency and address commission		556,328,790	188,899,367
		2,541,008,930	617,071,388
5 Other Income			
Profit on disposals of fixed assets		19,740,653	704,900
Dividend		46,191	581,959
Exchange Gain		16,949,910	14,255,393
Interest income - Fixed deposits and treasury bills		51,708,940	36,756,816
Interest income from other deposit		9,166,710	62,109,952
Interest income - Staff loans		1,234,302	1,242,933
Demurrage recoveries own vessel		59,989,618	
Management fees - Ceylon Electricity Board tugs and barges		11,802,900	11,850,000
Others		12,340,336	338,272
		182,979,559	65,730,273
6 Profit/(Loss) from Operations			
Profit/(loss) from operations is stated after charging all the operational expenses including the following.			
Auditor's remuneration		56,000	573,341
Depreciation		363,579,622	34,766,522
Professional and legal fees		10,689,736	3,833,188
Staff costs (Note: 6.1)		138,860,386	118,672,822
6.1 Staff Costs			
Directors' remuneration		400,800	1,260,750
Salaries and wages		110,348,612	102,100,966
Defined contribution plan costs - Employees' Provident Fund and Employees' Trust Fund		11,205,512	9,594,929
Defined benefit plan cost - Retiring Gratuity		16,905,462	5,716,177
		138,860,386	118,672,822
7 Finance Expenses			
Interest expense - Vessel loan		(651,923,689)	(40,743,585)
Exchange Loss		(501,927,566)	(37,564,838)
		(1,153,851,255)	(78,308,423)
8 Income Tax Income/(expenses)			
Tax on ordinary activities	8.1	7,281,062.00	4,535,121
Reversal of deferred tax asset	17	(40,188,545.00)	39,570,790
Deemed dividend tax		-	5,387,858
		(32,907,483)	49,493,769



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March

	Note	2017 Rs.	2016 Rs.
8.1 Reconciliation between Taxable Profit and Accounting Profit			
Accounting profit before tax		(269,918,135)	123,810,898
<i>Less:</i> Share of profit of associates - (net of tax)		(12,506,937)	(16,541,363)
		<u>(282,425,072)</u>	<u>107,269,535</u>
Aggregated disallowable items		424,512,621	94,612,463
Aggregated allowable items		(3,752,658,075)	(1,865,775,391)
Income not subject to tax		(62,156,143)	(38,581,707)
Profit/(loss) from trade or business		<u>(3,672,726,669)</u>	<u>(1,702,475,100)</u>
<i>Add:</i> Other income liable for tax-interest income (Rs. 62,109,952 @ 35%)		21,738,483	13,299,912
Total statutory income/assessable income		<u>(3,650,988,186)</u>	<u>(1,689,175,188)</u>
<i>Add:</i> Taxable income liable for tax-interest income (Rs. 62,109,952 @ 65%)		40,371,469	24,699,836
Tax charged at statutory tax rate of 28%		11,304,011	6,915,954
10% Income Tax relief as per IRD Act 10 of 2006 section 59H		(1,130,401)	-
Income Tax Payable for the year		<u>10,173,610</u>	<u>6,915,954</u>
<i>Less:</i> Notional tax		<u>(2,892,548)</u>	<u>(2,380,833)</u>
Current tax on ordinary activities for the year	8	<u><u>7,281,062</u></u>	<u><u>4,535,121</u></u>

9 Basic and Diluted Earnings Per Share

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

Amount used as the numerators

Net profit attributable to equity holders (Rs)	(237,010,652)	74,317,129
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Amount used as the denominator

Weighted average number of shares in issue	5,000,000	5,000,000
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Basic and Diluted Earnings Per Share (Rs.)	<u><u>(47.40)</u></u>	<u><u>14.86</u></u>
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Basic and Diluted Earnings Per Share

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

Amount used as the numerator

Net profit/(loss) attributable to equity holders (Rs.)	(237,010,652)	74,317,129
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CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2017

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.
Cost/Valuation							
Balance as at 1st April 2016	5,286,340	43,390	5,579,694,834	46,246,932	15,250,628	18,780,688	5,665,302,812
Additions during the year	-	-	5,656,085,529	2,340,800	425,782	2,248,365	5,661,100,476
in-progress-vessels during the year	-	-	-	-	-	-	-
Disposals during the year	-	-	-	(17,657,778)	(0)	0	(17,657,778)
Balance as at 31st March 2017	5,286,340	43,390	11,235,780,363	30,929,955	15,676,410	21,029,053	11,308,745,510
Accumulated Depreciation							
Balance as at 1st April 2016	1,219,792	43,390	24,905,636	29,652,039	10,538,522	15,231,401	81,590,779
Charge for the year	8,316	-	352,468,419	8,870,323	818,569	1,413,995	363,579,622
On disposals	-	-	-	(17,657,778)	-	-	(17,657,778)
Balance as at 31st March 2017	1,228,108	43,390	377,374,055	20,864,584	11,357,091	16,645,396	427,512,623
Net Book Value				20,864,584			
					Notes	2017	2016
						Rs.	Rs.
Land and housing project						4,058,232	4,066,548
Buildings						-	-
Vessels						10,858,406,308	5,554,789,198
Motor vehicles						10,065,371	16,594,894
Furniture and fittings						4,319,319	4,712,106
Office equipment and computers						4,383,657	3,549,287
						10,881,232,887	5,583,712,033
Capital work-in-progress - Buildings					10.1	3,626,440	3,626,440
Provision for impairment						(3,626,440)	(3,626,440)
					10.2	<u>10,881,232,887</u>	<u>5,583,712,032</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2017 Rs.	2016 Rs.
10.1 Capital Work-in-Progress - Buildings			
Balance at the beginning of the year		3,626,440	3,626,440
Balance at the end of the year	10	<u>3,626,440</u>	<u>3,626,440</u>
10.2 Carrying Value of Fixed Assets			
At cost		10,877,232,887	5,579,712,032
At valuation		4,000,000	4,000,000
	10	<u>10,881,232,887</u>	<u>5,583,712,032</u>

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	<u>(1,120,000)</u>	<u>(1,120,000)</u>
Carrying value	<u>-</u>	<u>-</u>

Property, plant and equipment of the Company with a cost of Rs.19,099,588 (2016 - Rs.16,704,617) have been fully depreciated and held to continue to be in use by the Company.

11 Capital Work-in-Progress - Vessels

	MV Ceylon Breeze Rs.	MV Ceylon Prince Rs.	Total Rs.
Cost			
Balance as at 1st April 2016	-	3,438,496,046	3,438,496,046
Additions during the year	-	2,217,589,483	2,217,589,483
Borrowing costs	-	-	-
Transfer to Property, Plant and Equipment	-	<u>(5,656,085,529)</u>	<u>(5,656,085,529)</u>
Balance as at 31st March 2017	<u>-</u>	<u>-</u>	<u>-</u>

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

As at 31st March

12 Intangible Asset

Computer Software

Cost

Balance at the beginning of the year	6,144,497	6,144,497
Balance at the end of the year	<u>6,144,497</u>	<u>6,144,497</u>

Accumulated Amortization

Balance at the beginning of the year	6,144,497	6,144,497
Balance at the end of the year	<u>6,144,497</u>	<u>6,144,497</u>

Written Down Value as at 31st March

	<u>-</u>	<u>-</u>
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CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

2017
Rs.

2016
Rs.

13 Investment in Subsidiary

	No. of Shares	Percentage of Holding		
Ceylon Shipping Agency (Private) Limited	9,999	100%	99,990	99,990
Provision for impairment			(99,990)	(99,990)
			<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	231,689,056	216,721,799
Ceylon Shipping Agency (Pte) Ltd - Singapore	51,265,376	49,642,597
	<u>282,954,432</u>	<u>266,364,396</u>

14.1 Investment in Associates

Cost

	No of Shares	Percentage of Holding		
Ceylon Shipping Lines (Private) Limited	156,942	39%	1,569,420	1,569,420
Ceylon Shipping Agency (Pte) Ltd - Singapore	24,500	49%	143,622	143,622
			<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	266,364,396	249,859,783
Share of profit of associates - (net of tax)	12,506,937	16,541,363
Share of other comprehensive income of associates - (net of tax)	4,083,099	316,372
Dividend income	-	(353,122)
Balance at the end of the year	<u>282,954,432</u>	<u>266,364,396</u>

14.3 Summarized Financial Information of Associates

As at 31st December	Ceylon Shipping Agency (Pte) Ltd - Singapore		Ceylon Shipping Lines (Private) Limited	
	2016	2015	2016	2015
Total assets	180,952,189	165,990,831	752,625,738	713,096,816
Total liabilities	68,866,631	57,217,066	80,544,159	104,719,963
Net assets	112,085,558	108,773,765	645,848,970	608,376,853
Revenue	403,991,255	552,954,826	464,344,350	415,654,415
Operating expenses	408,851,002	552,138,230	457,837,115	406,779,687
Other income	195,132	67,559	10,405,343	22,025,270
Profit/(Loss) for the year	(4,645,945)	750,678	37,906,282	41,470,592
Total comprehensive income for the year	-	750,678	471,300	43,271,826



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2017 Rs.	2016 Rs.
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	16,719,271	20,201,458
Unquoted investments	16.2	2,377,070	2,377,070
		<u>19,096,341</u>	<u>22,578,528</u>
Quoted investment is measured at fair value based on active market quoted prices. Unquoted investments are measured at cost less provision for impairment as their fair value can not be reliably measured.			
15.1.2 Held to Maturity Investments			
Investment in treasury bills	20	689,224,660	150,380,700
Held to maturity investments are measured inclusive of interest receivable.			
15.1.3 Loans and Receivables			
Trade and other receivables	18	869,320,160	832,360,894
Short-term investments	21	274,558,561	249,127,541
Cash and cash equivalents	22	149,226,908	388,146,363
		<u>1,293,105,629</u>	<u>1,469,634,798</u>
Loans and receivables are stated at their carrying value as their carrying value approximates the fair value.			
Total Financial Assets		<u><u>2,001,426,630</u></u>	<u><u>1,642,594,026</u></u>
15.2 Financial Liabilities			
Trade and other payables	30	781,409,695	744,216,815
Total Financial Liabilities		<u><u>781,409,695</u></u>	<u><u>744,216,815</u></u>
Financial liabilities are stated at their carrying value as their carrying value approximates the fair value.			



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2017 Rs.	2016 Rs.
16 Available-for-Sale Financial Assets			
Quoted investment	16.1	16,719,271	20,201,458
Unquoted investments	16.2	2,377,070	2,377,070
		<u>19,096,341</u>	<u>22,578,528</u>

16.1 Quoted Investment

Balance at the beginning of the year		20,201,458	28,143,708
Loss on changes in fair value		(3,482,187)	(7,942,250)
Balance at the end of the year	16	<u>16,719,271</u>	<u>20,201,458</u>

	No. of Shares	2017		2016	
		Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Mercantile Shipping Company PLC	238,506	<u>2,068,800</u>	<u>16,719,271</u>	<u>2,068,800</u>	<u>20,201,458</u>

16.2 Unquoted Investments

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

	Notes	2017 Rs.	2016 Rs.
	No. of Shares		
Associate News Papers of Ceylon Limited	31,206	312,060	312,060
Ceylon Port Services Limited	5,000	50,000	50,000
Sri Lanka Port Management and Consultancy Ltd	1,501	15,010	15,010
Lanka Coal Company (Private) Limited	200,000	2,000,000	2,000,000
	16	<u>2,377,070</u>	<u>2,377,070</u>

17 Deferred Tax Asset/(Liability)

Balance at the beginning of the year		(35,666,473)	3,904,317
Reversal during the year	8	40,188,545	(39,570,790)
Balance at the end of the year	17.1	<u>4,522,073</u>	<u>(35,666,473)</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 31st March

	Notes	2017 Rs.	2016 Rs.
17.1 The Analysis of Deferred Tax Asset and Liability			
Deferred Tax Liability			
From accelerating depreciation		(1,465,393,954)	(516,258,990)
		<u>(1,465,393,954)</u>	<u>(516,258,990)</u>
Deferred Tax Asset			
From Tax Loss		1,458,841,439	472,969,051
From retirement benefit obligation		11,074,587	7,623,466
		<u>1,469,916,027</u>	<u>480,592,517</u>
	17	<u>4,522,073</u>	<u>(35,666,473)</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	951,405,528	824,670,980
Deposits and advances	18.2	11,611,874	8,599,716
Staff receivables	18.3	42,390,293	38,080,656
Other receivables	18.4	(136,087,534)	(38,990,459)
		<u>869,320,160</u>	<u>832,360,893</u>

18.1 Trade Receivables

Trade receivables		1,360,274,152	1,191,274,178
Provision for impairment		(408,868,624)	(366,603,197)
	18	<u>951,405,528</u>	<u>824,670,980</u>

Trade receivables comprise the following receivables from related parties.

Receivables from Related Parties

Government Institutions		941,819,316	818,272,320
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The aging of the trade receivables is as follows.

Aging of the Trade Receivables

Up to one year		729,196,202	680,890,435
1 to 4 years		222,209,326	143,780,548
More than four years		408,868,624	366,603,197
		<u>1,360,274,152</u>	<u>1,191,274,180</u>

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

The Details of Provision for Impairment of the Trade Receivables;

Specific Impairment

Government institutions		36,206,870	36,206,870
Foreign agents		64,024,592	64,024,592
Private institutions		44,083,601	44,083,601
Others		31,944,098	31,944,098

Collective Impairment

		232,609,463	190,344,036
		<u>408,868,624</u>	<u>366,603,197</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>		2017	2016
	Notes	Rs.	Rs.
18.2 Deposits and Advances			
Container deposits		8,321,605	5,631,108
Other refundable deposits		7,914,464	7,914,465
Advances		3,704,714	3,383,053
		<u>19,940,783</u>	<u>16,928,626</u>
Provision for impairment		(8,328,910)	(8,328,910)
	18	<u>11,611,874</u>	<u>8,599,716</u>
18.3 Staff Receivables			
Staff loans		40,524,922	33,368,238
Advances and others		1,865,371	4,712,418
	18	<u>42,390,293</u>	<u>38,080,656</u>
18.4 Other Receivables			
Guarantee repairs receivable		19,839,635	19,839,635
State institutions temporary surplus fund at the general treasury		-	59,558,465
Others		(132,625,359)	(95,686,749)
		<u>(112,785,724)</u>	<u>(15,688,649)</u>
Provision for impairment		(23,301,810)	(23,301,810)
	18	<u>(136,087,534)</u>	<u>(38,990,459)</u>
19 Statutory Receivables			
Withholding Tax		3,609,266	1,425,820
Goods and Services Tax		18,936,777	18,936,777
National Security Levy		2,612,349	2,612,349
Income Tax		-	-
		<u>25,158,391</u>	<u>22,974,946</u>
20 Held to Maturity Investments			
Investment in treasury bills		<u>689,224,660</u>	<u>150,380,700</u>
21 Short-Term Investments			
Investment in fixed deposits	21.1	242,478,223	217,730,685
State Mortgage and Investment Bank - for staff loans		32,080,333	31,306,856
		<u>274,558,561</u>	<u>249,127,541</u>
21.1 Investment in Fixed Deposits			
People's Bank		240,721,843	215,997,542
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		410,675	387,443
	21	<u>242,478,223</u>	<u>217,730,685</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>	Notes	2017 Rs.	2016 Rs.
22 Cash and Cash Equivalents			
Cash in hand		92,725	137,773
Cash at bank		149,134,183	388,008,590
Balance for Statement of Cash Flows		<u>149,226,908</u>	<u>388,146,363</u>
23 Stated Capital			
<i>Issued and Fully Paid</i>			
5,000,000 Ordinary Shares of Rs. 10/= each		<u>50,000,000</u>	<u>50,000,000</u>
24 Contribution Against Equity Capital			
This represents funds received from the treasury for capital contribution, advances to working capital and for investing in new passenger terminal for ferry services.			
25 Capital Reserve			
This represents settlements made by the treasury on behalf of the Company including ASTARSA loan and treasury guaranteed loan obtained from People's Bank.			
26 Revaluation Reserve			
The revaluation reserve relates to the revaluation surplus of property, plant and equipment as per the valuation carried out in 1994. Once the respective revalued assets have been derecognised, portion of revalued surplus will be transferred to retained earnings.			
28 Long - Term Borrowings			
People's Bank - Vessel Loan	28.1	9,049,908,000	7,397,712,000
People's Bank - Interest Capitalisation Loan	28.2	724,970,448	566,544,501
		<u>9,774,878,448</u>	<u>7,964,256,501</u>
28.1 People's Bank - Vessel Loan			
Balance at the beginning of the year		8,219,680,000	4,715,550,000
Proceeds during the year		1,965,820,000	2,917,600,000
Exchange loss		434,290,000	586,530,000
		<u>10,619,790,000</u>	<u>8,219,680,000</u>
Repayable within one year	31	1,569,882,000	821,968,000
Repayable after one year	28	9,049,908,000	7,397,712,000
Treasury has given guarantee to cover the full value and tenor.			
28.2 People's Bank - Interest Capitalisation Loan			
Balance at the beginning of the year		566,544,501	146,237,543
Proceeds during the year		145,346,734	407,227,745
Exchange loss		13,079,213	13,079,213
Balance at the end of the year		<u>724,970,448</u>	<u>566,544,501</u>
Repayable after one year	28	724,970,448	566,544,501
Treasury has given guarantee to cover the full value and tenor.			

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>	Notes	2017 Rs.	2016 Rs.
29 Retirement Benefit Obligation - Gratuity			
Balance at the beginning of the year		27,226,665	24,112,990
Provision for the year	29.1	16,905,462	5,716,177
		44,132,127	29,829,167
Payments made during the year		(4,580,032)	(2,602,502)
Balance at the end of the year		<u>39,552,097</u>	<u>27,226,665</u>
29.1 Provision for the Year			
Current service cost		1,919,470	1,097,613
Interest charge for the year		2,478,073	2,343,082
Loss arising from changes in actuarial assumptions		12,507,919	2,275,482
	29	<u>16,905,462</u>	<u>5,716,177</u>
The principal assumptions used are as follows.			
Discounting factor		10.74%	10.74%
Expected future salary increment		6.33%	1.25%
Staff turnover factor		4.39%	2.56%
Retirement age		60 years	60 years
These assumptions are developed by the Company based on the management's best estimates of variables used to measure the retirement benefit obligation. Discounting factor is determined on the basis of market rates of long-term Government Bond.			
30 Trade and Other Payables			
Trade payables		641,816,818	716,012,152
Deposits		85,440	99,362
interest payable for vessel loan		115,304,785	
Others		24,202,651	28,105,298
		<u>781,409,695</u>	<u>744,216,813</u>
31 Short -Term Borrowings			
People's Bank - Vessel loan		<u>1,569,882,000</u>	<u>821,968,000</u>
32 Statutory Payables			
Current Tax		1,590,479	6,690,281
Stamp Duty		27,724	19,674
Value Added Tax		61,878,063	33,800,253
Goods Services Tax		1,262	1,262
		<u>63,497,528</u>	<u>40,511,470</u>
33 Accrued Expenses			
Accrued expenses		6,680,368	7,175,835



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

34 Contingent Liabilities

There were no material contingent liabilities as at the end of the reporting period which required adjustments to or disclosure in the financial statements except the legal claims arising in the ordinary course of business. The Management considers these claims to be unjustified and the possibility of an outflow of resources for their settlement is remote. This evaluation is in consistent with legal advices of the Company's legal division. Accordingly, no provision has been made for the following cases.

The Company entered into an agreement with M/s. Taurian Iron & Steel Company in Mumbai, India to supply coal for Lanka Coal Company (Pvt)Ltd, 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 said party. This dispute was referred to the Attorney General's Department to initiate legal action against M/s. Taurian Iron & Steel Company with a view of claiming damages. Upon scrutinising the agreement and related documents the Attorney General's Department requested for cogent evidence to support the Company line of argument, however, Ceylon Electricity Board failed to provide it after all attempts. Then the Attorney General's Department advised the Company to negotiate for an amicable settlement with the said party for the issues in dispute. Thereafter, this was referred to the Cabinet of Ministers with a related issue. The Cabinet of Ministers decided to authorised the Secretary to the Ministry of Ports and Shipping to appoint a committee comprising four members from General Treasury, Ceylon Electricity Board, Ceylon Shipping Corporation Ltd and Lanka Coal Company (Pvt) Ltd and the nominee from the General Treasury being a senior officer as the chairman of the committee. Now the committee has completed the negotiation with M/s. Taurian Iron & Steel Company and has submitted a report to the Ministry of Power & Renewable Energy for their observation and comments.

The transportation of crude oil for Ceylon Petroleum Corporation had to be discontinued due to a dispute arose between the foreign ship owner and the disponent owner of the vessel from whom the company chartered the vessel for the carriage of crude oil. This discontinuation resulted in financial disputes between Ceylon Shipping Corporation Ltd., with both the disponent owner of the vessel and Ceylon Petroleum Corporation in respect of the carriage of crude oil in three consignments before discontinuation. The recovery of dues from the foreign ship owner was handed over to the Attorney General's Department and several consultations were had with senior officials of the department and their opinion was given to comments the arbitration process with the disponent owner of the ship and requested to take a commercial decision by the Board of Directors of CSC to serve the Notice of Arbitration. The Board of Directors decided to differ the decision until the dispute with Ceylon Petroleum Corporation is resolved. In respect of dues from Ceylon Petroleum Corporation, Ceylon Shipping Corporation Ltd., requested the interference of the Secretary to the Ministry of Ports and Shipping as the Chief Accounting Officer to resolve the issue in a manner acceptable to both these state institutes. Accordingly, the line Ministry has appointed a committee comprising officials from both institutes and a representative from the Department of Public Enterprise of the General Treasury to discuss and agree on terms acceptable to both these organizations to resolve this matter. After having several meetings the committee decided to iron out certain legal issues from the Attorney General's and sought the approval of the Secretary to the Ministry of Port & Shipping of his sanction to do so. Accordingly Secretary advised to refer the legal issue to the Attorney General's as a joint request by both parties which is yet to be submitted.

35 Related Party Disclosures

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



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

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	2017 Rs.	2016 Rs.
Remuneration and other short-term employment benefits	19,650,750	17,179,573
Balance outstanding - Loans and advances	5,230,650	4,951,450
Balance Outstanding- Post employment benefits	9,100,450	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	Balance (Duc)/ Receivable as at 31/03/2017
		Rs.	Rs.
Government of Sri Lanka	Freight charges, charter hire, container rent, clearing & forwarding and other charges	458,735,199	
	Settlements	(290,224,248)	168,510,951
State-Owned Enterprises	Freight charges, clearing & forwarding and other charges	162,128,029	
	Settlements	(75,043,973)	109,827,400
	Freight charges ,lightering and bunker escalation charges	4,451,203,400	
Other Government Related Entities	Settlements	(3,751,167,055)	775,964,831
	Clearing & forwarding and other charges	3,595,360	
	Settlements	(2,681,450)	4,512,675

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.



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37 Capital Commitments

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.

It should be noted that US\$ 70 million has already been paid in full for purchase of two ships and CSC has utilised only US\$ 5,435,483.46 from the interest capitalized amount of US\$ 10 million. CSC received a revised rate of interest for Term Loan US\$ 70M 6 month LIBOR + 6.25% & interest rate for Interest Capitalized Loan US\$ 4.72M 6 month LIBOR + 4.0%. Bank will grant a concession of 1% on interest rate, if Capital/Interest is paid regularly as due as agreed by the bank for both loans. During the year CSC has paid for Term Loan & Interest Capitalized loan US\$ 1.00 M & US\$ 725,019.14 respectively. In addition to the Capital payments full interest payment for both loan amounting to US\$ 2,446,262.79 have been paid during the year 2016/17 by CSC.

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.

- 36.1 Credit Risk 2446262.79
- 36.2 Liquidity Risk
- 36.3 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.

36.1 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 2017

	Notes	2017 Rs.	2016 Rs.
Risk Exposure to Financial Assets			
Cash and cash equivalents	36.1.1	149,134,183	388,008,591
Term deposits with banks		274,558,561	249,127,541
Trade receivables	36.1.2	1,360,274,152	1,191,274,178
Other receivables		(82,085,368)	7,689,913
		<u>1,701,881,528</u>	<u>1,836,100,223</u>



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For the year ended 31st March 2017

36.1.1 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	2017 Rs.	2016 Rs.
Cash at bank		149,134,183	388,008,591
	36.1	<u>149,134,183</u>	<u>388,008,591</u>

36.1.2 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	2017 Rs.	2016 Rs.
Aging of the Trade Receivable			
Up to one year		729,196,202	804,552,898
1 to 4 years		211,361,397	122,554,672
More than four years		412,636,808	240,799,709
	36.1	<u>1,353,194,407</u>	<u>1,167,907,279</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.

36.1.3 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.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

36.2 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 2017 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Assets and Liabilities	Carrying Amount Rs.	6 Months or Less Rs.	6-12 Months Rs.	More than 1 Year Rs.
Financial Assets				
AFS financial assets	19,096,341	-	-	19,096,341
Held to maturity investments	689,224,660	689,224,660	-	-
Short-term investments	274,558,561	-	242,478,223	32,080,338
Trade receivables	1,360,274,152	1,360,274,152	-	-
Other receivables	(82,085,368)	(136,087,534)	54,002,167	-
Cash and cash equivalents	149,134,183	149,134,183	-	-
	<u>2,410,202,529</u>	<u>2,062,545,461</u>	<u>296,480,389</u>	<u>51,176,679</u>
Financial Liabilities				
Trade payables	641,816,818	641,816,818	-	-
Other payables	139,592,876	24,202,651	85,440	-
	<u>781,409,695</u>	<u>666,019,469</u>	<u>85,440</u>	<u>-</u>

36.3 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.



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36.3.1 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 2016/17 is Rs. 484,977,656/-

36.3.2 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.

36.4 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 2015 and 2016.

Class of Capital	2016/17 Rs.	2015/16 Rs.
Total borrowings	9,774,878,448	7,964,256,501
Total equity	1,144,550,943	1,393,468,603
Gearing ratio (x)	854%	572%



CEYLON SHIPPING CORPORATION LIMITED

Lead Schedule

Administration Expenses

A/c No	Description	2017	2016
50000	STAFF TRAINING	651,250	924,643
50010	STAFF RECRUITMENT	2,861	-
50030	CONTRIBUTION TO PROVIDEND FUND	9,335,760	7,995,774
50040	EXECUTIVE STAFF SALARIES	48,838,877	44,489,300
50050	CLERICAL & ALLIED STAFF SALARIES	35,366,544	37,352,468
50060	TEMPORARY & CASUAL EMPLOYEES WAGES	2,380,669	1,732,364
50080	OVERTIME	9,127,836	8,153,934
50090	BONUS	3,006,986	2,780,808
50100	CONTRIBUTION TO MEDICAL FUND	-	-
50110	CONTRIBUTION TO E.T.F	1,869,752	1,599,155
50120	MEDICAL LEAVE PAY	2,596,559	2,299,119
50140	GRATUITY PAYMENTS	16,905,463	5,716,178
50150	COMPENSATION	-	-
50160	PAYE TAX	-	881,707
50170	HARDSHIP ALLOWANCE-NORROCHCHPLAI	1,508,425	1,065,500
50180	SPECIAL ALLWANCES FOR FERRY SERVICE	-	-
60000	Library	-	-
60010	OFFICE RENT	10,696,610	9,023,328
60011	OFFICE RENT (FERRY)	-	-
60020	PRINTING & STATIONARY	1,466,562	1,171,372
60021	PRINTING & STATIONARY (FERRY)	-	-
60030	MEMBERSHIP SUBSCRIPTIONS	1,714,601	1,137,748
60040	NEWSPAPERS & PERIODICALS	787,251	278,700
60050	INSURANCE	9,691,794	7,457,774
60060	MAINT. OF OFFICE PREMISES & EQUIPME	4,153,071	2,522,021
60061	MAINT. OF OFFICE PREMISES (FERRY)	-	-
60070	ELECTRICITY CHARGES	1,534,161	1,966,902
60071	ELECTRICITY CHARGES(FERRY)	-	-
60080	STAFF WELFARE	6,871,466	3,302,830
60081	STAFF WELFARE(FERRY)	-	-
60090	SECURITY CHARGES	2,629,912	1,817,617
60091	SECURITY CHARGES (FERR)	-	-
60110	COMPUTER EXPENSES	467,712	640,837
60111	COMPUTER EXPENSES(FERRY)	-	-
60120	HOLIDAY BUNGLOW MAINTAINCE	296	-
60121	CONSTRUCTIONS COST FOR FERRY BLD	-	-
60140	BANGALOW MAINTENENCE - MODARA	1,372,053	23,109
60150	SHIFFTING COST TO MERCANTILE BULID	-	-
60170	TRASLATION CHARGES	53,300	21,286



A/c No	Description	2017	2016
60170	TRASLATION CHARGES	53,300	21,286
61010	TELEPHONE CHARGES	2,320,186	2,365,698
61011	TELEPHONE CHARGES (FERRY)	-	-
61020	POSTAGE & TELEGRAMMES	66,443	25,078
61040	INTERNET / E-MAIL CHARGES	3,353,514	3,495,186
61041	INTERNET / E-MAIL CHARGES(FERRY)	-	-
62000	FOREIGN TRAVEL & EXPENSES	1,585,522	2,054,620
62010	LOCAL TRAVEL	4,372,790	1,419,346
62030	MAINTENENCE OF MOTOR VEHICLES	7,592,931	9,351,934
62040	TRAVELLING & SUBSISTANCE	48,755	34,500
62041	TRAVELLING & SUBSISTANCE(FERRY)	-	-
62050	Fuel expenses	-	-
63010	ENTERTAINMENT	1,308,428	1,531,657
63020	ADVERTISMENT	1,826,725	4,387,944
63030	COMPLIMENTS & PRESENTATION	113,551	81,490
63040	EXPENSES FOR GOVERNMENT EXHIBITIONS	-	-
63060	ANNUAL REGISTRATION LEAVY	937,733	170,039
64000	DIRECTORS FEES	400,800	1,260,750
64010	AUDIT FEES	56,000	573,341
64020	PROFESSIONAL CHARGES & LEGAL FEES	10,689,736	3,833,188
64030	RESEARCH & DEVELOPMENT EXPENSES	-	-
64040	NEW PROJECTS COSTS	-	23,965
64050		-	23,965
64060	TENDER COMMITTEE ALLOWN AND EXPENSES	124,500	112,500
64070	CSA WINDING UP BUSINESS	18,000	
65010	MISCELLANEOUS EXPENSES	781,926	68,488
65011	MISCELLANEOUS EXPENSES(FERRY)	-	-
65030		-	3,560
65040	DONATIONS	-	30,000
65800	DEPRECIATION	11,111,203	9,860,888
65810	COST OF FIXED ASSETS SOLD	-	-
70000	BANK CHARGES	2,593,280	1,938,531
70050	STAMP DUTY EXPENSES A/C	33,250	29,625
32190	Impairment provision for trade receivables	-	3,437
	Loss arising from changes in actuarial assumptions	(12,507,919)	(2,275,482)
		<u>209,857,125</u>	<u>184,758,722</u>

