



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 2014/2015



**CSCL ANNUAL REPORT & ACCOUNTS
2014/2015**

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CSCL ANNUAL REPORT & ACCOUNTS

2014 / 2015

Letter of Transmittal

Hon. Minister Ports & 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 01.04.2014 to 31.03.2015.

Yours faithfully,
Ceylon Shipping Corporation Ltd



Shashi Dhanatunge
Chairman

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

Date: 27.07.2016

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2014 / 2015

Board of Directors

Up to 19th January 2015

Admiral (Retd.) Jayanath Colombage, RSP, VSV, USP, rcds, psc Msc (DS)
MA (IS) Dip in IR, Dip in CR FNI (Lond.)
Chairman
Actg. Chairman - From 29.10.2013 to 16.07.2014
Chairman - From 16.07.2014 to 19.01.2015

N.T. Mahendra Wijesekara Esq.
Executive Director
From 22.03.2012 to 19.01.2015

Aasiri Iddamalgoda Esq.
Director
From 31.05.2010 to 19.01.2015

Ariyaseela Wickramanayake Esq.
Director
From 31.05.2010 to 19.01.2015

Chandana Gamage Esq.
Director
From 31.05.2010 to 19.01.2015

Ajith Abeysekara Esq.
Director/ Treasury Representative
From 07.06.2010 to 19.01.2015

W.D. Prasanna Peiris Esq.
Director
From 15.07.2010 to 19.01.2015

From 27th January 2015

Shashi Dhanatunge Esq.
Chairman
From 27.01.2015 up to date

Executive Director
Dr. G.D.M De Silva Gunasekara
From 27.01.2015 to up to date

A.K. Seneviratne Esq.
Director / Treasury Representative
From 27.01.2015/ to 23.11.2015

Brigadier M. Wijewickrama
Director
From 27.01.2015 to 18.08.2015

E. J. Edirtilake Esq.
Director
From 27.01.2015 to 28.10.2015

T.S. Nanayakkara Esq.
Director
From 27.01.2015 to 22.10.2015

P.W. Sirimanne Esq.
Director
From 27.01.2015 to 11.11.2015

Secretary to the Board

Mrs. E.M.S. Perera

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

Auditors

Gajma & Company

Board Meetings

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

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Management Team

General Manager

Sunil Obadage Esq.

Bachelor's Degree -MICS - UK

Diploma in Shipping (OSLO) – (Retired on 31st December 2014)

General Manager

S.M.D.N. Dharmapriya Esq.

B.Sc. M.Sc. in Maritime Studies UK,

MILT - UK

Deputy General Manager Legal & Insurance / Human Resources

Mrs. E.M.S. Perera

Attorney-At-Law

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

Finance Manager

G.M. Vikum Pradeepa Esq.

B.Com. (Special) Hons. LICA

Msc. in Shipping Management (Malmo-Sweden)

Internal Auditor

Y. Ponnampereuma Esq.

LICA, FMAAT,

Post Graduate Diploma in Shipping Management (OSLO)

Manager Coal Operations/Technical

S.L. Rajapakse Esq.

Chartered Engineer

Manager Legal & Insurance

P. Samaranayake Esq.

Attorney-At Law

B. Sc (Special)

Manager Business Development

Mrs. C. Jayasinghe

FICS, MILT - UK

M.sc. in International Shipping -UK

Diploma in Shipping (OSLO)

Manager Liner & Documentation

Ms. M.M. J. Indraneela

Diploma in Shipping (OSLO)

Manager Chartering & Agency

M.D.K. Jayawansa Esq. -

Post Graduate Diploma in Economic Development

Higher National Diploma in Management Studies

FICS, CMILT –UK

DPS (Hons) OSLO (Expired on 09th September 2014)

Head of Administration

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

Diploma in Management – Open University

Diploma in Business Information

Shipping Training Programme Course-CSCL

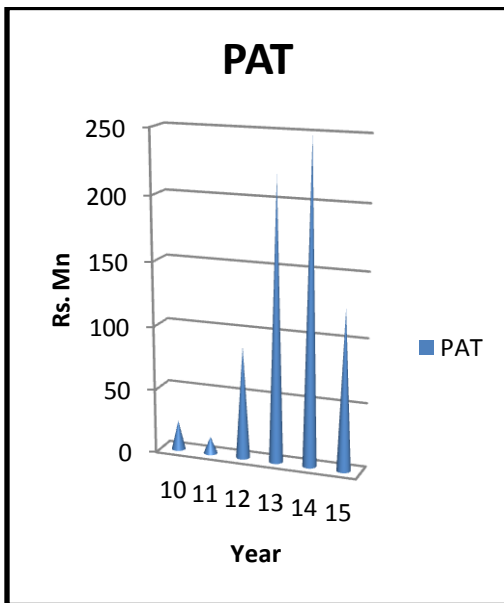
CSC ANNUAL REPORT & ACCOUNTS 2014 / 2015

Chairman's Review for the year 2014/2015

Financial Review:

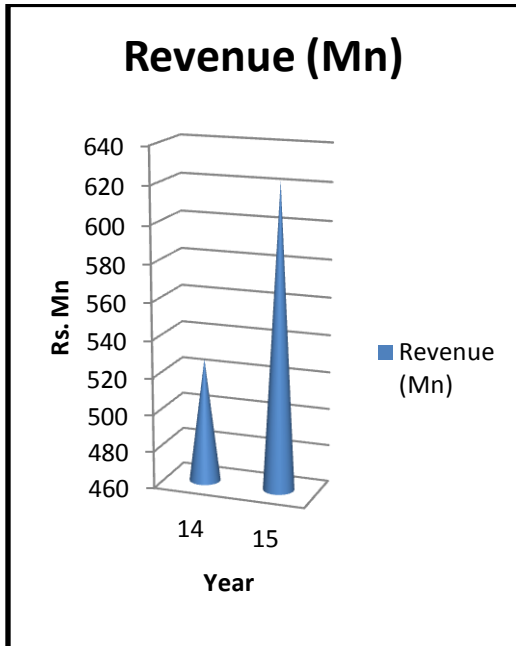
The global shipping industry continued to undergo the down turn during the Financial Year under review, as a result of the recession in major economies. Albeit, I have the pleasure to announce that CSC has recorded an after tax profit for the 6th consecutive year with a profit of Rs. 124.9million amidst various challenges in the shipping industry.

Profit after Income Tax (PAT) for the Year Ended 31st March

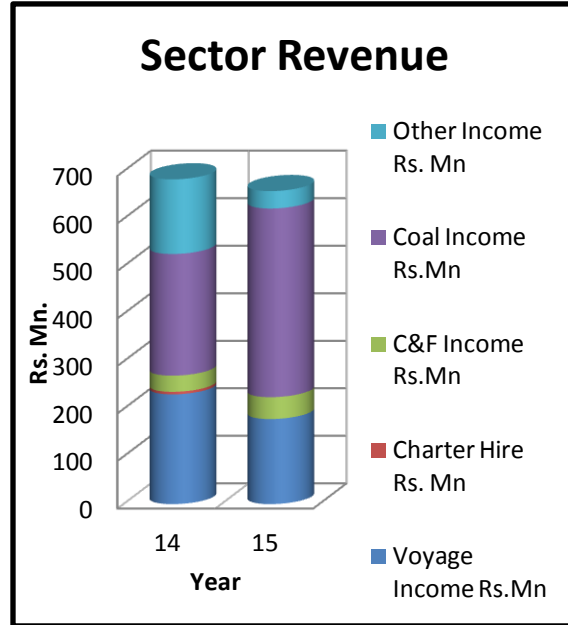


In the year under review, Revenue shows an increase from Rs.526.81 million to Rs. 622.9 million, whereas the other income, which represents Profit on Disposal of Fixed Assets, Management Fees, Dividend and others have declined from Rs. 156.9 million to Rs.36.6 million. The reason for the higher income in the previous Financial Year was the disposal of Assets namely Mv. Lanka Mahapola and Mv. Lanka Muditha.

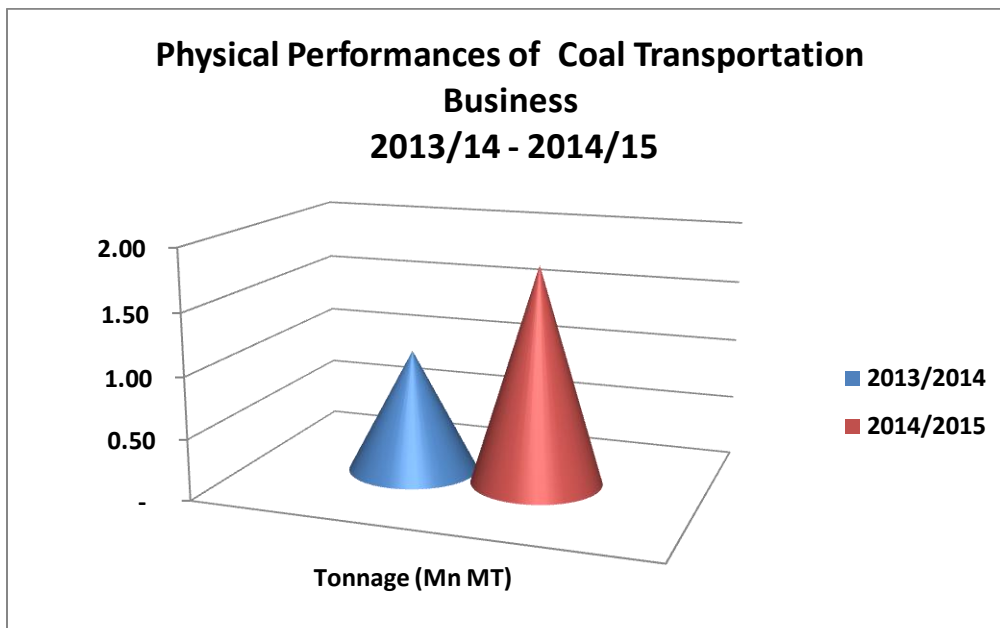
Revenue for the Year Ended 31st March



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

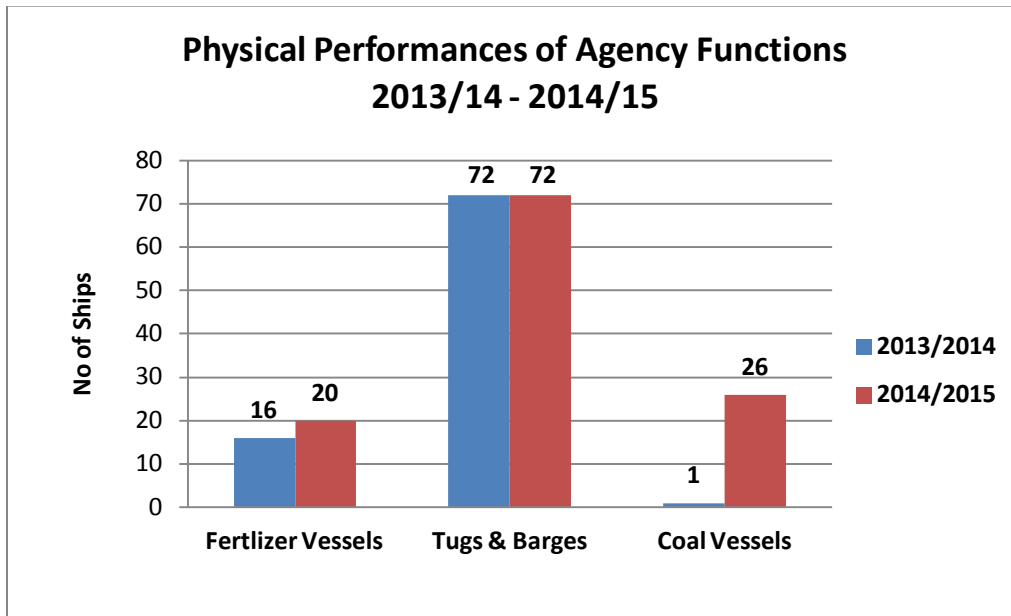


The revenue generated from transport of coal has improved, due to the increase of the quantity of coal to 1,636,999 MT carried within the current Financial Year, from a quantity of 1,003,550 MT carried in the previous year.

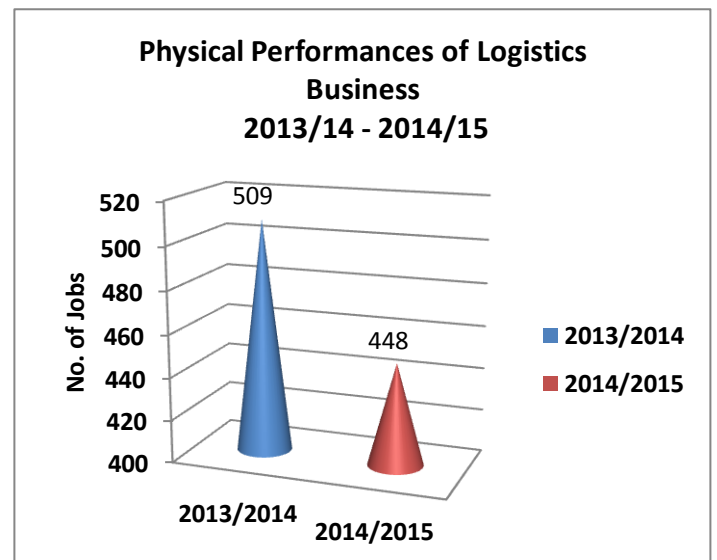
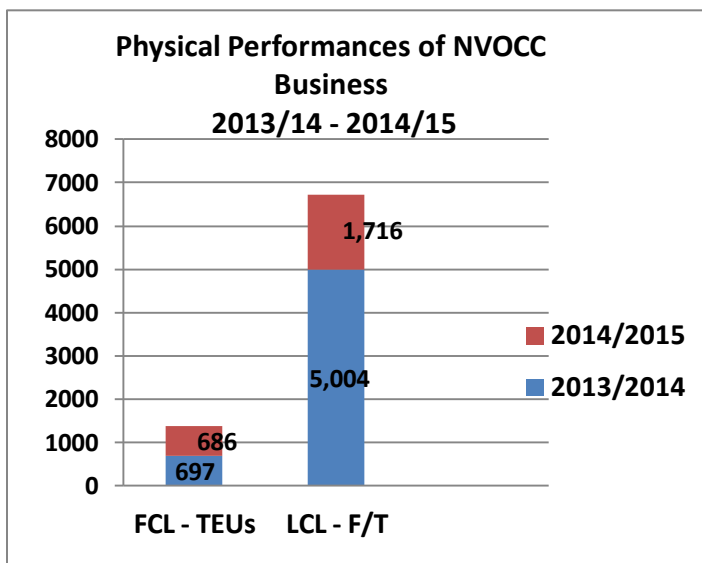


Notwithstanding the increase of the quantity of Coal carried, average revenue of CSC on per MT basis has dropped from USD 1.25 to USD 1.13 per MT under the new Contract of Affreightment signed with the new shipping partner, who has been selected through a Tender, effective from October 2014, at lower freight rates reflecting the decline of the market rates.

However, as an additional advantage of this new Contract of Affreightment, CSC was appointed as the Agent for the ships carrying Coal to the port of Puttalam. Accordingly, CSC handled agency work of total 28 ships called at Puttalam, which generated added revenue of Rs. 1.5 million under the Financial Year reviewed.



Physical performances in NVOCC business (transportation of containerized General Cargoes and Project Cargoes in third-party ships) and Logistics business are depicted in following graphs. There has been a decline in Logistics business when compared with the previous financial year due to a loss of a Customer.



During the Financial Year under review, CSC entered into the business of transport of Crude Oil imported by Ceylon Petroleum Corporation (CPC) with the approval of the Cabinet of Ministers. Unfortunately, due to a certain dispute over the delayed freight payments, the contract with CPC rescinded prematurely leaving CSC with an overall loss and liabilities after exercising only three Shipments.

Lack of project cargoes imported for the Government can be cited as a reason for lower revenue generated in the current Financial Year under the general cargo category. It should be appreciated that such high value and voluminous imports as in the case of Railway engines and carriages are irregular.

There has been a significant increase of Administrative Expenses from Rs. 191.5 million to Rs. 328.7 million. The vast difference mostly represents the provision of collective impairment to the tune of Rs. 138.8 million for payments overdue for more than a year.

Ship Building Contract:

The ship construction was under way successfully at the Weihai shipyard of the ship building contractor M/s AVIC INTERNATIONAL BEIJING COMPANY LIMITED under the continuous supervision of qualified Supervisors appointed by CSC. In this regard, I wish to record my sincere appreciation of Colombo Dockyard Ltd., which released its qualified staff for the supervision work of this National Project, thereby helping CSC to control additional expenses budgeted for the ship building project.

However, as stated above, dry-bulk shipping industry did not show the expected signs of recovery in the Financial Year. The Baltic Time Charter Average of USD 11,402/- per day reported on the date of closure of the current Financial Year 2013/14 by the Baltic Exchange for Supramax vessels (BSI-TA) has come down to USD 6,797 per day as of 31st March 2015. It is a long established belief and norm in the shipping industry that this business runs through peaks and troughs cyclically every 10 years. However, signs of recovery of the market are not in the horizon as yet.

CSC management, which took office in January 2015, took immediate steps to bring to the notice of the line Ministry of the ensuing financial hardships befalling on CSC, if the market conditions remain dull, when the loan repayments to the People's Bank commence in August 2016.

The envisaged ship finance package in the feasibility study was a highly favorable soft-loan from the Government of China in par with ship building industry globally. However, the actual financing has been arranged locally through People's Bank at much higher rates than projected. All efforts made by the incumbent management to secure an alternative workable ship financing package did not succeed. On top of the unhealthy financing arrangement, the price of ships has been found to be above the market price. Under these circumstances, situation of the Ship Building Project would pose great challenges to CSC in debt servicing in the time to come.

Further, on the revenue side of the project, at the conceptual stage, CSC has expected year-round deployment of ships in transport of coal to meet the domestic needs for Lakvijaya Power Station in Puttalam and the proposed new Coal Fired Power Station in Sampur. However, contrary to the expectations, the Coal Fired Power Station at Sampur is not likely to be a reality.

In spite of all above negative happenings, on a positive note, vessels of CSC are tailor-made at an additional cost of USD 2.2 million for each ship to provide sea training for 12 Cadets on each ship at a time. Action will be taken to increase the intake to 26 cadets per ship, subject to statutory approvals in accordance with the International Maritime Labor Convention.

This training facility is a welcome move considering the sea-training as another vocational/tertiary education among other such opportunities provided in our country under the “free education.” This will definitely bring about long-term socioeconomic benefits for the country.

Transport of Government Cargo:

All efforts should be made by CSC to ensure securing of all the government sector import cargoes by vigorous implementation of the relevant Treasury and Central Bank Circulars and guidelines. Continuous sales visits and close follow ups are important to succeed. The new management is of the view that there is a need for restructuring the relevant Departments handling this subject area with proper plans and systems in place.

Human Resources Development:

The new management realized the need to prepare and implement a Scheme of Recruitment (SOR), in accordance with the instructions of the Management Services Department (MSD) of the Treasury without further delay.

Welfare Activities:

Employee Welfare Activities are taking place quite satisfactorily by the Corporation through the Welfare and Recreation Society of CSC.

CSCL ANNUAL REPORT & ACCOUNTS
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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 2015, to be presented at its Extra Ordinary General Meeting.

Review of the Year

Company's affairs during the current Financial Year and up to the date of this report including the challenges ahead are described in the Chairman's Review on page 07 to 09. 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 17 to 47 in this Annual Report prepared in compliance with the requirements of Section 151 of the Companies Act No. 7 of 2007.

Independent Auditor's Report

The Auditor's Report on the Financial Statements is given on page 15 to 16 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 21 to 47

Financial Results/Profit and Appropriations

The Statement of Comprehensive Income is set out on page 17

Property, Plant & Equipment

During the year under review the Company invests Rs. 23.8 mn in property, plant & equipment.

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

Investments

Notes 13, 14 and 15 to the Financial Statement on page 35 to 37 declare the details of long term investments held by the Company as of 31st March 2015.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31st March 2015.

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 2015. The details are given in Note 23 to the Financial Statement on page 40

Going Concern

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

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

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Report of the Audit Committee

Appointment:

In terms of Public Enterprises Guide Lines for Good Governance, under the Chapter 7 System Control and Committees Item No.7.4.1, the Audit Committee has been appointed by the Board of Directors.

Committee Members and attendance:

The Audit Committee held three meetings during the year under review. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

The committee has provided the Chairman of the Audit Committee with all powers to convene regular meetings with the Finance Manager, Sectional Heads and Company's External Auditors, separately and periodically.

Representatives from External Auditors and Finance Manager participated for all meetings by invitation and General Manager, Sectional Heads are called when and if necessary.

The Internal Auditor acts as the Convener of the Audit Committee.

Reviews:

Audit Committee reviewed followings for the year concerned

- **The Audit Programme 2014:**

During the year committee reviewed the Audit Programme prepared by the Internal Audit Department and committee also reviewed the adequacy of Internal Audit Coverage through the annual Audit Plan and approved the same and instructed to forward to the Meeting of Board of Directors for their approval.

- **The Internal Control System 2014:**

Committee reviewed the effectiveness of the Corporation's Internal Control Systems and assessed the effectiveness of the Internal Controls over financial Reporting as at 31st March 2015. Committee instructed to forward the Internal Control System to the Board for confirmation.

- **Writing off the Assets of CSC Holiday Bungalow-Bentota:**

Committee discussed the way of writing off the assets of CSC Holiday Bungalow and forwarded to the Board for approval.

- **Writing off the fully depreciated inventory items of CSC London and Karachi Offices:**

Committee reviewed the paper submitted for the subject matter and forwarded to the Board for confirmation.

- **Comprehensive Income Statement-2012/13:**

Audit committee reviewed the Income Statement and discussed the variances of reporting year with compared to the previous year.

- **General:**

Under the any other matters of the agenda, Audit Committee members review the followings.

Regular payments of statutory dues

Significant transactions

Capital Expenditure done,

Recovery of debts,

Annual Budget with actual

Financial positions/working capital requirements, quarterly reports of the corporation.

Conclusion:

The minutes of the meetings and other reports from the Audit Committee are submitted to the Board of Directors for their reference and necessary actions. Also, a copy of the minutes of the meeting is submitted to the Secretary of the Line Ministry.

On behalf of the Committee

Ajith Abeysekara

Chairman Audit Committee

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Acknowledgement

The Hon. Minister of Ports & Shipping 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 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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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

POS/B/CSCL/FA/2015

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

08 July 2016

To the shareholders of 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 2015.

The audit of the Financial Statements of the Ceylon Shipping Corporation Limited for the year ended 31 March 2015 comprising the Statement of Financial Position as at 31 March 2015 and the Statement of Comprehensive Income, changes in equity and cash flows for the year then ended, and notes comprising 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. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

Management's Responsibility for the Financial Statements

The Board of Directors 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.

Auditors' 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 audit opinion.



Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 13 to the financial statements. The Company had not considered the financial statements of its subsidiary, Ceylon Shipping Agency (Private) Limited since the Company is not in operation and is in the process of liquidation.

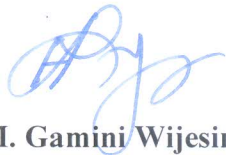
Report on Other Legal and Regulatory Requirements

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

- (a) The basis of opinion and the scope and limitations of the audit were as stated above.
- (b) In my Opinion:
 - 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 had been kept by the Company.
 - The financial statements also 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.



H.M. Gamini Wijesinghe
Auditor General

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March

	Notes	2015 Rs.	2014 Rs.
Revenue	4	622,974,244	526,818,688
Direct Operational Expenses		(134,899,598)	(237,320,894)
Gross Profit		488,074,646	289,497,794
Other Income	5	36,690,291	156,924,674
Administrative Expenses		(328,711,362)	(191,555,882)
Profit from Operations	6	196,053,575	254,866,586
Net Finance Income	7	31,568,400	38,851,992
Share of Profit of Associates - (Net of Tax)	14.2	12,331,550	15,449,315
Profit before Tax		239,953,525	309,167,893
Income Tax Expense	8	(115,011,500)	(58,690,220)
Profit for the Year		124,942,025	250,477,673
Basic and Diluted Earnings Per Share	9	24.99	50.10
Profit for the Year		124,942,025	250,477,673
Other Comprehensive Income			
Loss on Changes in Fair Value of Available-for-Sale Financial Assets	16.1	(477,012)	(6,830,018)
(Loss)/Gain Arising from Changes in Actuarial Assumptions	28.1	(3,037,701)	687,082
Share of Other Comprehensive Income of Associates - (Net of Tax)	14.2	(1,891,729)	6,080
Total Comprehensive Income for the Year		119,535,583	244,340,817

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

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st March

	Notes	2015 Rs.	2014 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	36,338,732	20,256,048
Capital Work-in-Progress - Vessels	11	4,948,946,995	-
Intangible Asset	12	-	-
Investment in Subsidiary	13	-	-
Investment in Associates	14	249,859,783	239,773,084
Available-for-Sale Financial Assets	16	30,520,778	30,997,790
Deferred Tax Asset	17	3,904,317	3,947,404
Total Non-Current Assets		5,269,570,605	294,974,326
Current Assets			
Inventories		410,396	533,481
Trade and Other Receivables	18	939,876,153	1,215,690,954
Statutory Receivables	19	21,549,126	38,140,327
Held to Maturity Investments	20	401,804,634	291,653,566
Short-Term Investments	21	236,564,356	224,010,853
Cash and Cash Equivalents	22	220,458,402	67,550,337
Total Current Assets		1,820,663,067	1,837,579,518
Total Assets		7,090,233,672	2,132,553,844
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		25,040,585	25,517,598
Retained Earnings		(60,022,456)	(180,035,051)
Total Equity		1,329,052,835	1,209,517,254
Non-Current Liabilities			
Long - Term Borrowings	27	4,861,787,543	-
Retirement Benefit Obligation - Gratuity	28	24,112,990	20,341,572
Total Non-Current Liabilities		4,885,900,533	20,341,572
Current Liabilities			
Trade and Other Payables	29	713,350,008	793,180,578
Statutory Payables	30	154,789,604	99,242,700
Accrued Expenses	31	7,140,692	6,139,898
Bank Overdraft	22	-	4,131,842
Total Current Liabilities		875,280,304	902,695,018
Total Equity and Liabilities		7,090,233,672	2,132,553,844

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.


Finance Manager

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

Approved and signed for and on behalf of the Board


Director


Director

June 22, 2016
 Colombo.

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2015

	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 2013	50,000,000	562,017,353	767,029,766	18,796,336	32,347,616	(440,520,030)	989,671,041
Profit for the year	-	-	-	-	-	250,477,673	250,477,673
Other comprehensive income	-	-	-	-	(6,830,018)	693,162	(6,136,856)
Transfer of revaluation amount pertaining to disposal of vessel	-	-	-	(15,730,892)	-	15,730,892	-
Dividend	-	-	-	-	-	(10,000,000)	(10,000,000)
Repayment of grants received	-	(18,077,856)	-	-	-	3,583,252	(14,494,604)
Balance as at 31st March 2014	50,000,000	543,939,497	767,029,766	3,065,444	25,517,598	(180,035,051)	1,209,517,254
Profit for the year	-	-	-	-	-	124,942,025	124,942,025
Other comprehensive income	-	-	-	-	(477,013)	(4,929,430)	(5,406,443)
Balance as at 31st March 2015	50,000,000	543,939,497	767,029,766	3,065,444	25,040,585	(60,022,456)	1,329,052,836

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

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CASH FLOWS

<i>For the year ended 31st March</i>	2015	2014
	Rs.	Rs.
Cash flows from operating activities		
Profit before tax	239,953,525	309,167,893
Adjustments for:		
Depreciation	7,771,246	5,271,673
Loss/(Profit) on disposal of fixed assets	9,000	(110,772,648)
Provision for gratuity	3,021,962	2,794,411
Dividend income	-	(559,914)
Share of profit of associates - (net of tax)	(12,331,550)	(15,449,315)
Interest income	(31,607,049)	(38,851,992)
Interest expenses	38,649	-
Operating profit before working capital changes	206,855,783	151,600,108
Decrease in inventories	123,085	1,688,254
(Increase)/decrease in trade and other receivables	275,814,802	(62,015,338)
Decrease in trade and other payables	(79,830,570)	(81,511,833)
Increase in statutory payables	41,697,570	15,382,723
Increase in accrued expenses	1,000,794	2,857,898
Cash generated from operations	445,661,463	28,001,812
Gratuity paid	(2,288,245)	(81,226)
Interest paid	(38,649)	-
Taxes paid	(84,527,878)	(44,751,908)
Net cash from/(used in) operating activities	358,806,691	(16,831,322)
Cash flows from investing activities		
Purchase of fixed assets	(23,862,929)	(1,970,001)
Payments for vessels cost	(4,666,559,452)	-
Proceeds from disposal of fixed assets	-	157,905,840
Investment in held-to-maturity financial assets	(275,389,493)	(407,803,742)
Proceeds from held-to-maturity financial assets at maturity	179,412,691	247,850,706
Interest received	4,879,277	19,661,782
Dividend received	353,123	1,418,612
Net cash (used in)/from investing activities	(4,781,166,784)	17,063,197
Cash flows from financing activities		
Dividend paid	-	(10,000,000)
Proceeds from vessel loan	4,579,400,000	-
Net cash from/(used in) financing activities	4,579,400,000	(10,000,000)
Net increase/(decrease) in cash and cash equivalents	157,039,907	(9,768,125)
Cash and cash equivalents at the beginning of the year	63,418,495	73,186,620
Cash and cash equivalents at the end of the year	220,458,402	63,418,495
	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, 2015

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, 2015 was 120 (March 31, 2014-125).

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 were approved by the Board of Directors and authorized for issue on June 22, 2016.

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 recognized 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
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
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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.

In the company's separate financial statements, the investments in associates are carried at cost, less accumulated impairment losses, if any.

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. Cost is determined using weighted average method. Inventories comprise of consumables.

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

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

define an amount of pension benefit that an employee will receive on retirement, usually dependent 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 retiring 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, 2015.

SLFRS 9 - Financial Instruments: Classification and Measurement

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

SLFRS 14 – Regulatory Deferral Accounts

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

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the existing revenue recognition guidance, including LKAS 18-Revenue, LKAS 11-Construction Contracts and IFRIC 13-Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after January 01, 2017.

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	2015 Rs.	2014 Rs.
4 Revenue			
Voyage		178,717,226	231,166,218
Charter hire		-	5,344,165
Clearing and forwarding		46,528,936	33,817,211
Agency and address commission		397,728,082	256,491,094
		622,974,244	526,818,688
5 Other Income			
Dividend		-	559,914
Profit on disposal of fixed assets		-	110,772,648
Net exchange gain		23,809,073	27,624,055
Management fees - Ceylon Electricity Board tugs and barges		11,850,000	12,847,274
Others		1,031,218	5,120,783
		36,690,291	156,924,674
6 Profit from Operations			
Profit from operations is stated after charging all the operational expenses including the following.			
Auditor's remuneration		436,425	404,800
Depreciation		7,771,246	5,271,673
Professional and legal fees		2,869,724	7,581,834
Staff costs (Note: 6.1)		120,498,623	103,538,969
6.1 Staff Costs			
Directors' remuneration		1,782,581	1,068,000
Salaries and wages		102,932,578	90,976,594
Defined contribution plan costs - Employees' Provident Fund and Employees' Trust Fund		9,723,801	9,387,046
Defined benefit plan cost - Retiring Gratuity		6,059,663	2,107,329
		120,498,623	103,538,969
7 Net Finance Income			
7.1 Finance Income			
Interest income - fixed deposits and treasury bills		30,320,413	37,604,105
Interest income - staff loans		1,286,636	1,247,887
		31,607,049	38,851,992
7.2 Finance Expense			
Interest expense - Bank overdraft		(38,649)	-
		31,568,400	38,851,992
8 Income Tax Expense			
Tax on ordinary activities	8.1	102,066,507	49,402,981
(Origination)/Reversal of deferred tax	17	43,087	(767,037)
Deemed dividend tax		12,901,906	10,054,276
		115,011,500	58,690,220

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March

	Note	2015 Rs.	2014 Rs.
8.1 Reconciliation between taxable profit and accounting profit			
Accounting profit before tax		239,953,525	309,167,893
<i>Less:</i> Share of profit of associates - (net of tax)		<u>(12,331,550)</u>	<u>(15,449,315)</u>
		227,621,975	293,718,578
Aggregated disallowable items		152,275,666	8,368,197
Aggregated allowable items		(9,279,301)	(119,151,988)
Income not subject to tax		<u>(31,607,058)</u>	<u>(45,347,560)</u>
Profit from trade or business		339,011,282	137,587,227
<i>Add:</i> Other income liable for tax-interest income		<u>31,607,049</u>	<u>38,851,991</u>
Total statutory income/Assessable income/taxable income		370,618,331	176,439,218
Tax charged at statutory tax rate of 28%		103,773,133	49,402,981
<i>Less:</i> Notional tax		<u>(1,706,626)</u>	<u>-</u>
Current tax on ordinary activities for the year	8	<u>102,066,507</u>	<u>49,402,981</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 numerator

Net profit attributable to equity holders (Rs.)	124,942,025	250,477,673
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Amount used as the denominator

Weighted average number of shares in issue	5,000,000	5,000,000
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Basic and Diluted Earnings Per Share (Rs.)	<u>24.99</u>	<u>50.10</u>
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CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2015

10 Property, Plant and Equipment

	Land and Housing Project Rs.	Buildings Rs.	Motor Vehicles Rs.	Furniture and Fittings Rs.	Office Equipment and Computers Rs.	Total Rs.
Cost/Valuation						
Balance as at 1st April 2014	5,286,340	43,390	28,296,932	13,582,032	15,647,676	62,856,370
Additions during the year	-	-	21,050,000	1,170,232	1,642,697	23,862,929
Disposal during the year	-	-	-	(90,400)	-	(90,400)
Balance as at 31st March 2015	5,286,340	43,390	49,346,932	14,661,864	17,290,373	86,628,899

Accumulated Depreciation

Balance as at 1st April 2014	1,203,160	43,390	19,680,331	9,258,758	12,414,683	42,600,322
Charge for the year	8,316	-	5,608,797	774,870	1,379,263	7,771,246
On disposals	-	-	-	(81,400)	-	(81,400)
Balance as at 31st March 2015	1,211,476	43,390	25,289,128	9,952,228	13,793,946	50,290,168

Net Book Value

	Notes	2015 Rs.	2014 Rs.
Land and housing project		4,074,864	4,083,180
Buildings		-	-
Motor vehicles		24,057,805	8,616,601
Furniture and fittings		4,709,636	4,323,274
Office equipment and computers		3,496,427	3,232,993
		<u>36,338,732</u>	<u>20,256,048</u>
Capital work-in-progress - Buildings	10.1	3,626,440	3,626,440
Provision for impairment		(3,626,440)	(3,626,440)
	10.2	<u>36,338,732</u>	<u>20,256,048</u>

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2015 Rs.	2014 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		32,338,732	16,256,048
At valuation		4,000,000	4,000,000
	10	36,338,732	20,256,048

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.13,269,081 (2014 - Rs.12,759,751) 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			
Additions during the year	2,793,984,340	1,872,575,112	4,666,559,452
Borrowing cost	163,902,553	118,484,990	282,387,543
Balance as at 31st March 2015	2,957,886,893	1,991,060,102	4,948,946,995

Average borrowing cost capitalisation rate - 10.91%

	2015 Rs.	2014 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

2015
Rs.

2014
Rs.

13 Investment in Subsidiary

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

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

14 Investment in Associates

Carrying Value on Equity Method

Ceylon Shipping Lines (Private) Limited	200,198,909	189,549,790
Ceylon Shipping Agency (Pte) Ltd - Singapore	49,660,874	50,223,294
	<u>249,859,783</u>	<u>239,773,084</u>

14.1 Investment in Associates

Cost

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

14.2 Movement of Investment in Associates on Equity Method

Investor's Share of Net Assets

Balance at the beginning of the year	239,773,085	225,176,388
Share of profit of associates - (net of tax)	12,331,550	15,449,315
Share of other comprehensive income of associates - (net of tax)	(1,891,729)	6,080
Dividend income	(353,123)	(858,698)
Balance at the end of the year	<u>249,859,783</u>	<u>239,773,085</u>

14.3 Summarized Financial Information of Associates

As at 31st December	Ceylon Shipping Agency (Pte) Ltd - Singapore		Ceylon Shipping Lines (Private) Limited	
	2014	2013	2014	2013
Total assets	187,137,065	208,297,106	644,475,603	610,031,803
Total liabilities	78,326,001	98,335,860	78,465,111	71,326,719
Net assets	108,811,064	109,955,246	566,010,492	538,705,084
Revenue	607,215,332	733,838,376	384,974,776	397,381,307
Operating expenses	604,153,360	725,291,820	384,911,018	396,266,320
Other income	71,216	587,283	13,342,430	14,170,311
Profit for the year	3,238,105	8,607,223	27,550,971	28,799,425
Total comprehensive income for the year	3,238,105	7,863,378	28,210,873	29,749,589

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2015 Rs.	2014 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	28,143,708	28,620,720
Unquoted investments	16.2	2,377,070	2,377,070
		<u>30,520,778</u>	<u>30,997,790</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>401,804,634</u>	<u>291,653,566</u>
Held to maturity investments are measured inclusive of interest receivable.			
15.1.3 Loans and Receivables			
Trade and other receivables	18	939,876,153	1,215,690,954
Short-term investments	21	236,564,356	224,010,853
Cash and cash equivalents	22	220,458,402	67,550,337
		<u>1,396,898,911</u>	<u>1,507,252,144</u>
Loans and receivables are stated at their carrying value as their carrying value approximates the fair value.			
Total Financial Assets		<u><u>1,829,224,323</u></u>	<u><u>1,829,903,500</u></u>
15.2 Financial Liabilities			
Trade and other payables	29	713,350,008	793,180,578
Bank overdraft	22	-	4,131,842
Total Financial Liabilities		<u><u>713,350,008</u></u>	<u><u>797,312,420</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	2015 Rs.	2014 Rs.
16 Available-for-Sale Financial Assets			
Quoted investment	16.1	28,143,708	28,620,720
Unquoted investments	16.2	2,377,070	2,377,070
		<u>30,520,778</u>	<u>30,997,790</u>

16.1 Quoted Investment

Balance at the beginning of the year		28,620,720	35,450,738
Loss on changes in fair value		(477,012)	(6,830,018)
Balance at the end of the year	16	<u>28,143,708</u>	<u>28,620,720</u>

	No. of Shares	2015		2014	
		Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Mercantile Shipping Company PLC	238,506	<u>2,068,800</u>	<u>28,143,708</u>	<u>2,068,800</u>	<u>28,620,720</u>

16.2 Unquoted Investments

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

	Notes	2015 Rs.	2014 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 I	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

Balance at the beginning of the year		3,947,404	3,180,367
Origination/(Reversal) during the year	8	(43,087)	767,037
Balance at the end of the year	17.1	<u>3,904,317</u>	<u>3,947,404</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	2015 Rs.	2014 Rs.
17.1 The Analysis of Deferred Tax Asset and Liability			
Deferred Tax Liability			
From accelerating depreciation		(2,847,320)	(1,748,236)
		<u>(2,847,320)</u>	<u>(1,748,236)</u>
Deferred Tax Asset			
From retirement benefit obligation		6,751,637	5,695,640
		<u>6,751,637</u>	<u>5,695,640</u>
	17	<u>3,904,317</u>	<u>3,947,404</u>

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

18 Trade and Other Receivables

Trade receivables	18.1	852,775,200	1,100,355,337
Deposits and advances	18.2	10,414,450	6,526,933
Staff receivables	18.3	40,426,663	42,530,761
Other receivables	18.4	36,259,840	66,277,922
		<u>939,876,153</u>	<u>1,215,690,954</u>

18.1 Trade Receivables

Trade receivables		1,167,907,279	1,276,614,498
Provision for impairment		(315,132,078)	(176,259,161)
	18	<u>852,775,200</u>	<u>1,100,355,337</u>

Trade receivables comprise the following receivables from related parties.

Receivables from Related Parties

Government Institutions		<u>834,360,421</u>	<u>1,005,425,367</u>
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The aging of the trade receivables is as follows.

Aging of the Trade Receivables

Up to one year		804,552,898	766,906,430
1 to 4 years		122,554,672	342,257,495
More than four years		240,799,709	167,450,573
		<u>1,167,907,279</u>	<u>1,276,614,498</u>

Trade receivables have been reviewed for impairment. Certain trade receivables are found to be impaired and the 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>138,872,917</u>	-
	<u>315,132,078</u>	<u>176,259,161</u>

Collective impairment provision is included under administrative expenses.

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>	Notes	2015 Rs.	2014 Rs.
18.2 Deposits and Advances			
Container deposits		5,359,017	4,152,806
Other refundable deposits		7,914,464	7,914,465
Advances		<u>5,469,878</u>	<u>2,788,572</u>
		18,743,360	14,855,843
Provision for impairment		<u>(8,328,910)</u>	<u>(8,328,910)</u>
	18	<u>10,414,450</u>	<u>6,526,933</u>
18.3 Staff Receivables			
Staff loans		36,130,946	38,927,099
Advances and others		<u>4,295,717</u>	<u>3,603,662</u>
	18	<u>40,426,663</u>	<u>42,530,761</u>
18.4 Other Receivables			
Guarantee repairs receivable		19,839,635	19,839,635
State institutions temporary surplus fund at the general treasury		59,558,465	59,558,465
Others		<u>(19,836,450)</u>	<u>10,207,028</u>
		59,561,650	89,605,128
Provision for impairment		<u>(23,301,810)</u>	<u>(23,327,205)</u>
	18	<u>36,259,840</u>	<u>66,277,922</u>
19 Statutory Receivables			
Economic Service Charge		-	1,915,323
Withholding Tax		-	14,675,878
Goods and Services Tax		18,936,777	18,936,777
National Security Levy		<u>2,612,349</u>	<u>2,612,349</u>
		<u>21,549,126</u>	<u>38,140,327</u>
20 Held to Maturity Investments			
Investment in treasury bills		<u>401,804,634</u>	<u>291,653,566</u>
21 Short-Term Investments			
Investment in fixed deposits	21.1	205,867,304	193,978,479
State Mortgage and Investment Bank - for staff loans		<u>30,697,052</u>	<u>30,032,374</u>
		<u>236,564,356</u>	<u>224,010,853</u>
21.1 Investment in Fixed Deposits			
People's Bank		204,083,465	192,198,902
Bank of Ceylon		1,365,642	1,386,167
Commercial Bank of Ceylon PLC		35,000	35,000
Commercial Bank of Ceylon PLC - security and housing loan		<u>383,197</u>	<u>358,410</u>
	21	<u>205,867,304</u>	<u>193,978,479</u>

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>	Notes	2015 Rs.	2014 Rs.
22 Cash and Cash Equivalents			
Cash in hand		132,372	233,707
Cash at bank		220,326,030	67,316,630
		<u>220,458,402</u>	<u>67,550,337</u>
Bank overdraft		-	(4,131,842)
Balance for Statement of Cash Flows		<u>220,458,402</u>	<u>63,418,495</u>
23 Stated Capital			
<i>Issued and Fully Paid</i>			
5,000,000 Ordinary Shares of Rs. 10/= each		<u>50,000,000</u>	<u>50,000,000</u>
24 Contribution Against Equity Capital			
This represents funds received from the treasury for capital contribution, advances to working capital and for investing in new passenger terminal for ferry services.			
25 Capital Reserve			
This represents settlements made by the treasury on behalf of the Company including ASTARSA loan and treasury guaranteed loan obtained from People's Bank.			
26 Revaluation Reserve			
The revaluation reserve relates to the revaluation surplus of property, plant and equipment as per the valuation carried out in 1994. Once the respective revalued assets have been derecognized, portion of revalued surplus will be transferred to retained earnings.			
27 Long - Term Borrowings			
People's Bank - Vessel Loan	27.1	4,715,550,000	-
People's Bank - Interest Capitalization Loan	27.2	146,237,543	-
		<u>4,861,787,543</u>	<u>-</u>
27.1 People's Bank - Vessel Loan			
Proceeds during the year		4,579,400,000	-
Exchange loss		136,150,000	-
Balance at the end of the year		<u>4,715,550,000</u>	<u>-</u>
Repayable after one year		<u>4,715,550,000</u>	<u>-</u>
Treasury has given guarantee to cover the full value and tenor.			
27.2 People's Bank - Interest Capitalization Loan			
Proceeds during the year		146,237,543	-
Balance at the end of the year		<u>146,237,543</u>	<u>-</u>
Repayable after one year		<u>146,237,543</u>	<u>-</u>
Treasury has given guarantee to cover the full value and tenor.			

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>		2015	2014
	Notes	Rs.	Rs.
28 Retirement Benefit Obligation - Gratuity			
Balance at the beginning of the year		20,341,572	18,315,469
Provision for the year	28.1	6,059,663	2,107,329
		<u>26,401,235</u>	<u>20,422,798</u>
Payments made during the year		(2,288,245)	(81,226)
Balance at the end of the year		<u>24,112,990</u>	<u>20,341,572</u>
28.1 Provision for the year			
Current service cost		1,033,191	827,330
Interest charge for the year		1,988,771	1,967,081
Loss/(Gain) arising from changes in actuarial assumptions		3,037,701	(687,082)
	28	<u>6,059,663</u>	<u>2,107,329</u>
The principal assumptions used are as follows.			
Discounting factor		10.70%	10.75%
Expected future salary increment		1.20%	1.29%
Staff turnover factor		4.30%	0.78%
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.			
29 Trade and Other Payables			
Trade payables		710,444,962	794,510,230
Deposits		99,362	99,362
Others		2,805,683	(1,429,014)
		<u>713,350,008</u>	<u>793,180,578</u>
30 Statutory Payables			
Current Tax		77,767,300	63,917,966
Stamp Duty		19,399	17,669
Value Added Tax		77,002,904	35,307,065
		<u>154,789,604</u>	<u>99,242,700</u>
31 Accrued Expenses			
Accrued expenses		<u>7,140,692</u>	<u>6,139,898</u>

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

32 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. The procuring arm of coal for "Lakvijaya" power plant in puttalam belongs to Ceylon Electricity Board. The ongoing supply of coal was put on halt due to a complaint received from the end user, Ceylon Electricity Board attributed to poor quality of coal supplied by them. M/s. Taurian Iron & Steel Company has initiated an arbitration against the Company as per the agreement signed between two parties. The Company referred this matter to Attorney General's Department and advised by Department to the Company to provide cogent evidence to invoke arbitration against M/s. Taurian Iron & Steel Company. This was intimated to Ceylon Electricity Board and Lanka Coal Company to provide cogent evidence if valable. However, they were not in a position to provide such evidence to prove the alleged inferior of quality of coal supplied. In the above circumstances the Attorney General's Department advised to negotiate with M/s. Taurian Iron & Steel Company to bring about an amicable solution to this issue. The negotiation with M/s. Taurian Iron & Steel Company is to be commenced soon.

The transportation of crude oil for Ceylon Petroleum Corporation was discontinued due to a dispute arose between the Company and the ship owner. The non performance of contractual obligations by the despondent owner and also due to a disagreement between the parties on demurrage calculations, this carriage was in jeopardy. The Company has provided an unconditional bank guarantee before discharging the latest crude oil parcel which was under lien, amounting to US\$ 346,80.33 to the ship owner, after having signed a tri - party arbitration agreement to settle the disputed demurrage amounts, in case of the concerned parties cannot reach any amicable settlement. As such, the negotiation for an amicable settlement has already been commenced.

33 Related Party Disclosures

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

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

33 Related Party Disclosures (Continued)

33.1 Transactions with Key Management Personnel (KMPs)

According to the 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 Board of Directors, General Manager and Operational Managers have been classified as Key Management Personnel.

Transactions with Key Management Personnel	2015	2014
	Rs.	Rs.
Remuneration and other short-term employment benefits	14,291,049	12,413,746
Balance outstanding - Loans and advances	3,240,326	2,649,021
- Post employment benefits	1,262,604	7,570,449

33.2 Related Party Transactions

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

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

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

Related Parties	Nature of Transactions	Transaction Value	Balance (Due)/ Receivable as at 31/03/2015
		Rs.	Rs.
Government of Sri Lanka	Freight charges, charter hire, container rent and clearing & forwarding and other charges, Office rent and vehicle repairs	148,392,502	
	Settlements	(179,630,922)	79,888,352
State-Owned Enterprises	Freight charges, clearing & forwarding and other charges	339,317,138	
	Settlements	(326,103,918)	19,667,957
	Freight charges ,lightering and bunker escalation charges	5,371,980,516	
	Settlements	(5,524,960,305)	733,583,551
Other Government Related Entities	Clearing & forwarding, container rent and other charges	4,612,308	
	Settlements	(4,672,265)	1,220,561

34 Events after the end of the Reporting Period

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

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

35 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 35Mn.

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\$ 70Mn with the interest rate of 06 months LIBOR + 5.5% p.a. Further, The People's Bank has granted additional amount of US\$ 10Mn with the interest rate of 06 months LIBOR+3% p.a in order to pay the interest which has arisen from the above loan.

36 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 2015.

	Notes	2015 Rs.	2014 Rs.
Risk Exposure to Financial Assets			
Cash and cash equivalents	36.1.1	220,326,030	67,316,630
Term deposits with banks		236,564,356	224,010,853
Trade receivables	36.1.2	1,167,907,279	1,276,614,498
Other receivables		87,100,953	115,335,617
		1,711,898,617	1,683,277,598

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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	2015 Rs.	2014 Rs.
Cash at bank		220,326,030	67,316,630
	36.1	<u>220,326,030</u>	<u>67,316,630</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	2015 Rs.	2014 Rs.
Aging of the Trade Receivable			
Up to one year		804,552,898	766,906,430
1 to 4 years		122,554,672	342,257,495
More than four years		240,799,709	167,450,573
	36.1	<u>1,167,907,279</u>	<u>1,276,614,498</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 losses.

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 2015

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 its operational needs.

The following table depicts the Company's financial assets and liabilities maturity analysis as at 31 March 2015 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	30,520,778	-	-	30,520,778
Held to maturity investments	401,804,634	401,804,634	-	-
Short-term investments	236,564,356	-	205,867,304	30,697,052
Trade receivables	1,167,907,279	1,167,907,279	-	-
Other receivables	87,100,953	36,259,840	50,841,113	-
Cash and cash equivalents	220,326,030	220,326,030	-	-
	2,144,224,029	1,826,297,782	256,708,417	61,217,831
Financial Liabilities				
Trade payables	710,444,962	710,444,962	-	-
Other payables	2,905,045	2,805,683	99,362	-
	713,350,008	713,250,646	99,362	-

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

For the year ended 31st March 2015

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 gain that the Company has reported and included in the operating results for the reporting period 2015 is Rs. 23,809,073

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 the equity ratio as at 31 March 2014 and 2015.

Class of Capital	2015 Rs.	2014 Rs.
Total borrowings	4,861,787,543	-
Total equity	1,329,052,835	1,209,517,254
Gearing ratio (x)	366%	Nil

CEYLON SHIPPING CORPORATION LIMITED
DETAILED BREAK-UP OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31ST MARCH 2015

	2014/2015	2013/2014
	Rs.	Rs.
Administrative Expenses		
Executive staff salaries	41,519,879	34,528,538
Clerical and allied staff salaries	31,979,533	30,429,204
Temporary and casual wages	577,194	2,135,175
Directors' fees	1,782,581	1,068,000
Defined contribution plan costs - Employees' Provident Fund	8,103,167	7,820,738
- Employees' Trust Fund	1,620,634	1,566,308
Overtime	8,994,375	10,116,643
Bonus	1,628,442	1,192,901
Staff training	293,237	492,719
Gratuity	3,021,961	2,794,411
Medical leave pay	2,409,754	2,406,193
Pay As You Earn Tax	538,845	376,131
Hardship allowance-Norrochcholai	1,121,250	539,250
Library	2,900	237,205
Office rent	8,453,828	7,602,442
Printing and stationary	2,001,854	1,576,018
Membership subscriptions	759,766	214,840
Newspapers and periodicals	299,924	319,220
Insurance	7,206,224	6,120,983
Office premises and equipment maintenance	7,439,519	3,534,173
Electricity	1,699,638	1,565,653
Electricity-ferry service	41,150	-
Staff welfare	14,408,913	9,135,971
Security	1,946,517	1,937,372
Computer	442,272	537,213
Bungalow maintenance - Modara	19,760	103,384
Telephone	2,358,602	2,553,644
Postage and telegrams	28,600	22,540
Internet and e-mail	1,668,050	1,507,465
Foreign travelling	4,549,702	2,175,456
Local travelling	1,054,405	1,216,236
Motor vehicles maintenance	11,694,901	8,706,976
Travelling and subsistence	37,250	38,375
Fuel	-	(3,025)
Entertainment	1,422,897	808,007
Advertisements	3,482,579	365,409
Compliments and presentation	111,150	1,070,930
Expenses for government exhibitions	117,858	1,534,143
Audit fees	436,425	404,800

Ceylon Shipping Corporation Limited
Detailed Break-up of Administrative Expenses

	2014/2015	2013/2014
	Rs.	Rs.
Administrative Expenses (continued)		
Professional and legal fees	2,869,724	7,581,834
New projects costs	5,125	-
Vessel building recurrent cost - Ceylon Prince	5,125	-
Donation	307,000	68,269
Depreciation	7,771,246	5,271,674
Loss on disposal of fixed asset	9,000	-
Bank charges	3,289,662	669,650
Stamp duty	30,675	29,850
Debit tax	-	2,102
Impairment provision for trade receivables - general	-	28,737,178
- collective	138,872,917	-
Feasibility expenses for new vessels	-	152,552
Nation Building Tax	7,745	-
Miscellaneous	267,608	291,132
	<u>328,711,362</u>	<u>191,555,882</u>