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 2013/2014

CSCL ANNUAL REPORT & ACCOUNTS
2013 / 2014

Contents	Pages

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 Statement of Accounts, in respect of the activities of the company for the period of 01.04.2013 to 31.03.2014.

Yours faithfully,
Ceylon Shipping Corporation Ltd

Shashi Dhanatunge
Chairman

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

Date: 20.01.2016

Board of Directors

Kanchana Ratwatte Esq.
Chairman
14.03.2012 to 25/10/2013

Vice Admiral Jayanath Colombage
Actg. Chairman 29.10.2013 to 16.07.14
Chairman 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

AriyaseelaWickramanayake Esq.
Director
From 31.05.2010 to 19.01.2015

Chandana Gamage Esq.
Director
From 31.05.2010 to 19.01.2015

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

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

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.

Management Team

General Manager
Sunil Obadage Esq.
Bachelor's Degree -MICS - UK
Diploma in Shipping (OSLO) –(Retired on 31st December 2014)

Additional General Manager (Commercial & Operation)
S.M.D.N. Dharmapriya Esq.
BSc. Msc. in Maritime Studies, 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. Ponnamperuma Esq.
LICA, FMAAT,
Post Graduate Diploma in Shipping Management (OSLO)

Manager Legal & Insurance
P. Samaranayake Esq.
Attorney-At Law
BSc (Special)

Manager Business Development
Mrs. C. Jayasinghe
FICS , MILT– UK
Msc. in International Shipping -UK
Diploma in Shipping (OSLO)

Manager Technical
S.L. Rajapakse Esq.
Chartered Engineer

Manager Liner & Documentation
Ms. Jayantha Indraneela
Diploma in Shipping (OSLO)

Manager (Chartering & Agency) - (Expired on 09th September 2014)
M.D.K. Jayawansa Esq.
Post Graduate Diploma in Economic Development
Higher National Diploma in Management Studies
FICS, CMILT –UK
DPS (Hons) OSLO

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

Chairman's Review

Financial Review:

It is a great pleasure to commence the Chairman's Review to the Annual Report with a positive note. For the 5th consecutive year CSC has recorded profit with an after tax profit of Rs 250.47 mn amidst various challenges in the shipping industry as a result of continuous economic slowdown in major economies and around the globe.

In the year under review, although the Revenue has dropped from Rs. 850.73mn to Rs. 526.81 mn, other income, which represents Profit on Disposal of Fixed Assets, Management Fees, Dividend and others has increased by three folds from Rs. 48.21 mn to Rs. 156.92 mn. The Assets disposed of were two vessels namely Mv Lanka Mahapola and Mv Lanka Muditha. The revenue generated from transport of coal has improved, **due t**he increase of quantity from 761,280 MT in previous year to 1,003,550 MT **carried** within the current FY.

Notwithstanding the above increase, the drop of total Revenue is due to the decrease of Voyage Income and Charter Hire income from Lanka Mahapola and Lanka Muditha. On the other hand, transport of certain project cargoes imported for the Government can be cited as the reason for higher revenue generated in the previous FY 2012/13. It should be appreciated that such high value and voluminous imports are irregular.

The decrease of Administrative Expenses by about Rs. 7.6 mn is noteworthy, which can be attributed to lower provision made for impairment when compared with that of the last year. All efforts will be made to continue the trend.

Ship Building Contract:

An Agreement to build two dry-bulk ships in the Supramax range (Ultramax in this category) was signed on 10th January 2014. The ship construction is under way successfully at the Weihai shipyard of the ship building contractor. Vessels are expected delivery in 23 months from the date of keel laying and accordingly two ships will be delivered to CSC around end January and in end April 2016 respectively.

It should be noted that there is a vast gap in the crucial parameters (viz. interest rate, grace period and repayment period) used in the ship building feasibility study and the actual financial package, which are seriously unfavorable to CSC. The envisaged ship finance package in the feasibility study, in par in ship building industry globally, had been through a highly favorable soft-loan from the Government of China, which is not to be. On top of the unhealthy financing arrangement, the purchase price of ships is found to be above the market price. This gap will pose great challenges to CSC in owning and operating of the two ships under a highly volatile and competitive market condition and servicing debt in the time to come.

Further, on the revenue side, at the conceptual stage, CSC has expected continuous 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, as envisaged in the feasibility study that power station at Sampur would be operational in 2016, which might have needed stockpiling of coal to begin even by the end of 2015, will not become a reality, very unfortunately.

Baltic Time Charter Average reported by the Baltic Exchange for Supramax vessels (BSI-TA) was **USD** 11,402 per day on the date of closure of the current FY 2013/14, when compared with the projected charter hire of USD 20,000 per day in the feasibility study.

It is a long established belief and norm in the shipping industry that it runs through peaks and troughs in every 10 year, cyclically. The industry analysts predict that the year 2016 will dawn the long-awaited beginning of recovery of dry-bulk shipping industry, which will be a consolation to CSC, if that prediction comes true. Negatively, CSC will face dire challenges in debt servicing, which will fall to commence since August 2016 at around USD 31,041.16 per day for both ships **and capitalized interest at the interest rate of 5.5% + 6 months LIBOR (latest).** In case of default, another state institute i.e. People's Bank will be affected and hence all the options to mitigate losses to both the state institutions in a scenario of non-recovery of anticipated charter rates, should be pursued vigorously.

Above all, CSC being a state organization and having to follow and adhere to government procurement guide lines when dealing and meeting challenges in a timely manner, to compete with highly efficient private sector ship operators/charterers will be the biggest issue to be tested and addressed immediately. It may be a necessity for CSC to obtain or secure commercial freedom especially for this activity from the Cabinet of Ministers as a matter of priority for survival.

It should be noted that the ship building project for CSC was a part of ambitious plan of transforming Sri Lanka as a Maritime Hub in the South-Asia among other 05 Hubs. In this pursuit, the government has aimed at enhancing maritime education as a way of increasing foreign exchange earnings.

Though it is noteworthy that the private sector maritime schools successfully conduct theory-phases of various syllabi, a major obstacle in developing and producing seafarers for more than two decades in the country is due to the lack of a national fleet of ships (with CSC) to provide mandatory sea training for trainee seafarers of both officer category and ratings. With the view to addressing this problem, a special accommodation deck has been designed and added to CSC ships at an additional expenditure for CSC.

One vessel of CSC can provide sea training to 12 Cadets at any time, which is an additional recurrent fixed cost for CSC when compared with the other owners / operators in this competitive industry. However, this 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.

<u>Transport of Government Cargo</u>:

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 monitoring of tenders, identifying new government projects and follow up of same is the key.

<u>Human Resources Development</u>:

With the aforesaid challenges ahead in owning and operating of ships, CSC need to gear up with necessary manpower to serve efficiently whilst complying with various international Codes, Rules and Regulations as well as for ensuring the highest vessel deployment time and revenue. Four Departments, namely Technical, Chartering, Finance and Legal will have a greater role to play in managing and operating ships after 1997 when CSC ceased to operate ships whether own or chartered tonnage.

Welfare Activities:

Employee Welfare Activities are taking place quite satisfactorily by the Corporation through the Welfare and Recreation Society of CSC. However, it may be appropriate to formalize and regulate this society to make it more efficient, effective, transparent and accountable.

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 2014, to be presented at its 19th Annual General Meeting.

Review of the Year

Company's affairs during the current Financial Year and up to the date of this report including the challenges ahead are described in the Chairman's Review on page 07 to 09. This report together with the audited Financial Statement reflect 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 48 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 22 to 48

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. 1.9mn 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 36 to 38 declare the details of long term investments held by the Company as of 31st March 2014.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31st March 2014.

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 2014. The details are given in Note 23 to the Financial Statement on page 41

Going Concern

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

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

Report of the Audit Committee

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.

Role of the Audit Committee:

The Audit Committee is a subcommittee of the Board and will carry out following duties and responsibilities.

- **The Audit Committee should assist the board in the task of overseeing to ensure that Financial Reporting is done in compliance with relevant International Financial Reporting Standards (IFRS), Sri Lanka Financial Reporting Standards (SLFRS) and other applicable legal and regulatory requirements.**
- **The Audit Committee should also address relevant issues concerning the subsidiaries of the enterprise if any on a regular basis.**
- **The Audit Committee should assist to the board to introduce and implement adequate Internal Control System.**
- **The Audit Committee is required to review the continuing impartiality of the Internal Auditors and their effectiveness.**
- **The Audit Committee should assist the Board to ensure that all relevant rules and regulations and circulars issued by the Government are complied with continuously reviewing and monitoring making recommendations to the Board on non compliance.**
- **The Audit Committee should review the Internal/External audit reports, Management Letters and the recommendations of COPE and help the Board to take remedial actions**
- **The Audit Committee will also prepare the report and be included in the Annual Report.**
- **The Public Enterprises Guidelines for Good Governance revised by *PED Circular No 55* of 14/12/2010 should be used as a guide with regard to the functioning of Audit Committees in Public Enterprises.**

Composition of the Audit Committee:

- **The Audit Committee should consist of at least three (03) non Executive Board Members including a Treasury Representative and the Chief Accountant of the Line Ministry.**
- **The Audit Committee should be chaired preferably by a Treasury Representative or a person possessing Financial Management Skills.**
- **A representative from the Auditor Generals' Department/External Auditors or any other person whose services is essential for the functioning of the Audit Committee could be invited to serve as an observer.**
- **General Manager, Finance Manager and other Senior Managers should also be made to attend the Audit committee by invitation as and when necessary.**

- **While the Internal Auditor should assist the Audit committee through the submission of relevant reports etc. to assist in the deliberation, the Board Secretary should function as the Secretary to the Committee.**

Meetings:

- **The Audit Committee should meet at least once in three months and all the Committee Members are expected to attend each meeting.**
- **Meeting agendas will be prepared and provided in advance to members along with appropriate briefing materials and Audit Committee deliberations are minuted regularly and reported to the Board for ratification.**

Reviews:

Audit Committee reviewed followings for the year concerned

- **The Audit Programme 2013.**
- **The Internal Control System 2013.**
- **Assets Transferred to the Ministries**
- **Reimbursement of vessel disbursements and other expenses.**
- **Comprehensive Income Statement-2012/13**
- **Writing off the Assets-Holiday Bungalow, Bentota**
- **Writing off fully depreciated inventory items of London Office and Karachchi Office**

Conclusion:

Sufficient follow up procedures are done for the Audit Committee recommendations/suggestions.

On behalf of the Committee

Ajith Abeysekara

Chairman Audit Committee.

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.

GAJMA & CO

Chartered Accountants

52/1, Nandana Gardens
(Duplication Road)
Colombo 4
Sri Lanka

Telephone : (94 - 11) 2599250/1/2
(94 - 11) 2582338
Hunting Line : (94 - 11) 2597898
Facsimile : (94 - 11) 2503561
(94 - 11) 2592161
E-mail : gajma@gajmasl.com
Web : www.gajma.lk

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CEYLON SHIPPING CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Shipping Corporation Limited, which comprise the statement of financial position as at March 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standard. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2014 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2014 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard.

Without qualifying our opinion we draw attention to Note 12 to the financial statements. The Company has not consolidated the financial statements of its subsidiary, Ceylon Shipping Agency (Private) Ltd since the Company is not in operation and is in the process of liquidation.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the Section 153(6) of the Companies Act, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

GAJMA & CO
Chartered Accountants
Colombo
October 19, 2015

GAJMA & CO.
52/1, Nandana Gardens
Duplication Road
Colombo - 4
Chartered Accountants

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Notes	2014 Rs.	2013 Rs. (Restated)
Revenue	**4**	526,818,688	850,732,686
Direct Operational Expenses		(237,320,894)	(488,480,473)
Gross Profit		**289,497,794**	**362,252,213**
Other Income	**5**	156,924,674	48,218,207
Administrative Expenses		(191,555,882)	(199,210,843)
Profit from Operations	**6**	254,866,586	211,259,577
Net Finance Income	**7**	38,851,992	39,171,346
Share of Profit of Associates-(Net of Tax)	**13.2**	15,449,315	21,387,767
Profit before Tax		**309,167,893**	**271,818,690**
Income Tax Expense	**8**	(58,690,220)	(55,918,925)
Profit for the Year		**250,477,673**	**215,899,765**
Basic and Diluted Earnings Per Share	**9**	**50.10**	**43.18**
Profit for the Year		250,477,673	215,899,765
Other Comprehensive Income			
Loss on changes in fair value of Available-for-Sale Financial Assets	**15.1**	(6,830,018)	(6,368,110)
Gain arising from changes in actuarial assumptions	**27.1**	687,082	2,184,806
Share of other comprehensive income of associates-(Net of Tax)	**13.2**	6,080	9,762
Total Comprehensive Income for the Year		**244,340,817**	**211,726,223**

The Accounting Policies and Notes on pages 8 to 34 form an integral part of the Financial Statements.

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	2014 Rs.	2013 Rs. (Restated)
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	20,256,048	72,858,715
Intangible Asset	11	-	-
Investment in Subsidiary	12	-	-
Investment in Associates	13	239,773,084	225,176,388
Available-for-Sale Financial Assets	15	30,997,790	37,827,808
Deferred Tax Asset	16	3,947,404	3,180,367
Total Non-Current Assets		**294,974,326**	**339,043,277**
Current Assets			
Inventories		533,481	2,221,735
Trade and Other Receivables	17	1,215,690,954	1,153,675,616
Statutory Receivables	18	38,140,327	38,140,327
Held to Maturity Investments	19	291,653,566	131,700,530
Short-Term Investments	20	224,010,853	204,820,643
Cash and Cash Equivalents	21	67,550,337	73,186,619
Total Current Assets		**1,837,579,518**	**1,603,745,470**
Assets Classified as Held for Sale	22	-	12,326,800
Total Assets		**2,132,553,844**	**1,955,115,548**
EQUITY AND LIABILITIES			
Equity			
Stated Capital	23	50,000,000	50,000,000
Contribution Against Equity Capital	24	543,939,497	562,017,353
Capital Reserve	25	767,029,766	767,029,765
Revaluation Reserve	26	3,065,444	18,796,336
Available-for-Sale Financial Assets Reserve		25,517,598	32,347,616
Retained Earnings *(at debit)*		(180,035,051)	(440,520,030)
Total Equity		**1,209,517,254**	**989,671,041**
Non-Current Liability			
Retirement Benefit Obligation - Gratuity	27	20,341,572	18,315,468
Total Non-Current Liability		**20,341,572**	**18,315,468**
Current Liabilities			
Trade and Other Payables	28	793,180,578	874,692,411
Statutory Payables	29	99,242,700	69,154,628
Accrued Expenses	30	6,139,898	3,282,000
Bank Overdraft	21	4,131,842	-
Total Current Liabilities		**902,695,018**	**947,129,039**
Total Equity and Liabilities		**2,132,553,844**	**1,955,115,548**

The Accounting Policies and Notes on pages 8 to 34 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**

October 19, 2015
Colombo.

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2014

	Stated Capital	Contribution Against Equity Capital	Capital Reserve	Revaluation Reserve	Available-for-Sale Financial Assets Reserve	Retained Earnings *(at debit)*	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2012	50,000,000	575,541,087	767,029,765	18,796,336	38,715,726	(676,744,559)	773,338,355
Profit for the year (restated) **(Note : A)**	-	-	-	-	-	215,899,765	215,899,765
Other comprehensive income	-	-	-	-	(6,368,110)	2,194,568	(4,173,542)
Restatement of fully depreciated assets	-	-	-	-	-	10,934,089	10,934,089
Repayment of grants received	-	(13,523,734)	-	-	-	-	(13,523,734)
Balance as at 31st March 2013	**50,000,000**	**562,017,353**	**767,029,765**	**18,796,336**	**32,347,616**	**(447,716,137)**	**982,474,933**
Prior period errors **(Note : B)**	-	-	-	-	-	7,196,107	7,196,107
Balance as at 31st March 2013 (restated)	**50,000,000**	**562,017,353**	**767,029,765**	**18,796,336**	**32,347,616**	**(440,520,030)**	**989,671,041**
Repayment of grants received	-	(18,077,856)	-	-	-	3,583,252	(14,494,604)
Transfer of revaluation amount pertaining to disposal of vessel	-	-	-	(15,730,892)	-	15,730,892	-
Profit for the year	-	-	-	-	-	250,477,673	250,477,673
Dividend	-	-	-	-	-	(10,000,000)	(10,000,000)
Other comprehensive income	-	-	-	-	(6,830,018)	693,162	(6,136,856)
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**

The Accounting Policies and Notes on pages 8 to 34 form an integral part of the Financial Statements.

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2014

Note : A

			Amount Rs.
Profit for the year as per last year audited financial statements		-	218,792,044
Prior period errors -			
	Correction of duplicated impairment provision	-	403,006
	Correction of interest accrual for previous year	-	(233,916)
	Correction of classification of expense	-	(876,563)
	Gain arising from changes in actuarial assumptions	-	(2,184,806)
Profit for the year (restated)			**215,899,765**

Note : B

Prior periods error -

Share of other comprehensive income of the associate company was not taken into account in prior years

CEYLON SHIPPING CORPORATION LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31st March		2014	2013
		Rs.	Rs.
Cash flows from operating activities			
Profit before tax		309,167,893	271,818,690
Adjustments for:			
Depreciation		5,271,673	4,166,202
Profit on disposal of fixed assets		(110,772,648)	(710,043)
Provision for gratuity		2,107,329	805,230
Provision for impairment - property, plant and equipment		-	3,626,440
Dividend income		(559,914)	(337,959)
Share of profit of associates - (net of tax)		(15,449,315)	(21,387,767)
Gain arising from changes in actuarial assumptions		687,082	2,184,806
Interest income		(38,851,992)	(39,447,836)
Interest expenses		-	42,574
Correction of prior period errors		-	707,473
Operating profit before working capital changes		**151,600,108**	**221,467,810**
(Increase)/decrease in inventories		1,688,254	(77,712)
Increase in trade and other receivables		(62,015,338)	(384,202,200)
Increase/(decrease) in trade and other payables		(81,511,833)	231,915,962
Increase/(decrease) in statutory payables		15,382,723	(7,289,950)
Increase in accrued expenses		2,857,898	107,062
Cash generated from operations		**28,001,812**	**61,920,972**
Gratuity paid		(81,226)	(4,431,630)
Interest paid		-	(42,574)
Taxes paid		(44,751,908)	(3,479,362)
Net cash (used in)/from operating activities		**(16,831,323)**	**53,967,406**
Cash flows from investing activities			
Purchase of fixed assets		(1,970,001)	(2,645,124)
Proceeds from disposal of fixed assets		157,905,840	736,241
Investment in held-to-maturity financial assets		(407,803,742)	(145,363,635)
Proceeds from held-to-maturity financial assets at maturity		247,850,706	107,846,479
Interest received		19,661,782	13,348,605
Dividend received		1,418,612	667,540
Net cash from/(used in) investing activities		**17,063,197**	**(25,409,894)**
Cash flows from financing activities			
Repayment of grants received		-	(13,523,734)
Dividend paid		(10,000,000)	-
Net cash used in financing activities		**(10,000,000)**	**(13,523,734)**
Net (decrease)/increase in cash and cash equivalents		**(9,768,125)**	**15,033,778**
Cash and cash equivalents at the beginning of the year		**73,186,620**	**58,152,842**
Cash and cash equivalents at the end of the year	**Note 21**	**63,418,495**	**73,186,620**

The Accounting Policies and Notes on pages 8 to 34 form an integral part of the Financial Statements.

Accounting policies and explanatory notes to the Financial Statements for the year ended March 31, 2014

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, 2014 was 125.

1.4 Reporting Date

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

1.5 Approval of Financial Statements

These financial statements were approved by the Board of Directors and authorized for issue on October 19, 2015.

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 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 property, plant and equipment. 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 Companyôs functional and presentation currency.

2.5 Use of Estimates and Judgments

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

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

2.6 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign Currency Transactions/Translation

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

3.2 Income Tax Expense

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

(a) Current Tax

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

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

Assets	Years
Buildings	20
Vessels	10
Motor Vehicles	04-10
Furniture and Fittings	10
Office Equipment and Computers	05
Spreaders	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 assetsô 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 óother incomeô or óother operating expensesô.

3.4 Intangible Asset

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

Computer Software 05 Years

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

3.5 Investments 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 investorôs share of the profit or loss of the investee after the date of acquisition.

The companyôs share of post-acquisition profit or loss is recognized in the statement of comprehensive income and its share of post-acquisition movements in the investeeôs 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 companyôs 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 current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non- current assets. The companyç 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 ñIndirect Methodò.

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 Employeesô Provident Fund and Employeesô 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 disclose in the respective notes to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

3.13 Revenue Recognition

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

(a) Voyage Income

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

(b) Charter Hire Income

Revenue from time 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 are recognized in the statement of comprehensive income in the period in which they are incurred.

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 Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Companyǿs financial statements are listed below. The Company intends to adopt those standards when they become effective and those are set out below.

SLFRS 9 - Financial Instruments: Classification and Measurement

This standard was originally effective for annual periods commencing on or after 01 January 2015. However, the effective date has been deferred subsequently and the revised effective date is yet to be announced. In addition to the above, the following standards also have been issued and shall be applied for annual periods beginning on or after 01 January 2014.

SLFRS 10 - Consolidated Financial Statements
SLFRS 11 - Joint Arrangements
SLFRS 12 - Disclosure of Interests in Other Entities
SLFRS 13 - Fair Value Measurement

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

For the year ended 31st March

	Notes	2014 Rs.	2013 Rs.
4 Revenue			
Voyage		231,166,218	527,424,949
Charter hire		5,344,165	47,801,910
Clearing and forwarding		33,817,211	30,986,034
Agency and address commission		256,491,094	141,557,778
Other services		-	102,962,015
		526,818,688	**850,732,686**
5 Other Income			
Dividend		559,914	337,959
Profit on disposal of fixed assets		110,772,648	710,043
Net exchange gain		27,624,055	45,252,357
Management fees - Ceylon Electricity Board tugs and barges		12,847,274	-
Others		5,120,783	1,917,848
		156,924,674	**48,218,207**

6 Profit from Operations

Profit from operations is stated after charging all the expenses including the following.

		2014 Rs.	2013 Rs.
Directors' remuneration		1,068,000	1,974,194
Auditor's remuneration		404,800	859,000
Depreciation		5,271,673	4,166,202
Defined contribution plan costs - Employees' Provident Fund and Employees' Trust Fund		9,387,046	8,605,968
Defined benefit plan cost - Retiring Gratuity		2,107,329	805,230
Staff costs		90,976,594	78,434,192
Professional and legal fees		7,581,834	7,132,001
Provision for impairment of working progress		-	3,626,440
7 Net Finance Income			
7.1 Finance Income			
Interest income - fixed deposits and treasury bills		37,604,105	38,214,541
Interest income - staff loan		1,247,887	999,378
		38,851,992	39,213,920
7.2 Finance Expense			
Interest expense - bank overdraft		-	(42,574)
		38,851,992	**39,171,346**
8 Income Tax Expense			
Tax on ordinary activities	**8.1**	49,402,981	41,223,690
(Origination)/Reversal of deferred tax asset	**16**	(767,037)	14,695,235
Deemed dividend tax		10,054,276	-
		58,690,220	**55,918,925**

Fo · the year ended 31st March

		Note	2014 Rs.	2013 Rs.
8.1	**Reconciliation between taxable profit and accounting profit**			
	Accounting profit before tax		309,167,893	274,710,969
Less:	Share of profit of associates - (net of tax)		(15,449,315)	(21,387,767)
			293,718,578	253,323,202
	Aggregated disallowable items		8,368,197	10,475,586
	Aggregated allowable items		(119,151,988)	(12,998,153)
	Income not subject to tax		(45,347,560)	(84,753,481)
	Profit from trade or business		137,587,227	166,047,154
Add:	Other income liable for tax-interest income		38,851,991	36,113,782
	Total statutory income		176,439,218	202,160,936
Less:	Tax losses utilized		-	(54,933,473)
	Assessable income/taxable income		176,439,218	147,227,463
	Tax charged at statutory tax rate of 28%		49,402,981	41,223,690
	Current tax on ordinary activities for the year	**8**	**49,402,981**	**41,223,690**

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.

	2014	2013
Amount used as the numerator		
Net profit attributable to equity holders (Rs.)	250,477,673	215,899,765
Amount used as the denominator		
Weighted average number of shares in issue	5,000,000	5,000,000
Basic and Diluted Earnings Per Share (Rs.)	**50.10**	**43.18**

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2014

10 Property, Plant and Equipment

	Land and Housing Project	Buildings	Vessels	Motor Vehicles	Furniture and Fittings	Office Equipment and Computers	Spreaders	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation								
Balance as at 1st April 2013	5,286,340	43,390	260,000,000	30,546,932	30,918,390	14,648,476	1,828,962	343,272,490
Additions during the year	-	-	-	-	628,501	1,341,500	-	1,970,001
Disposals during the year	-	-	(260,000,000)	(2,250,000)	(229,303)	-	(1,828,962)	(264,308,265)
Transferred during the year	-	-	-	-	(17,735,556)	(342,300)	-	(18,077,856)
Balance as at 31st March 2014	5,286,340	43,390	-	28,296,932	13,582,032	15,647,676	-	62,856,370
Accumulated Depreciation								
Balance as at 1st April 2013	1,194,844	43,390	225,193,588	18,866,443	11,858,941	11,427,607	1,828,962	270,413,775
Charge for the year	8,316	-	-	3,063,888	1,082,431	1,117,038	-	5,271,673
On disposals	-	-	(225,193,588)	(2,250,000)	(229,303)	-	(1,828,962)	(229,501,853)
On transferred	-	-	-	-	(3,453,311)	(129,962)	-	(3,583,273)
Balance as at 31st March 2014	1,203,160	43,390	-	19,680,331	9,258,758	12,414,683	-	42,600,322

Net Book Value	Notes	2014 Rs.	2013 Rs.
Land and housing project		4,083,180	4,091,496
Vessels		-	34,806,412
Motor vehicles		8,616,601	11,680,489
Furniture and fittings		4,323,274	19,059,449
Office equipment and computers		3,232,993	3,220,869
		20,256,048	72,858,715
Capital work-in-progress - Buildings	**10.1**	3,626,440	3,626,440
Provision for impairment		(3,626,440)	(3,626,440)
	10.2	**20,256,048**	**72,858,715**

As at 31st March	Notes	2014 Rs.	2013 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 Total Fixed Assets			
At cost		16,256,048	34,052,303
At valuation	**10.3**	4,000,000	38,806,412
	10	20,256,048	72,858,715

Property, plant and equipment 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:

	Notes	2014 Rs.	2013 Rs.
Cost		5,120,000	406,819,749
Accumulated depreciation		(1,120,000)	(368,013,337)
Carrying value	**10.2**	4,000,000	38,806,412

During the year the Company had tranferred the assets amounting to Rs. 18,077,856, purchased for ferry service between Colombo and Tuticorin to Ministry of Highways, Ports & Shipping and Ministry of Rehabilitation & Prison Reforms.
Property, plant and equipment of the Company with a cost of Rs.12,759,751 (2013 - Rs.27,009,274) have been fully depreciated and held to continue to be in use by the Company.

11 Intangible Asset

	2014 Rs.	2013 Rs.
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	-	-

12 Investment in Subsidiary

	No of Shares	Percentage of Holding	2014 Rs.	2013 Rs.
Ceylon Shipping Agency (Private) Limited	9,999	100%	99,990	99,990
Provision for impairment			(99,990)	(99,990)
			-	-

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

As at 31st March	2014	2013
	Rs.	Rs.

13 Investment in Associates

Carrying Value on Equity Method

	2014 Rs.	2013 Rs.
Ceylon Shipping Lines (Private) Limited	189,549,790	178,300,582
Ceylon Shipping Agency (Pte) Ltd - Singapore	50,223,294	46,875,806
	239,773,084	**225,176,388**

13.1 Investment in Associates

Cost

	No of Shares	Percentage of Holding	2014 Rs.	2013 Rs.
Ceylon Shipping Lines (Private) Limited	156,942	39%	1,569,420	1,569,420
Ceylon Shipping Agency (Pte) Ltd - Singapore	24,500	49%	143,622	143,622
			1,713,042	1,713,042

13.2 Movement of Investment in Associates on Equity Method

Investor's Share of Net Assets

	2014 Rs.	2013 Rs.
Balance at the beginning of the year	225,176,388	196,912,331
Share of profit of associates - (net of tax)	15,449,315	21,387,767
Share of other comprehensive income of associates - (net of tax)	6,080	9,762
Dividend income	(858,698)	(329,580)
Correction of prior period errors	-	7,196,107
Balance at the end of the year	239,773,084	225,176,388

13.3 Summarized Financial Information of Associates

	Ceylon Shipping Agency (Pte) Ltd Singapore		Ceylon Shipping Lines (Private) Limited	
As at 31st December	**2013**	**2012**	**2013**	**2012**
Total assets	208,297,106	204,433,934	610,031,803	585,027,862
Total liabilities	98,335,860	101,309,507	71,326,719	75,166,903
Net assets	109,955,246	103,124,427	538,705,084	509,860,960
Revenue	733,838,376	899,754,150	397,381,307	371,189,029
Operating expenses	725,291,820	887,746,815	396,266,320	377,739,625
Other income	587,283	70,295	14,170,311	29,941,039
Profit for the year	8,607,223	11,272,918	28,799,425	40,678,399
Total comprehensive income for the year	7,863,378	25,958,849	29,749,589	40,703,429

14 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

14.1 Financial Assets

	Notes	2014 Rs.	2013 Rs.
14.1.1 Available-for-Sale			
Quoted investment	**15.1**	28,620,720	35,450,738
Unquoted investments	**15.2**	2,377,070	2,377,070
		30,997,790	37,827,808

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.

As at 31st March	Notes	2014 Rs.	2013 Rs.
14.1 Financial Assets *(continued)*			
14.1.2 Held to Maturity Investments			
Investment in treasury bills	**19**	291,653,566	131,700,530

Held to maturity investments are measured inclusive of interest receivable.

14.1.3 Loans and Receivables			
Trade and other receivables	**17**	1,215,690,954	1,153,675,616
Short-term investments	**20**	224,010,853	204,820,643
Cash and cash equivalents	**21**	67,550,337	73,186,619
		1,507,252,144	1,431,682,878

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

Total Financial Assets		**1,829,903,500**	**1,601,211,216**
14.2 Financial Liabilities			
Trade and other payables	**28**	793,180,578	874,692,411
Bank overdraft	**21**	4,131,842	-
Total Financial Liabilities		**797,312,420**	**874,692,411**

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

15 Available-for-Sale Financial Assets

Quoted investment	**15.1**	28,620,720	35,450,738
Unquoted investments	**15.2**	2,377,070	2,377,070
		30,997,790	**37,827,808**

15.1 Quoted Investment

Balance at the beginning of the year		35,450,738	41,818,848
Loss on changes in fair value		(6,830,018)	(6,368,110)
Balance at the end of the year	**15**	28,620,720	35,450,738

As at 31st March

15.1 Quoted Investment *(continued)*

	No. of Shares	2014 Cost Rs.	2014 Market Value Rs.	2013 Cost Rs.	2013 Market Value Rs.
Mercantile Shipping Company PLC	238,506	2,068,800	28,620,720	2,068,800	35,450,738

15.2 Unquoted Investments

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

	Notes / No. of Shares	2014 Rs.	2013 Rs.
Associate News Papers of Ceylon Limited	31206	312,060	312,060
Ceylon Port Services Limited	5000	50,000	50,000
Sri Lanka Port Management and Consultancy Ltd	1501	15,010	15,010
Lanka Coal Company (Private) Limited	200000	2,000,000	2,000,000
	15	2,377,070	2,377,070

16 Deferred Tax Asset

	Notes	2014 Rs.	2013 Rs.
Balance at the beginning of the year		3,180,367	17,875,603
Origination/(Reversal) during the year	**8**	767,037	(14,695,235)
Balance at the end of the year	**16.1**	**3,947,404**	**3,180,367**

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%.

16.1 The Analysis of Deferred Tax Assets and Liabilities

	Notes	2014 Rs.	2013 Rs.
Deferred Tax Liabilities			
From revaluation gains		-	(7,309,686)
From accelerating depreciation		(1,748,236)	(4,630,234)
		(1,748,236)	(11,939,920)
Deferred Tax Assets			
From retirement benefit obligation		5,695,640	5,128,331
From accounting provision		-	9,991,957
		5,695,640	15,120,288
	16	**3,947,404**	**3,180,368**

Deferred tax assets are recognised for provision for retirement benefit obligation, impairment provision for other receivables and brought forward tax losses 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.

As at 31st March	Notes	2014 Rs.	2013 Rs.

17 Trade and Other Receivables

	Notes	2014 Rs.	2013 Rs.
Trade receivables	**17.1**	1,100,355,337	1,106,719,797
Deposits and advances	**17.2**	6,526,933	8,925,717
Staff receivables	**17.3**	42,530,761	31,922,673
Other receivables	**17.4**	66,277,923	6,107,429
		1,215,690,954	**1,153,675,616**

17.1 Trade Receivables

	Notes	2014 Rs.	2013 Rs.
Trade receivables		1,276,614,498	1,254,241,780
Provision for impairment		(176,259,161)	(147,521,983)
	17	1,100,355,337	1,106,719,797

Trade receivables comprise the following receivables from related parties.

Receivables from Related Parties		2014 Rs.	2013 Rs.
Government Institutions		1,005,425,367	916,861,158

The aging of the trade receivables are as follows.

Aging of the Trade Receivables		2014 Rs.	2013 Rs.
Up to one year		766,906,430	945,431,108
1 to 4 years		342,257,495	94,285,924
More than four years		167,450,573	214,524,748
		1,276,614,498	1,254,241,780

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

The Details of Provision for Impairment of the Trade Receivables;		2014 Rs.	2013 Rs.
Government institutions		36,206,870	36,206,870
Foreign agents		64,024,592	38,456,318
Private institutions		44,083,601	43,405,411
Others		31,944,098	29,453,384
		176,259,161	147,521,983

17.2 Deposits and Advances

	Notes	2014 Rs.	2013 Rs.
Container deposits		4,152,806	4,311,796
Other refundable deposits		7,914,465	7,914,465
Advances		2,788,572	5,028,366
Provision for impairment		(8,328,910)	(8,328,910)
	17	6,526,933	8,925,717

17.3 Staff Receivables

	Notes	2014 Rs.	2013 Rs.
Staff loans		38,927,099	29,741,877
Advances and others		3,603,662	2,180,796
	17	42,530,761	31,922,673

As at 31st March	Notes	2014 Rs.	2013 Rs.
17.4 Other Receivables			
Guarantee repairs receivable		19,839,635	19,839,635
State institutions temporary surplus fund at the general treasury		59,558,465	-
Others		10,207,028	9,595,000
Provision for impairment		(23,327,205)	(23,327,205)
	17	66,277,923	6,107,429
18 Statutory Receivables			
Economic Service Charge		1,915,323	1,915,323
Withholding Tax		14,675,878	14,675,878
Goods and Services Tax		18,936,777	18,936,777
National Security Levy		2,612,349	2,612,349
		38,140,327	**38,140,327**
19 Held to Maturity Investments			
Investment in treasury bills		**291,653,566**	**131,700,530**
20 Short-Term Investments			
Investment in fixed deposits	**20.1**	193,978,479	175,478,157
State Mortgage and Investment Bank - for staff loans		30,032,374	29,342,486
		224,010,853	**204,820,643**
20.1 Investment in Fixed Deposits			
People's Bank		192,198,902	173,720,814
Bank of Ceylon		1,386,167	1,403,167
Commercial Bank of Ceylon PLC		35,000	35,000
Commercial Bank of Ceylon PLC - Security and housing loan		358,410	319,176
	20	193,978,479	175,478,157
21 Cash and Cash Equivalents			
Cash in hand		233,707	233,387
Short-term deposits		-	7,295,444
Cash at bank		67,316,630	65,657,788
		67,550,337	**73,186,619**
Bank overdraft		(4,131,842)	-
Balance for Statement of Cash Flows		**63,418,495**	**73,186,619**

As at 31st March	Notes	2014 Rs.	2013 Rs.

22 Assets Classified as Held for Sale

Vessel - Lanka Muditha		**-**	**12,326,800**

The vessel - Lanka Muditha has been classified as held for sale during the reporting period 2012 as resolved in the Board to sell and subsequently it has been sold amounting to Rs.43,616,100/- by the company to Silverline Exports (Pvt) Ltd based on cabinet approval during the year.

23 Stated Capital

Issued and Fully Paid

5,000,000 Ordinary Shares of Rs. 10/= each		**50,000,000**	**50,000,000**

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.
Rs. 18,077,856/= has been charged to the contribution against equity capital for transfer of assets to several government institutions, out of the assets purchased for ferry service between Colombo and Tuticorin.

25 Capital Reserve

This represents settlements made by the treasury on behalf of the Company including ASTARSA loan and treasury guaranteed loan obtained from People's Bank.

26 Revaluation Reserve

The revaluation reserve relates to the revaluation surplus of property, plant and equipment as per the valuation carried out in 1994. Once the respective revalued assets have been derecognised, portion of revalued surplus will be transferred to retained earnings.

27 Retirement Benefit Obligation - Gratuity

	Notes	2014 Rs.	2013 Rs.
Balance at the beginning of the year		18,315,468	21,941,868
Provision for the year	**27.1**	2,107,329	805,230
		20,422,797	22,747,098
Payments made during the year		(81,226)	(4,431,630)
Balance at the end of the year		**20,341,572**	**18,315,468**

27.1 Provision for the year

	Notes	2014 Rs.	2013 Rs.
Current service cost		827,330	633,479
Interest charge for the year		1,967,081	2,356,557
Gain arising from changes in actuarial assumptions		(687,082)	(2,184,806)
	27	2,107,329	805,230

As at 31st March	2014 Rs.	2013 Rs.

27 Retirement Benefit Obligation - Gratuity *(continued)*

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.

The principal assumptions used are as follows.

	2014	2013
Discounting factor	10.75%	11%
Expected future salary increment	1.29%	1.25%
Staff turnover factor	0.78%	6.7%
Retirement age	60 Years	60 Years

28 Trade and Other Payables

	2014 Rs.	2013 Rs.
Trade payables	794,510,230	866,269,208
Deposits	99,362	99,362
Others	(1,429,014)	8,323,841
	793,180,578	**874,692,411**

29 Statutory Payables

	2014 Rs.	2013 Rs.
Current Tax	63,917,966	49,212,617
Stamp Duty	17,669	17,269
Value Added Tax	35,307,065	19,924,742
	99,242,700	**69,154,628**

30 Accrued Expenses

	2014 Rs.	2013 Rs.
Accrued expenses	**6,139,898**	**3,282,000**

31 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.

31 Contingent Liabilities (*continued*)

The bareboat charter of M.V. Lanka Mahapola, M/s. Triple "S" Shipping (Pvt) Limited breached the charter party and the vessel was re - delivered, in the port of Mombasa, Kenya while the vessel under the arrest of the admiralty Marshal of High Court of Mombasa, Kenya for non payment of crew wages by the aforesaid charterer on 12th May, 2013. The Company had to settle all the crews' wages and the related expenses fully to get the vessel released from the arrest. Subsequently, the arbitration was instituted in Sri Lanka initially to recover the defaulted charter hire from the charterer and afterward the claim was included the expenses incurred in respect of the court case in Mombasa, Kenya. At present the arbitration is proceeding to recover the rightful claim from the charterer.

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. This matter has now been referred to the arbitration and the arbitration proceedings are yet to be commenced.

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.

32 Related Party Disclosures

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

32.1 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	**2014**	**2013**
	Rs.	**Rs.**
Remuneration and other short-term employment benefits	12,413,746	11,788,716
Balance outstanding - Loans and advances	2,649,021	3,893,863
- Post employment benefits	7,570,449	5,577,918

32.2 Related Party Transactions

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

32.2 Related Party Transactions *(continued)*

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

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

Related Parties	Nature of Transactions	Transaction Value Rs.	Balance (Due)/ Receivable as at 31/03/2014 Rs.
Government of Sri Lanka	Freight charges, charter hire, container rent and clearing & forwarding and other charges	232,906,920	
	Office rent received		
	Settlements	(184,488,899)	111,126,772
State-Owned Enterprises	Freight charges, clearing & forwarding and other charges	43,193,342	
	Settlements	(39,423,792)	6,454,737
	Freight charges ,lightering and bunker escalation charges	3,612,319,908	
	Settlements	(3,576,399,011)	886,563,340
Other Government Related Entities	Clearing & forwarding and other charges	4,662,437	
	Settlements	(4,206,696)	1,280,518

33 Assets Pledged as Securities

Assets pledged as securities by the Company are as follows:

Type of Facility	Facility Limit Rs.	Amount utilized/outstanding Rs.	Securities
Bank Overdraft - People's Bank	Rs.100 Mn	Nil	Fixed deposit of Rs.192.2Mn

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.

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.

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 2014.

	Notes	2014 Rs.	2013 Rs.
Risk Exposure to Financial Assets			
Cash and cash equivalents	**36.1.1**	67,316,630	72,953,233
Term deposits with banks		224,010,853	204,820,643
Trade receivables	**36.1.2**	1,276,614,498	1,254,241,780
Other receivables		115,335,617	46,955,819
		1,683,277,598	**1,578,971,475**

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	2014 Rs.	2013 Rs.
Short-term deposits		-	7,295,444
Cash at bank		67,316,630	65,657,788
	36.1	67,316,630	72,953,233

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	2014 Rs.	2013 Rs.
Aging of the Trade Receivable			
Up to one year		766,906,430	945,431,108
1 to 4 years		342,257,495	94,285,924
More than four years		167,450,573	214,524,748
	36.1	1,276,614,498	1,254,241,780

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 17.1 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.

36.2 Liquidity Risk

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

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

The following table depicts the company's financial assets and liabilities maturity analysis as at 31 March 2014 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	6 Months or Less	6-12 Months	More than 1 Year
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
AFS financial assets	30,997,790	-	-	30,997,790
Held to maturity investments	291,653,566	291,653,566	-	-
Short-term investments	224,010,853	-	193,978,479	30,032,374
Trade receivables	1,276,614,498	1,276,614,498	-	-
Other receivables	115,335,617	66,277,923	49,057,694	-
Cash and cash equivalents	67,316,630	67,316,630	-	-
	2,005,928,954	**1,701,862,617**	**243,036,173**	**61,030,164**
Financial Liabilities				
Trade payables	794,510,230	794,510,230	-	-
Other payables	(1,329,652)	(1,429,014)	99,362	-
	793,180,578	**793,081,216**	**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.

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 company has reported net foreign exchange gain included in the operating results for the reporting period 2014 is Rs. 27,624,055.

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 manage interest rate risk by actively monitoring the interest rate movements.

36.4 Capital Management

The company manages its capital for safeguarding the company's ability to continue as a going concern in order to provide maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company monitors capital structure on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings by total equity. Total borrowings include non-current and current borrowings as shown in the statement of financial position. Following table depicts the company's total borrowing and equity ratio as at 31 March 2014 and 2013.

	2014	**2013**
	Rs.	**Rs.**
Class of Capital		
Total borrowings	-	-
Total equity	1,209,517,254	989,671,041
Gearing ratio (x)	Nil	Nil