



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 2017/2018



The National Carrier of Sri Lanka

CSCL ANNUAL REPORT & ACCOUNTS
2017/2018

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**CSCL ANNUAL REPORT & ACCOUNTS
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Letter of Transmittal

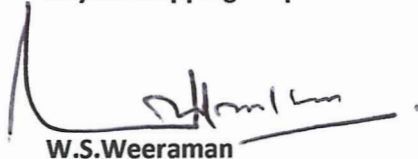
Hon. Minister Ports and Shipping
Ministry of Ports & Shipping
No.19, Chaithyaya Road
Colombo 01.

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 01.04.2017 to 31.03.2018.

Yours faithfully,

Ceylon Shipping Corporation Ltd



W.S.Weeraman
Chairman

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

Date: 24.06.2020

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Board of Directors

From - 01.04.2017 to 31.03.2018

Shashi Dhanatunge Esq.

Chairman

From 09.11.2015 to 15.06.2017

Ranjith Athukorala

Executive Director - From 02.06.2017 to 26.06.2017

Chairman - From 27.06.2017 to 01.03.2019

Dr. Malika De Silva Gunasekara

Executive Director

From 09/11/2015 to 19.05.2017

Buddhika Ruwan Madihahewa

Director - From 02.06.2017 to 26.06.2017

Executive Director - From 27.06.2017 to 29.01.2019

A.K. Seneviratne Esq.

Director/Treasury Representative

From 23/11/2015 to 21.02.2019

T.S. Nanayakkara Esq.

Director

From 09.11.2015 to date 30.05.2017

Suren Goonewardene Esq.

Director

From 09.11.2015 to 29.05.2017

Ms. Maneesha Kannangara

Director

From 09.11.2015 to 01.06.2017

Dr. M Parakrama Dissanayake

Director

From 02.06.2017 to 01.01.2019

N. Purna Perera Esq.
Director
From 02.06.2017 to 21.02.2019

L.C. Nishantha Vithanage Esq.
Director
From 02.06.2017 to 21.02.2019

A.K. Janaka Nandakumara Esq.
Director
From 02.06.2017 to 10.07.2018

Secretary to the Board

Mrs. E.M.S. Perera- (Up to 10.08.2017)
Secretary - Attorney – At – Law, Post Graduate Diploma in Port, Shipping & Transport
Management Netherlands

Mrs. M. Gunasekara – (From 14.11. 2017 to date)
Company Secretary - Associate Member of the Institute of Chartered Corporate Secretaries
(ACCS), Postgraduate Diploma in Labour Relations and Human Resource management,
University of Colombo

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

Nine(09) Board Meetings were held during the year under review.

Registered Office

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

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Management Team

General Manager

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

B.Sc. MSc. in Maritime Studies UK,

MILT - UK

Deputy General Manager (Legal & Insurance / Human Resources) – (Up to 10.08.2017)

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. VikumPradeepaEsq.

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)

Assistant General Manager (Business Development)

Mrs. Y. Wettasinghe

B.Sc. (General)

MSc in Shipping –WMU, (Malmo Sweden)

Designated Person Ashore
Capt. Nish Wijayakulathilake
Master Mariner, MBA (Col), CMILT, AFNI (UK)
IMO Maritime Ambassador, Member UNA

Internal Auditor
Y. Ponnampereuma.Esq.
LICA, FMAAT,
Post Graduate Diploma in Shipping Management (OSLO)

Manager (Finance)
W.A.D.S.Wijesinghe Esq.
Higher National Diploma in Accountancy, LICA
Postgraduate Diploma in Port Shipping and Transport Management (OSLO)

Manager Chartering & Agency
I. Danthanarayane Esq.
B.Sc. Public Management (Special) Hons.
M.Sc. in Maritime Affairs, (Malmo- Sweden)
MILT – UK ,LICA

Manager (Documentation)
K.L.M.Maduraja Esq.
B.Com. (Special) Hons.
MSc in Shipping –WMU, (Malmo Sweden)

Manager (Liner, Logistics, NVOCC)
N.P.Kalpage Esq.
B.A. (Special)
MSc in Shipping –WMU, (Malmo Sweden)

Manager (Human Resources)
Mrs. T.L. Neligama – (Retired on 26.09.2017)
International Advance diploma in Logistics & Transport (UK), MILT,
Diploma in Professional Shipping (SL)

Manager (Human Resources) – Covering Duties
Mrs. M. Gunasekara – (From 09.10.2017 to date)
Company Secretary - Associate Member of the Institute of Chartered Corporate Secretaries
(ACCS), Postgraduate Diploma in Labour Relations and human Resource management,
University of Colombo

Head of Administration
H.R.L.P.P. Gunaratne Esq.
Diploma in Management – Open University
Diploma in Business Information
Shipping Training Programme Course-CSCL

CEYLON SHIPPING CORPORATION LTD
ANNUAL REPORT & ACCOUNTS
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Chairman's Review

1. CSC's ongoing operation

Ceylon Shipping Corporation Ltd., (CSC) has been successfully continuing ongoing business activities as ship owner, operator, Non-vessel operating Common Carrier, Ships agents and Total logistics provider.

2. Deployment of ships

CSC's two owned vessels, MV. Ceylon Breeze and MV. Ceylon Princess were deployed for the coal transportation to Lakvijaya Thermal Power Station at Puttlam. The two ships were performed 10 voyages carrying 0.611 million Tons of coal for the season 2017/2018.

During the monsoon period from April to Mid-August 2017 ships were successfully employed in the international charter market under reputed commercial manager based in Singapore who has been selected through competitive tender process transparently by considering the limited time span for trading in the open market, the vessels employed on trip charters and voyage charters basis with the view to repositioning of the vessel for the carriage of coal to Lakvijaya power station for next season. The Vessels, MV. Ceylon Breeze and MV. Ceylon Princess utilizations during the Financial Year under review was 96% and 95% respectively.

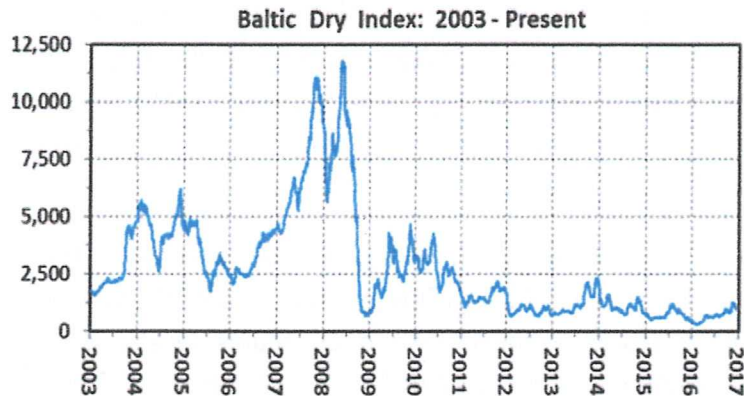
3. Dry Bulk Shipping Market

The year 2016 was a very challenging year for the dry bulk fleet sector which continued to face over capacity and weak growth in demand.

The global bulk shipping market began to improve gradually after 2016 recession. During the trading service of 2017/18, Baltic Dry Index (BDI) settled at 1366 point which looks more impressive than 961 points over the same period in 2016/17.

Since July 2017, the cost of sea transportation of almost all types of dry bulk cargo has increased & BDI grows to its high over the last 4 years including the financial year under review which depicts in the following graphs. As per usual Dry Bulk market pattern the rates go down from December to March and picks up in the second quarter of the year.

This is the daily record of the BDI from the beginning of 2003 through December 16, 2016:



4. Main Sectors of Business

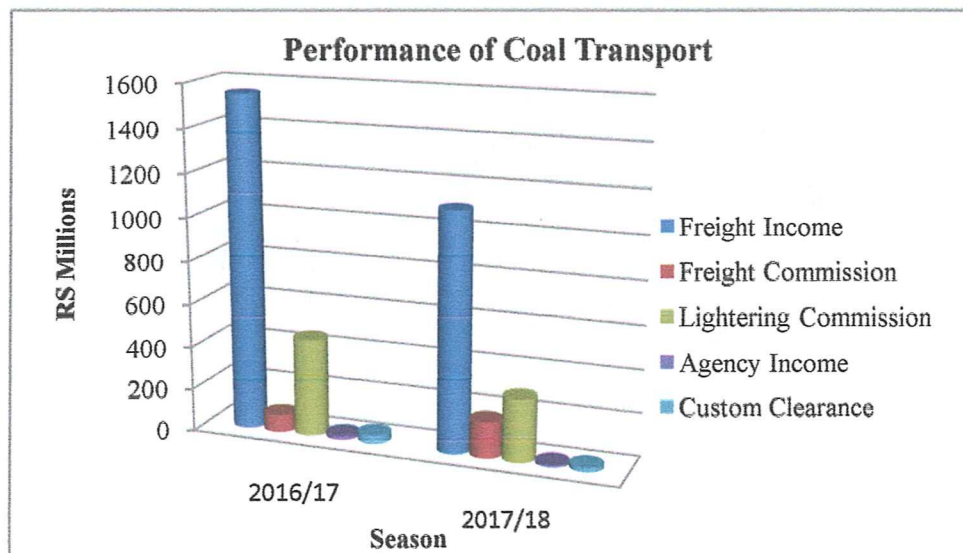
Coal transportation & Lightering

For the Financial Year under review 0.611 million MT of Coal was carried to Lanka Coal Company Pvt. Ltd., (LCC) / CEB by our owned vessels and CSC earned a revenue of Rs1,031.60 million.

As per the decision taken by the Cabinet of Ministers to share the net profit gained from address commission of the lightering operation on 50:50 basis among CSC & CEB, it was affected to decline the profit generated on coal operation in this financial year.

Consequently, the overall agency and address commission income from coal operation and lightering was declined from Rs.556.32m in 2016/2017 to Rs.467.46mn. in 2017/2018.

Physical performance of coal transporting 2016/2017 & 2017/2018



5. Financial Review

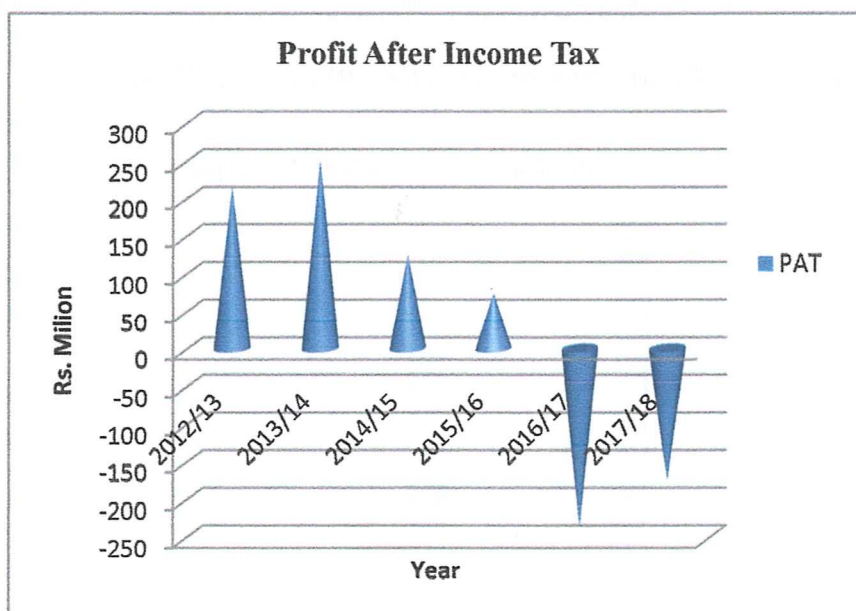
During the year 2017/18, CSC was able to achieve a total revenue of Rs.2,499.47mn. When compared with previous Financial Year, it was a decline by 1.64% on year-on year basis. However, Direct Operational Expenses increased by 4.07% from Rs.1,600.43mn to Rs.1,665.63mn and Gross Profit decreased by 11.34% from Rs.940.56mn to Rs.833.83mn. Eventually, Profit from Operations too decreased from Rs.871.42mn to Rs.811.22mn by 6.9%.

In addition, Freight and Charter Hire income generated from two ships slightly increased by 1.35% from Rs. 1,513.67mn to Rs.1,534.17mn in the financial year under review, the depreciation of Sri Lanka Rupee against the United States Dollar affects the company adversely. It was 2.33% depreciated in compared to 1st of April 2017 to 31st March 2018. This has directly influence increased the exchange loss for vessels loans revaluation for the Financial Year concerned amounting Rs.294.31mn. which was a mandatory provision in accordance with the Sri Lanka Accounting Standards.

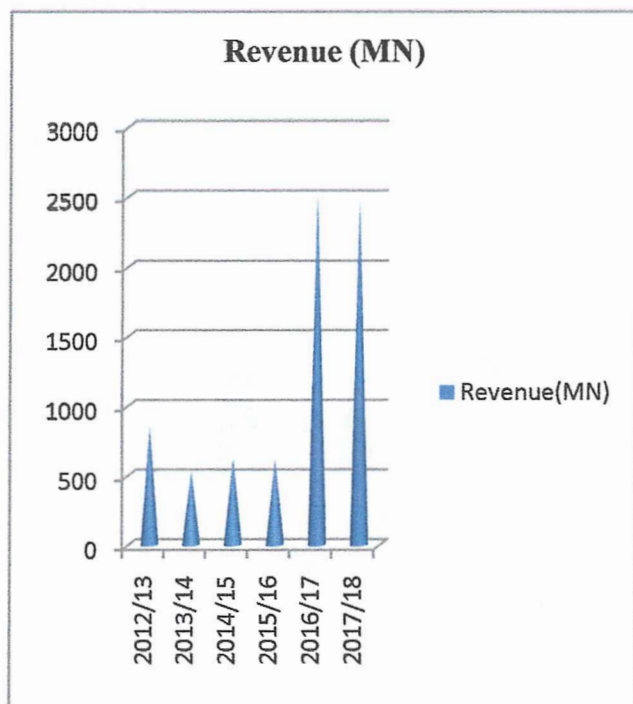
However, CSC was able to settled full amount of the interest installment of the vessel loan borrowed to build the ships and part of the capital installment due, for the above financial year amounting Rs.767,082,249 and Rs. 234,720,000 (US\$1.8mn)respectively.

Further due to the significant Exchange loss and Loan interest payment, it was recorded a loss of Rs.175,556,501. But CSC was able to reduce the loss in the current year compared to the previous year, which was a loss of Rs.237,010,652. Nevertheless this has drastically affected to the company Net worth of the company.

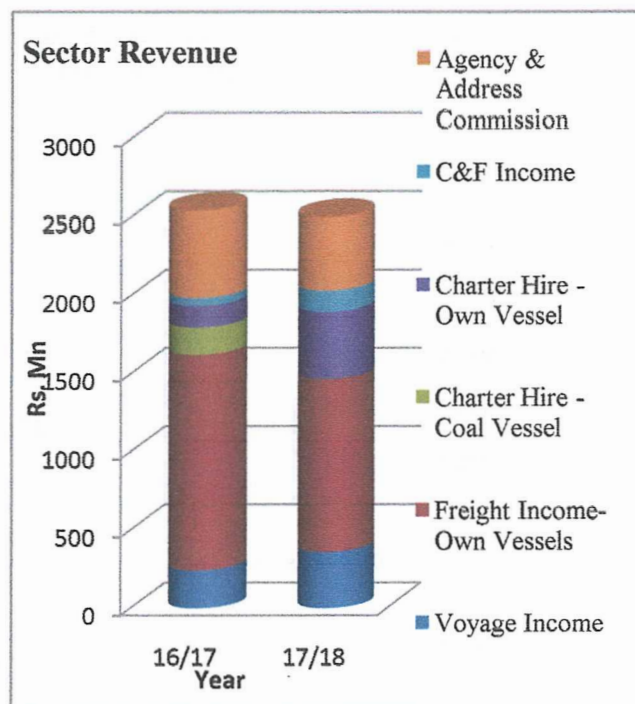
Profit After Income Tax(PAT) for the Year Ended 31st March in last 06 Years



Revenue for the Year Ended 31st March



Sector Revenue Including Other Income for the Year Ended 31st March

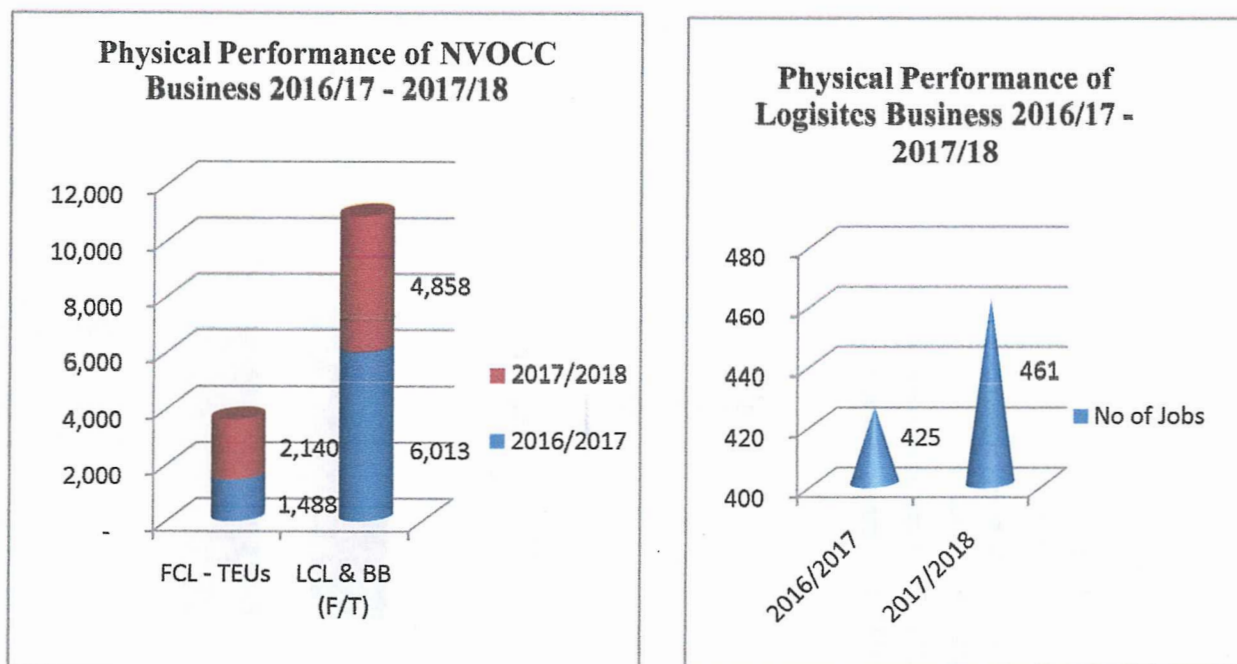


6. Non-vessel Operating Common Carrier (NVOCC) services

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 financial year 2017/2018. But, there were 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 of Ministers, cargo already shipped by the shipper's discretion, etc. and hence CSC lost revenue, and government has to spent foreign exchange for these import shipments on CIF of CFR basis.

NVOCC Income has increased from Rs.244 million in previous year to Rs.359 million approximately in the current year.

Physical Performance in NVOCC Business and Logistics Services are depicted in following graphs.



In comparison of the performance of NVOCC business in 2017/2018 with the previous Financial Year 2016/2017, there was an increase of 43.82% in the carriage of cargoes in Full Container Loads, as a result of aggressive marketing approach, increased awareness programmes and sales efforts etc.

There has been a slight increase in Logistics business compared to the previous financial year due to the process of Diplomatic cargo shipments and secured some new account & for clearing service.

7. Human Resources Development

06 employees retired from CSC, whereas 4 new recruits were employed. Cost of salary and related expenses increased by Rs.15,016,182.25/- in 2017/2018 which was a 18.1% increase as against the expenditure of 2016/17.

55 Employees were provided various training opportunities spending of Rs.734,305/- which was 37% of the Budgeted Expenditure for training of Rs.2,000,000/-.

8. Welfare Activities

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

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

The Directors of CSC are pleased to submit their report together with the Audited Accounts of the Company, for the year ended 31st March 2018, to be presented at its Annual 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 8 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 25 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 pages 21 to 24 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 29 to 55.

Financial Results/Profit and Appropriations

The Statement of Comprehensive Income is set out on page 25.

Property, Plant & Equipment

During the year under review the Company invests Rs. 3.97 million in property, plant & equipment.

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

Investments

Notes 13,14,15 and 16 to the Financial Statement on pages 43 to 45 declare the details of long term investments held by the Company as of 31st March 2018.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31st March 2018.

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 2018. The details are given in Note 23 to the Financial Statement on page 48.

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.

REPORT OF THE AUDIT COMMITTEE

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-up to the date of 05/06/17)

Mr. Suren Goonewardene – Member (Independent Non-Executive Director –up to the date of 18/07/17)

Mr.Purna Perera-Member (Appointed on 05/06/17)

Mr.Janaka Nanda Kumara-Member (Appointed on 18/07/17)

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 recommended the Annual Financial Statement prior to the approval of the Board.

The Audit Committee also reviewed the adequacy and proper continuous functioning of the internal control procedures of the Corporation to obtain reasonable assurance 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:

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

Mr. A.K. Senevirathne	5/5
Mr. T.S. Nanayakkara (up to 5/6/17)	absent
Mr. Suren Goonewardene(up to 18/07/17)	1/2
Mr.Purna Perera (Appointed on 05/06/17)	2/3
Mr.Janaka Nanda Kumara (Appointed on 18/07/17)	Absent
Mr. M.D.P. Thilaksiri	5/5

If Directors are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Committee Chairman and request for the excuse. All the absent members requested excuses before the meeting date.

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

Reviews:

Audit Committee reviewed followings for the year 2017/18

1. Impairment of CSC Vessels:

The Committee perused the document submitted in this regard

Decision:

Audit Committee instructed to make an official request to the Government Valuer and obtain a valuation report for the impairment process.

2. Annual Reports 2014/15:

Committee was informed the progress of the Annual Reports of the year 2014/15.

Decision:

Audit Committee instructed to submit the said Annual Report to the Parliament within the time period mentioned in the Circular.

3. Audit Opinion 2015/16:

Representatives of the M/s Gajma & Co informed that they have given a qualified audit opinion due to the non availability of sufficient and appropriate audit evidence on MV Ceylon Breeze's impairment assessment.

Decision:

Committee members instructed to meet the Officers of CA Sri Lanka and obtain a Technical Opinion from the CA Sri Lanka as a suitable solution to the issue.

4. Audit Committee Papers:

Decision:

Committee decided to prepare the Audit Committee papers as per the format introduced and to submit the Audit Committee Recommendations to the Board for approval.

5. Action Plan:

Decision:

Committee instructed to prepare a report on Business Plan with actual data.

6. Overtime Payments:

Decision:

Committee decided to include the overtime payment procedure to the proposed Manual of Procedures

7. Internal Audit Plan 2017/18:

Committee reviewed the Audit Plan and recommended.

Decision:

Audit Committee instructed to forward the Annual Internal Audit Plan to the Board for approval.

8. Internal Control System:

Committee reviewed the Internal Control System and recommended to forward to the Board.

9. Audit Committee Charter:

Decision:

Committee decided to submit the Audit Committee Charter to the Board for approval.

10. Annual Report 2015/16:

Decision:

Committee decided that to submit the Annual Reports to the Parliament within the time period given.

11. Chartering Committee:

Decision:

Action plan of the Chartering Committee has to be forwarded to the Board.

12. Annual Budget 2017:

Committee reviewed the budget in details.

Decision:

Committee instructed to amend overstated/understated expenditure and resubmit to the Board.

13. Audit Committee Meetings:

Decision:

Committee suggested that to arrange a meeting for every two months period.

14. Vehicle allocation to the Marketing Section:

Decision:

Committee instructed to HOA to release a vehicle on advance notice and also, instructed to Marketing Officers to submit a feedback report.

15. TEC Member appointments:

Decision:

Committee decided that to include a TEC member who has a fair knowledge in Technical field and said member will be the subject specialized TEC member for procurement of ship spares.

16. Management Letter:

Committee discussed the Management Letter and decisions were as follows.

a) Long outstanding balances (deposits and Advances)

Decision:

Committee instructed to write off from the books through a Board Approval

b) Fuel Limits:

Decision:

Audit committee decided that to forward the higher level approval taken.

c) Communication Expenses:

Decision:

Audit Committee decided that to follow the Circular applicable.

d) Payment of Bonus:

Decision:

Audit Committee instructed the Finance Manager to report the committee from which year this practice is being continued and approvals taken if any.

e) Payments of Allowances to the Chairman and ED:

Decision:

Committee instructed to prepare report in details stating that the year/date of the current payments come into effect.

f) Credit Card Allowances to the Chairman and ED:

Decision:

Committee instructed the AGM (f) to report the details of higher level approvals obtained.

17. Interest reimbursement of Housing Loans:

Decision:

Committee instructed to follow the base of PA Circular No 15/2007 iii on Property loans and apply to the CSC employees suitably. Further the Committee instructed that except the housing loan installment, other salary deductions should be considered to calculate the 60% of total salary deductions.

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
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Acknowledgement

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

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

*The Corporation wishes to thank the Sri Lanka Ports Authority, Sri Lanka Customs
and*

The Foreign Agents for their assistance and co-operation at all times.

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

THANKS TO THE STAFF

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

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



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

POS/B/CSCL/1/18/59

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

24 January 2020

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 2018.

The audit of financial statements of the Ceylon Shipping Corporation Limited (“the Company”) for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 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 the Opinion

- (a) 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 had been understated by Rs.41,202,849 as at the end of the year under review.

Further, ten (10) expense accounts and two (02) control accounts which were represented credit balances aggregating to Rs.20,057,734, had set off against the direct expenses. As a result, direct expenses had understated by similar amount.

- (b) The Company had decided to recognized the un identified deposit credited to bank account in year 2009 amounting to Rs.519,517 as other income. However, it had been erroneously credited to the cash book and debited to the income account of the year under review. As a result, the cash at the bank and other income as at 31 March 2018 had been understated by Rs.1,039,034.

- (c) Office rental expense amounting to Rs.1,521,240 which relevant to the year 2018/19 had recognized as an expense of the year under review. As a result, the office rent expense and the loss for the year ended had been overstated by similar amount.
- (d) The Company had calculated deferred tax asset without considering the correct current and previous years' tax losses and capital allowances on the assets purchased in previous year. As a result, the deferred tax assets as at 31 March 2018 and the provision for the year under review had been understated by Rs.2,299,463.

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 Company as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

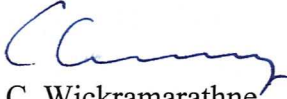
Report on Other Legal and Regulatory Requirements

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

	Notes	2018 Rs.	2017 Rs.
Revenue	4	2,499,470,005	2,541,008,930
Direct Operational Expenses		(1,665,635,224)	(1,600,439,754)
Gross Profit		833,834,781	940,569,176
Other Income	5	256,707,888	182,979,559
Administration Expenses		(219,929,477)	(209,857,125)
Profit from Operations before Impairment of Assets		870,613,191	913,691,609
Impairment of Assets		(59,383,630)	(42,265,427)
Profit from Operations	6	811,229,561	871,426,182
Finance Expenses	7	(1,061,395,928)	(1,153,851,255)
Share of Profit of Associates - (Net of Tax)	14.2	17,111,132	12,506,937
Profit/(Loss) before Tax		(233,055,234)	(269,918,135)
Income Tax Income/(Expenses)	8	(12,214,634)	(7,281,062)
Profit/(Loss) for the Year after Income Tax		(245,269,868)	(277,199,197)
Deffred Tax Adjustment for the year		69,713,367	40,188,545
Profit/(Loss) for the Year after Income Tax & Diffred Tax Adjustment		(175,556,501)	(237,010,652)
Basic and Diluted Earnings Per Share	9	(49)	(55)
Profit for the Year		(175,556,501)	(237,010,652)
Other Comprehensive Income			
Loss on Changes in Fair Value of Available-for-Sale Financial Assets	16.1	2,122,703	(3,482,187)
Loss Arising from Changes in Actuarial Assumptions	29.1	(633,608)	(12,507,919)
Share of Other Comprehensive Income of Associates - (Net of Tax)	14.2	5,784,547	4,083,099
Total Comprehensive Income for the Year		(168,282,859)	(248,917,659)


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

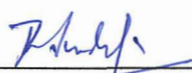
<i>As at 31st March</i>		2,018	2017
	Notes	Rs.	Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	10,467,909,940	10,881,232,887
Capital Work-in-Progress - Vessels	11	-	-
Intangible Asset	12	-	-
Investment in Subsidiary	13	-	-
Investment in Associates	14	305,496,989	282,954,432
Available-for-Sale Financial Assets	16	21,219,044	19,096,341
Deferred Tax Asset	17	125,300,596	4,522,073
Total Non-Current Assets		10,919,926,569	11,187,805,733
Current Assets			
Inventories		197,380,995	185,156,665
Trade and Other Receivables	18	1,519,834,219	1,118,606,987
Statutory Receivables	19	27,638,001	25,158,392
Held to Maturity Investments	20	420,327,291	689,224,659
Short-Term Investments	21	295,430,308	274,558,561
Cash and Cash Equivalents	22	411,380,464	149,226,908
Total Current Assets		2,871,991,277	2,441,932,172
Total Assets		13,791,917,848	13,629,737,905
EQUITY AND LIABILITIES			
Equity			
Stated Capital	23	50,000,000	50,000,000
Contribution Against Equity Capital	24	543,939,497	543,939,497
Capital Reserve	25	767,029,766	767,029,766
Revaluation Reserve	26	3,065,444	3,065,444
Available-for-Sale Financial Assets Reserve		15,738,852	13,616,149
Retained Earnings		(350,742,997)	(233,099,911)
Total Equity		1,029,030,561	1,144,550,944
Non-Current Liabilities			
Long - Term Borrowings	28	10,002,263,026	9,774,878,448
Retirement Benefit Obligation - Gratuity	29	36,773,560	39,552,097
Deferred Tax Liability	17	-	-
Total Non-Current Liabilities		10,039,036,586	9,814,430,545
Current Liabilities			
Trade and Other Payables	30	1,307,570,920	1,030,696,520
Short Term Borrowing	31	1,322,916,000	1,569,882,000.00
Statutory Payables	32	85,856,628	63,497,528
Accrued Expenses	33	7,507,154	6,680,368
Total Current Liabilities		2,723,850,702	2,670,756,416
Total Equity and Liabilities		13,791,917,848	13,629,737,905

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 28/6



Director 28 June 19

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2018

	Stated Capital	Contribution Against Equity Capital	Capital Reserve	Revaluation Reserve	Available-for- Sale Financial Assets Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2016	50,000,000	543,939,497	767,029,766	3,065,444	17,098,336	12,335,561.00	1,393,468,604
Profit for the year	-	-	-	-	-	(237,010,652.00)	(237,010,652)
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	(233,099,911.00)	1,144,550,945
prior year Adjustment(differed Tax and Insurance)	-	-	-	-	-	52,762,469.90	52,762,470
Loss for the year	-	-	-	-	-	(175,556,501.16)	(175,556,501)
Depreciation adjustment for IFRS	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	2,122,703	5,150,945.60	7,273,649
Balance as at 31st March 2018	50,000,000	543,939,497	767,029,766	3,065,444	15,738,852	(350,742,996.66)	1,029,030,561

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



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31st March

	2018 Rs.	2017 Rs.
Cash flows from operating activities		
Profit/(loss) before tax	(233,055,234)	(269,918,135)
Adjustments for:		
Depreciation	417,268,522	363,576,622
Profit/loss on disposals of fixed assets	(54,755)	(19,740,653)
Provision for gratuity	5,004,531	4,397,543
Dividend income	(52,636)	(46,191)
Share of profit of associates - (net of tax)	(17,111,132)	(12,506,937)
Provision for impairment of trade debtors	59,383,630	42,265,427
Interest income	(73,059,766)	(60,875,650)
Interest expense	767,082,249	651,923,689
Operating profit before working capital changes	925,405,409	699,075,715
(Increase)/decrease in inventories	(12,224,330)	(104,807,750)
Decrease in trade and other receivables	(401,227,232)	(79,224,694)
Increase/(decrease) in trade and other payables	276,874,400	37,192,880
(Decrease)/increase in statutory receivables	(2,479,609)	
(Decrease)/increase in statutory payables	19,879,491	34,730,241
Increase in accrued expenses	826,786	(495,467)
Cash generated from operations	807,054,915	586,470,925
Gratuity paid	(8,416,675)	(4,580,032)
Interest paid	(767,082,249)	(651,923,689)
Taxes paid		(12,098,374)
Net cash from operating activities	31,555,991	(82,131,169)
Cash flows from investing activities		
Purchase of fixed assets	(3,967,761)	(5,014,947)
Payments for vessels cost	-	(2,217,589,483)
Proceeds from disposals of fixed assets	55,750	19,740,653
Net Proceeds from/(investment) in held-to-maturity financial assets	192,439,285	(538,843,959)
Net investment in short-term investments	-	(25,431,020)
Interest received	40,872,933	52,913,054
Dividend received	52,636	46,191
Net cash used in investing activities	229,452,843	(2,714,179,511)
Cash flow from financing activity		
Proceeds from vessel loan	-	2,558,535,947
Net cash from financing activity	-	2,558,535,947
Net increase in cash and cash equivalents	261,008,834	(237,774,733)
Cash and cash equivalents at the beginning of the year	150,371,630	388,146,363
Cash and cash equivalents at the end of the year	411,380,464	150,371,630

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, 2018

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, 2018 was 116 (March 31, 2017-125).

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 is approved by the Board of Directors and authorized for issue on 28th June 2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes relevant to the financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs) issued by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act, No. 7 of 2007.

2.2 Basis of Measurement

The financial statements of the Company are prepared under the historical cost convention except for quoted investments designated as available-for-sale financial assets that have been measured at fair value and the revaluation of land. Adjustments have not been made for inflationary factors affecting the financial statements.

2.3 Comparative Figures

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

2.4 Functional and Presentation Currency

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

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

2.5 Use of Estimates and Judgments

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

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

2.6 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign Currency Transactions/Translation

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

3.2 Income Tax Expense

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

(a) Current Tax

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

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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



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 disclosed in the respective notes to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

3.13 Revenue Recognition

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

(a) Voyage Income

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

(b) Charter Hire Income

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

(c) Agency Fee

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, 2018.

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 will be implemented by CSC from financial year 2018/19.

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 will be implemented by CSC from financial year 2018/19.

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	2018 Rs.	2017 Rs.
4 Revenue			
Voyage		359,804,557	243,814,361
Freight Income Own Vessel		1,103,608,246	1,375,053,894
Charter hire income from coal vsl		-	175,474,589
Charter hire income from own vsl		430,562,416	138,620,100
Clearing and forwarding		138,032,457	51,717,196
Agency and address commission		467,462,329	556,328,790
		<u>2,499,470,005</u>	<u>2,541,008,930</u>
5 Other Income			
Profit on disposals of fixed assets		54,755	19,740,653
Dividend		52,636	46,191
Net exchange (loss)/gain		62,647,290	16,949,910
Interest income - Fixed deposits and treasury bills		73,059,766	51,708,940
Interest income from other deposit		-	9,166,710
Interest income - Staff loans		1,510,649	1,234,302
Demurrage recoveries own vessel		110,847,219	59,989,618
Management fees - Ceylon Electricity Board tugs and barges		7,888,400	11,802,900
Others		647,174	12,340,336
		<u>256,707,888</u>	<u>182,979,559</u>
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
Depreciation		417,268,522	34,766,522
Professional and legal fees		5,599,454	3,833,188
Staff costs (Note: 6.1)		144,466,951	130,612,740
6.1 Staff Costs			
Directors' remuneration		288,600	400,800
Salaries and wages		125,167,225	102,100,966
Defined contribution plan costs - Employees' Provident Fund and Employees' Trust Fund		13,372,987	11,205,512
Defined benefit plan cost - Retiring Gratuity		5,638,139	16,905,462
		<u>144,466,951</u>	<u>130,612,740</u>
7 Finance Expenses			
Finance Expense			
Interest expense - Vessel loan		(767,082,249)	(651,923,689)
Exchange Loss		(294,313,679)	(501,927,566)
		<u>(1,061,395,928)</u>	<u>(1,153,851,255)</u>
8 Income Tax Income/(Expenses)			
Tax on ordinary activities	8.1	12,214,634.00	7,281,062
Reversal of deferred tax asset	17	(69,713,367.00)	(40,188,545)
Deemed dividend tax		-	-
		<u>(57,498,733)</u>	<u>(32,907,483)</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March

	Note	2018 Rs.	2017 Rs.
8.1 Reconciliation between Taxable Profit and Accounting Profit			
Accounting profit before tax		(233,055,234)	(269,918,135)
<i>Less:</i> Share of profit of associates - (net of tax)		(17,111,132)	(12,506,937)
		<u>(250,166,366)</u>	<u>(282,425,072)</u>
Aggregated disallowable items		484,030,409	424,512,621
Aggregated allowable items		(3,757,140,217)	(3,752,658,075)
Income not subject to tax		(74,623,051)	(62,156,143)
Profit/(loss) from trade or business		<u>(3,597,899,225)</u>	<u>(3,672,726,669)</u>
<i>Add:</i> Other income liable for tax-interest income (Rs. 74,570,715 @ 35%)		26,099,645	21,738,483
Total statutory income/assessable income		<u>(3,571,799,580)</u>	<u>(3,650,988,186)</u>
<i>Add:</i> Taxable income liable for tax-interest income (Rs. 74,570,415.30 @ 65%)		48,470,770	40,371,469
Tax charged at statutory tax rate of 28%		13,571,816	11,304,011
10% Income Tax relief as per IRD Act 10 of 2006 section 59H		(1,357,182)	(1,130,401)
		12,214,634	10,173,610
<i>Less:</i> Notional tax		-	(2,892,548)
Current tax on ordinary activities for the year	8	<u>12,214,634</u>	<u>7,281,062</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.) (245,269,868) (277,199,197)

Amount used as the denominator

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

Basic and Diluted Earnings Per Share (Rs.) **(49.05)** **(55.44)**

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.) (245,269,868) (277,199,197)



As at 31st March 2018

10 Property, Plant and Equipment

	Land and Housing Project Rs.	Buildings Rs.	Vessel Rs.	Motor Vehicles Rs.	Furniture and Fittings Rs.	Office Equipment and Computers Rs.	Total Rs.
Cost/Valuation							
Balance as at 1st April 2017	5,286,340	43,390	11,235,780,363	30,929,955	15,676,410	21,029,053	11,308,745,511
Additions during the year	-	-	-	-	1,543,659	2,424,102	3,967,761
Transferred from capital work-in-progress-vessels during the year	-	-	-	-	-	-	-
Disposals during the year	-	-	-	(176,940)	-(610,610)	(802,647)	(1,590,197)
Balance as at 31st March 2018	5,286,340	43,390	11,235,780,363	30,753,015	16,609,459	22,650,506	11,311,123,075
Accumulated Depreciation							
Balance as at 1st April 2017	1,228,108	43,390	377,374,055	20,864,584	11,357,091	16,645,396	427,512,624
Charge for the year	8,316	-	408,178,758	6,467,680	879,723	1,734,046	417,268,522
On disposals	-	-	-	(176,940)	(589,287)	(801,787)	(1,568,014)
Balance as at 31st March 2018	1,236,424	43,390	785,552,813	27,155,324	11,647,527	17,577,655	843,213,132
Net Book Value							
					Notes	2018 Rs.	2017 Rs.
Land and housing project						4,049,916	4,058,232
Buildings						-	-
Vessels						10,450,227,550	10,858,406,308
Motor vehicles						3,597,691	10,065,372
Furniture and fittings						4,961,932	4,319,319
Office equipment and computers						5,072,852	4,383,657
						10,467,909,940	10,881,232,888
Capital work-in-progress - Buildings					10.1	3,626,440	3,626,440
Provision for impairment						(3,626,440)	(3,626,440)
					10.2	10,467,909,940	10,881,232,888

18

The company performed its annual impairment test considering the internal and external factors of impairment in March 2016. The recoverable amount of the vessels as at 31st March 2016 has been determined based on a value in use computation using an estimation of the future cash flow are done by the international renowned consultant firm M/S Drewry Maritime services (Asia) Pte Ltd and they have mainly followed up following methodology which are used by the shipping industry.

1. The short term Time Charter (2016-2020) has been estimated based on demand and supply expectations.
2. For the long term freight outlook (2021-2041) time charter rate has been estimated using the method of Mean Reservation Analysis (MRA)
3. Time charter rates have thus been estimated using the 13 year historical average inflation adjusted new building price, covering the useful 25 years trading life of a vessel, at a WACC 10.2%

Other factor they have considered that will come to place by 2020 "emission control norms and retrofitting of ballast water treatment system".

These two regulations are expected to send tonnage older than 18-20 years to scrap yard

thereby pushing the earnings of existing tonnage. In this scenario increase in the earnings matches objective information about pattern over industry lifecycle.

The Board of the Directors as determined the fair value less cost to sell value of the vessel based on an independent valuation carried out by an internationally renowned expert as at 31st March 2016 and are of the opinion that the value has been significantly changed as at reporting date.

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

The pre-tax discount rate applied to cash flow projections is 6.86% and cash flows beyond the five year period are considered assumptions made by the consultant mentioned above.

The entity estimates residual value of its vessel by using independent international expert.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2018 Rs.	2017 Rs.
10.1 Capital Work-in-Progress - Buildings			
Balance at the beginning of the year		3,626,440	3,626,440
Balance at the end of the year	10	3,626,440	3,626,440
10.2 Carrying Value of Fixed Assets			
At cost		10,463,909,940	10,877,151,273
At valuation		4,000,000	4,000,000
	10	10,467,909,940	10,881,151,273

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

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

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

Property, plant and equipment of the Company with a cost of Rs.47,626,060 (2015 - Rs.47,654,472) 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 2017	-	-	-
Additions during the year	-	-	-
Borrowing costs	-	-	-
Transfer to Property, Plant and Equipment	-	-	-
Balance as at 31st March 2018	-	-	-

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

As at 31st March

	2018 Rs.	2017 Rs.
12 Intangible Asset		
Computer Software		
Cost		
Balance at the beginning of the year	6,144,497	6,144,497
Balance at the end of the year	6,144,497	6,144,497
Accumulated Amortization		
Balance at the beginning of the year	6,144,497	6,144,497
Balance at the end of the year	6,144,497	6,144,497
Written Down Value as at 31st March	-	-



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

			2018 Rs.	2017 Rs.
13 Investment in Subsidiary				
	No. of Shares	Percentage of Holding		
Ceylon Shipping Agency (Private) Limited	9,999	100%	99,990	99,990
Provision for impairment			(99,990)	(99,990)
			-	-

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

14 Investment in Associates

Carrying Value on Equity Method

Ceylon Shipping Lines (Private) Limited	247,581,896	231,689,056
Ceylon Shipping Agency (Pte) Ltd - Singapore	57,915,093	51,265,376
	305,496,989	282,954,432

14.1 Investment in Associates

Cost

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

14.2 Movement of Investment in Associates on Equity Method

Investor's Share of Net Assets

Balance at the beginning of the year	282,954,432	266,364,396
Share of profit of associates - (net of tax)	17,111,132	12,506,937
Share of other comprehensive income of associates - (net of tax)	5,784,547	4,083,099
Dividend income	(353,122)	-
Balance at the end of the year	305,496,989	282,954,432

14.3 Summarized Financial Information of Associates

	Ceylon Shipping Agency (Pte) Ltd - Singapore		Ceylon Shipping Lines (Private) Limited	
As at 31st December	2017	2016	2017	2016
Total assets	180,623,948	180,952,189	815,490,618	752,625,738
Total liabilities	54,967,540	68,855,631	98,976,597	80,544,159
Net assets	125,656,408	112,085,558	686,599,817	645,848,970
Revenue	518,045,380	403,991,255	468,044,584	464,344,350
Operating expenses	516,708,177	408,851,002	480,935,301	457,837,115
Other income	174,096	195,132	34,642,136	10,405,343
Profit for the year	1,511,299	(4,645,945)	41,975,884	37,906,282
Total comprehensive income for the year	-	-	(319,572)	471,300



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2018 Rs.	2017 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	18,841,974	16,719,271
Unquoted investments	16.2	2,377,070	2,377,070
		<u>21,219,044</u>	<u>19,096,341</u>
Quoted investment is measured at fair value based on active market quoted prices. Unquoted investments are measured at cost less provision for impairment as their fair value can not be reliably measured.			
15.1.2 Held to Maturity Investments			
Investment in treasury bills	20	<u>420,327,291</u>	<u>689,224,659</u>
Held to maturity investments are measured inclusive of interest receivable.			
15.1.3 Loans and Receivables			
Trade and other receivables	18	1,519,834,219	1,118,606,987
Short-term investments	21	295,430,308	274,558,561
Cash and cash equivalents	22	<u>411,380,464</u>	<u>149,226,908</u>
		<u>2,226,644,991</u>	<u>1,542,392,455</u>
Loans and receivables are stated at their carrying value as their carrying value approximates the fair value.			
Total Financial Assets		<u><u>2,668,191,326</u></u>	<u><u>2,250,713,455</u></u>
15.2 Financial Liabilities			
Trade and other payables	30	<u>1,307,570,920</u>	<u>1,030,036,520</u>
Total Financial Liabilities		<u><u>1,307,570,920</u></u>	<u><u>1,030,696,520</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	2018 Rs.	2017 Rs.
16 Available-for-Sale Financial Assets			
Quoted investment	16.1	18,841,974	16,719,271
Unquoted investments	16.2	2,377,070	2,377,070
		<u>21,219,044</u>	<u>19,096,341</u>

16.1 Quoted Investment

Balance at the beginning of the year		16,719,271	20,201,458
Loss on changes in fair value		2,122,703	(3,482,187)
Balance at the end of the year	16	<u>18,841,974</u>	<u>16,719,271</u>

		2018		2017	
	No. of Shares	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Mercantile Shipping Company PLC	238,506	<u>2,068,800</u>	<u>18,841,974</u>	<u>2,068,800</u>	<u>16,719,271</u>

16.2 Unquoted Investments

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

	Notes	2018 Rs.	2017 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		4,522,072	(35,666,473)
Reversal during the year	8	51,065,156	40,188,545
During the year		69,713,367	
Balance at the end of the year	17.1	<u>125,300,596</u>	<u>4,522,072</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	2018 Rs.	2017 Rs.
17.1 The Analysis of Deferred Tax Asset and Liability			
Deferred Tax Liability			
From accelerating depreciation		(2,400,226,681)	(1,465,393,954)
		<u>(2,400,226,681)</u>	<u>(1,465,393,954)</u>
Deferred Tax Asset			
From Tax Loss		2,500,392,097	1,458,841,439
From retirement benefit obligation		10,296,597	11,074,587
		<u>2,510,688,694</u>	<u>1,469,916,026</u>
	17	<u>110,462,013</u>	<u>4,522,072</u>

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

18 Trade and Other Receivables

Trade receivables	18.1	1,422,223,029	1,036,909,855
Deposits and advances	18.2	15,024,023	11,611,873
Staff receivables	18.3	49,123,721	42,390,293
Other receivables	18.4	33,463,446	27,694,964
		<u>1,519,834,219</u>	<u>1,118,606,985</u>

18.1 Trade Receivables

Trade receivables		1,799,146,392	1,366,572,411
Trade Creditors (Local)		70,844,856	45,103,081
Coal Transaction Control A/C		20,484,036	34,102,988
Provision for impairment		(468,252,254)	(408,868,624)
	18	<u>1,422,223,029</u>	<u>1,036,909,855</u>

Trade receivables comprise the following receivables from related parties.

Receivables from Related Parties

Government Institutions		1,422,890,513	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		1,199,359,462	785,334,324
1 to 4 years		153,387,558	234,924,181
More than four years		446,399,372	425,519,975
		<u>1,799,146,392</u>	<u>1,445,778,480</u>

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

The Details of Provision for Impairment of the Trade Receivables;

Specific Impairment

Government institutions		36,206,870	36,206,870
Foreign agents		64,024,592	64,024,592
Private institutions		44,083,601	44,083,601
Others		31,944,098	31,944,098
Collective Impairment		<u>291,993,093</u>	<u>232,609,463</u>
		<u>468,252,254</u>	<u>408,868,624</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2018 Rs.	2017 Rs.
18.2 Deposits and Advances			
Container deposits		11,002,886	8,321,605
Other refundable deposits		7,914,464	7,914,465
Advances		4,435,583	3,704,713
		<u>23,352,933</u>	<u>19,940,783</u>
Provision for impairment		(8,328,910)	(8,328,910)
	18	<u>15,024,023</u>	<u>11,611,873</u>
18.3 Staff Receivables			
Staff loans		44,828,812	40,524,922
Advances and others		4,294,909	1,865,371
	18	<u>49,123,721</u>	<u>42,390,293</u>
18.4 Other Receivables			
Guarantee repairs receivable		19,839,635	19,839,635
State institutions temporary surplus fund at the general treasury		-	-
Others		36,925,621	31,157,139
		<u>56,765,256</u>	<u>50,996,774</u>
Provision for impairment		(23,301,810)	(23,301,810)
	18	<u>33,463,446</u>	<u>27,694,964</u>
19 Statutory Receivables			
Withholding Tax		6,074,700	3,609,266
Goods and Services Tax		18,936,777	18,936,777
National Security Levy		2,612,349	2,612,349
Income Tax		-	-
		<u>27,638,001</u>	<u>25,158,392</u>
20 Held to Maturity Investments			
Investment in treasury bills		<u>420,327,291</u>	<u>689,224,659</u>
21 Short-Term Investments			
Investment in fixed deposits	21.1	262,591,822	242,478,223
State Mortgage and Investment Bank - for staff loans		32,838,486	32,080,338
		<u>295,430,308</u>	<u>274,558,561</u>
21.1 Investment in Fixed Deposits			
People's Bank		260,797,666	240,721,848
Bank of Ceylon		1,310,700	1,310,700
Commercial Bank of Ceylon PLC		35,000	35,000
Commercial Bank of Ceylon PLC - security and housing loan		448,457	410,675
	21	<u>262,591,822</u>	<u>242,478,223</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2018 Rs.	2017 Rs.
22 Cash and Cash Equivalents			
Cash in hand		83,419	92,725
Cash at bank		411,297,046	149,134,183
Balance for Statement of Cash Flows		<u>411,380,464</u>	<u>149,226,908</u>

23 Stated Capital

Issued and Fully Paid

5,000,000 Ordinary Shares of Rs. 10/= each

<u>50,000,000</u>	<u>50,000,000</u>
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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	9,260,412,000	9,049,908,000
People's Bank - Interest Capitalisation Loan	28.2	741,851,026	724,970,448
		<u>10,002,263,026</u>	<u>9,774,878,448</u>

28.1 People's Bank - Vessel Loan

Balance at the beginning of the year		10,619,790,000	8,219,680,000
Proceeds during the year		(234,720,000)	1,965,820,000
Exchange loss		198,258,000	434,290,000
		<u>10,583,328,000</u>	<u>10,619,790,000</u>
Repayable within one year	31	1,322,916,000	1,569,882,000
Repayable after one year	28	9,260,412,000	9,049,908,000

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		724,970,448	566,544,501
Proceeds during the year		-	145,346,734
Exchange loss		16,880,578	13,079,213
Balance at the end of the year		<u>741,851,026</u>	<u>724,970,448</u>
Repayable after one year	28	741,851,026	724,970,448

Treasury has given guarantee to cover the full value and tenor.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2018 Rs.	2017 Rs.
29 Retirement Benefit Obligation - Gratuity			
Balance at the beginning of the year		39,552,097	27,226,665
Provision for the year	29.1	5,638,139	16,905,462
		45,190,236	44,132,127
Payments made during the year		(8,416,675)	(4,580,032)
Balance at the end of the year		<u>36,773,560</u>	<u>39,552,097</u>
29.1 Provision for the Year			
Current service cost		1,877,427	1,919,470
Interest charge for the year		3,127,104	2,478,073
Loss arising from changes in actuarial assumptions		633,608	12,507,919
	29	<u>5,638,139</u>	<u>16,905,462</u>
The principal assumptions used are as follows.			
Discounting factor		10.74%	10.70%
Expected future salary increment		1.25%	1.20%
Staff turnover factor		2.56%	4.30%
Retirement age		60 years	60 years
These assumptions are developed by the Company based on the management's best estimates of variables used to measure the retirement benefit obligation. Discounting factor is determined on the basis of market rates of long-term Government Bond.			
30 Trade and Other Payables			
Trade payables		919,260,670	727,321,144
Deposits		85,440	85,440
interest payable for vessel loan		123,386,943	115,304,785
Others		264,837,866	187,985,150
		<u>1,307,570,920</u>	<u>1,030,696,520</u>
31 Short -Term Borrowings			
People's Bank - Vessel loan		<u>1,322,916,000</u>	<u>1,569,882,000</u>
32 Statutory Payables			
N.B.T		12,424	
Current Tax		9,665,215	1,590,479
Stamp Duty		28,399	27,724
Value Added Tax		76,262,176	61,878,063
N.O.L		(111,587)	1,262
		<u>85,856,628</u>	<u>63,497,528</u>
33 Accrued Expenses			
Accrued expenses		<u>7,507,154</u>	<u>6,680,368</u>



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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2018

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. 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 Ports and Shipping and the Ministry in turn intends to bring the contents of the report to the attention of Cabinet of Ministers soon.

The transportation of crude oil for Ceylon Petroleum Corporation had to be discontinued due to a dispute arose between the foregoing 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 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 foregoing ship owner was handed over to the Attorney General's Department and several consultations were had with senior officials of the department and waiting for their opinion to proceed. 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 organisations to resolve this matter. The committee has already commenced their work.

35 Related Party Disclosures

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2018

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	2018 Rs.	2017 Rs.
Remuneration and other short-term employment benefits	33,419,818	14,291,049
Balance outstanding - Loans and advances	6,361,603	3,240,326
- Post employment benefits	17,217,860	1,262,604

35.2 Transactions with Related Entities

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

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

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

Related Parties	Nature of Transactions	Transaction Value Rs.	Balance (Due)/ Receivable as at 31/03/2018 Rs.
Government of Sri Lanka	Freight charges, charter hire, container rent, clearing & forwarding and other charges	351,176,828	
	Settlements	(140,445,145)	210,731,683
State-Owned Enterprises	Freight charges, clearing & forwarding and other charges	112,331,718	
	Settlements	(3,682,376)	108,649,342
	Freight charges, lightering and bunker escalation charges	5,252,767,509	
	Settlements	(4,169,318,249)	1,083,449,260
Other Government Related Entities	Clearing & forwarding and other charges	5,640,369	
	Settlements	(2,525,976)	3,114,392

36 Events after the end of the Reporting Period

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



CEYLON SHIPPING CORPORATION LIMITED
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For the year ended 31st March 2018

37 Capital Commitments

The Company has committed to purchase two new 63,600 DWT Panamax Bulkers with training purpose amounting to US\$ 70 Mn from the AVIC International Beijing Company Limited (China) on February 18, 2014. Cabinet of Ministers approved the purchase of two new 63,600 DWT Panamax Bulkers with training purpose under the unsolicited proposal on December 23, 2013. As at the date of Statement of Financial Position, amount payable to the bank is USD 67.20 Mn.

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

38 Financial Risk Management

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

36.1 Credit Risk

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 2018

	Notes	2018 Rs.	2017 Rs.
Risk Exposure to Financial Assets			
Cash and cash equivalents	36.1.1	411,297,046	149,134,184
Term deposits with banks		295,430,308	274,558,561
Trade receivables	36.1.2	1,799,146,392	1,366,572,411
Other receivables		97,611,190	81,697,130
		<u>2,603,484,935</u>	<u>1,871,962,286</u>



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For the year ended 31st March 2018

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	2018 Rs.	2017 Rs.
Cash at bank		411,297,046	149,134,184
	36.1	<u>411,297,046</u>	<u>149,134,184</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	2018 Rs.	2017 Rs.
Aging of the Trade Receivable			
Up to one year		1,199,359,462	804,552,898
1 to 4 years		153,387,558	122,554,672
More than four years		446,399,372	240,799,709
	36.1	<u>1,799,146,392</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 2018

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 2018 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	21,219,044	-	-	21,219,044
Held to maturity investments	420,327,291	420,327,291	-	-
Short-term investments	295,430,308	-	262,591,822	32,838,486
Trade receivables	1,799,146,392	1,799,146,392	-	-
Other receivables	97,611,190	33,463,446	64,147,744	-
Cash and cash equivalents	411,297,046	411,297,046	-	-
	<u>3,045,031,270</u>	<u>2,664,234,174</u>	<u>326,739,566</u>	<u>54,057,530</u>
Financial Liabilities				
Trade payables	919,260,670	919,260,670	-	-
Other payables	388,310,250	264,837,866	85,440	-
	<u>1,307,570,920</u>	<u>1,184,098,536</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.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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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 2017/18 is Rs. 231,666,389/-.

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 2017 and 2018.

	2017/18 Rs.	2016/17 Rs.
Class of Capital		
Total borrowings	10,002,263,026	9,774,878,448
Total equity	1,029,030,561	1,144,550,944
Gearing ratio (x)	972%	854%

