



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 2015/2016



National Carrier of Sri Lanka

CSCL ANNUAL REPORT & ACCOUNTS
2015/2016

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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 01.04.2015 to 31.03.2016.

Yours faithfully,

Ceylon Shipping Corporation Ltd



RanjithAthukorala
Chairman

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

Date: 28.12.2018

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Board of Directors

From - 01.04.2015 to 31.03.2016

Shashi Dhanatunge Esq.
Chairman
From 27.01.2015 – to date

Dr. Malika Gunasekara
Executive Director
From 27/01/2015 to date

A.K. Seneviratne Esq.
Director/Treasury Representative
27/01/2015 to date

Brigadier M. Wijeyewickrama
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 date

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

Suren Goonewardene Esq.
Director
From 09/11/2015 to date

Ms.ManeeshaKannangara
Director

From 09/11/2015 to date

Secretary to the Board

Mrs. E.M.S. Perera

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

Bankers

People's Bank Corporate Banking Division
Bank of Ceylon
Commercial Bank of Ceylon PLC

Auditors

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

Board Meetings

Nine (11) Board Meetings were held during the year under review.

Registered Office

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

Tel : +94 11 2328772/3

Fax : +94 11 2449486

E-mail : cscl@cscl.lk

Web : www.cscl.lk

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Management Team

General Manager

S.M.D.N. Dharmapriya Esq.

B.Sc. 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

Assistant General Manager Finance

G.M. Vikum Pradeepa Esq.

B.Com. (Special) Hons.LICA

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

Assistant General Manager Coal Operations/Technical

S.L. Rajapakse Esq.

Mechanical Engineering Degree

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

Assistant General Manager Legal & Insurance

P. Samaranayake Esq.

Attorney-At Law

B. Sc (Special)

Assistant General Manager Business Development

Mrs. C. Jayasinghe

FICS, MILT - UK

M.sc. in International Shipping -UK

Diploma in Shipping (OSLO)

Internal Auditor

Y. Ponnamparuma Esq.

LICA, FMAAT,

Post Graduate Diploma in Shipping Management (OSLO)

Manager Chartering & Agency

I. Danthanarayane Esq.

B.sc. Public Management (Special) Hons.

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

MILT – UK ,LICA

Head of Administration

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

Diploma in Management – Open University

Diploma in Business Information

Shipping Training Programme Course-CSCL

Retired Officer during the period

Ms. M.M.J. Indraneela

Assistant General Manager (NVOCC, LOG, DOC, S & M)

Diploma in Shipping (OSLO)

CSCCL Annual Report & Accounts 2015 / 2016

The Chairman's Review

1. Delivery of Mv Ceylon Breeze:

The Financial Year 2015/16 ended on 31st March 2016 was a historic year for CSC for taking delivery of Mv Ceylon Breeze, the biggest ever ship as well as the first ever dry-bulk ship, built by CSC.

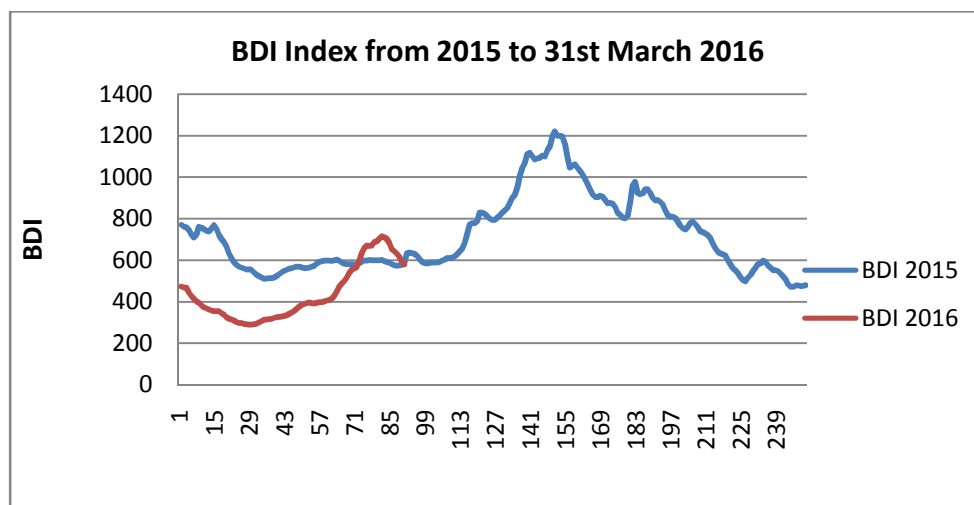
She was built in China at the shipyard at Weihai of the ship building contractor, AVIC International Beijing Company Ltd. The twin sister ship building project had the dual purpose of Trading and Training of Sri Lankan merchant shipping officer Cadets, and they are unique in their tailor-made accommodation deck to provide lodging for these Cadets.

It is also worthwhile mentioning of the unanticipated shipments of Coal offered by one of the Suppliers of Coal to Lanka Coal Company (Pvt) Ltd. from the East Russian port of Vostochny, which is located in a short distance of just 4 ½ days' sailing from the shipyard, coinciding the delivery date of MV Ceylon Breeze. It was quite significant since up until that time all the shipments were offered by the Suppliers from South Africa, and if not for this timely opportunity the empty vessel had to sail to South Africa 7,200 Nautical Miles steaming for about 25 days from the shipyard.

2. Dry-bulk Market and Financial Review:

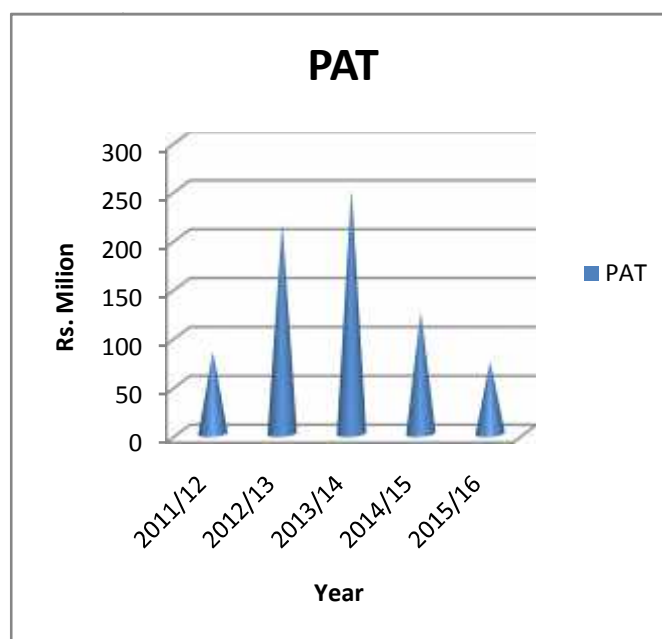
The global shipping industry has a derived demand from the world seaborne trade. Therefore, the downturn triggered by the recession in major economies, continued till end of Jan 2016 and thereafter shown an upward trend.

The following graph of the Baltic Dry-Index (BDI), which is a widely recognized pointer of the movements of freight earnings of dry-bulk ships, depicts the movements of the Index from 2015 up to 31st March 2016.



In spite of this situation in the shipping industry, CSC recorded Net profit of Rs.74.32 million for the 7th consecutive year after Tax & impairment of Debtors though it is a drop of about 40% from Rs.124.94 million achieved in 2014/15.

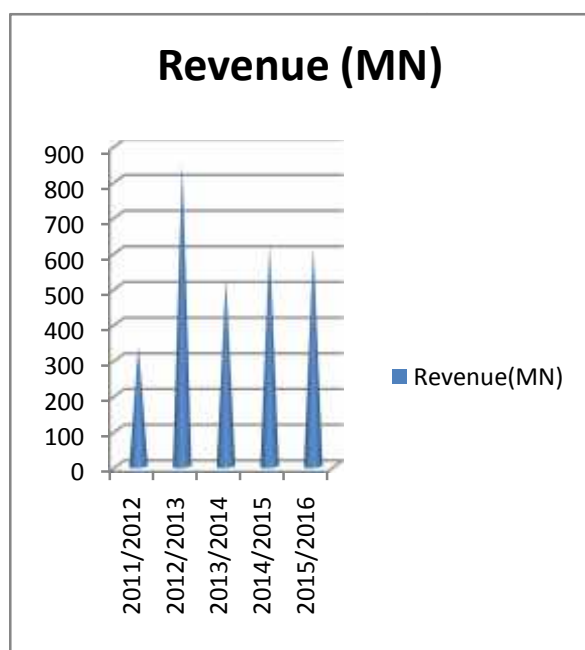
Profit after Income Tax (PAT) for the Year Ended 31st March



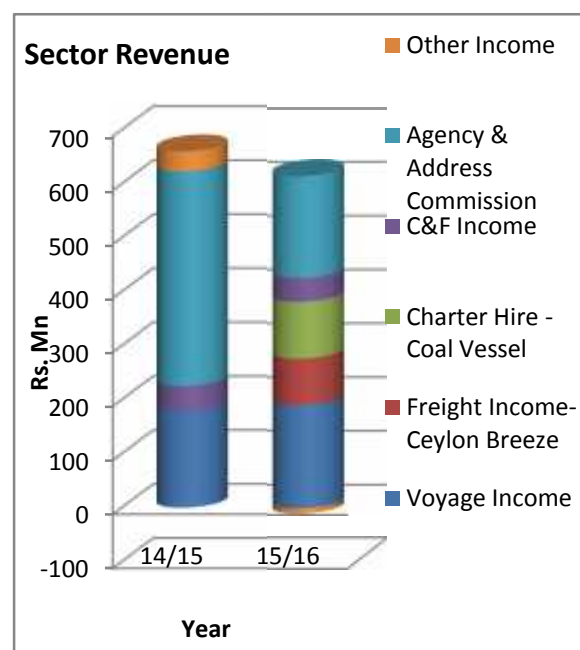
The drop of Revenue was only a meager 0.94% whilst there was a significant decline in Other Income from Rs.36.69 million to negative Rs.(9.8) million due to exchange loss. The main reason

for the reduction of the operational profit was due to the increase from direct expenses from Rs.134.89 million to Rs.260.99 million, which is attributed to operation of own vessel M/V Ceylon Breeze.

Revenue for the Year Ended 31st March Income



Sector Revenue Including Other for the Year Ended 31st March



3. Main Sectors of Business:

Coal Transportation and Lightering

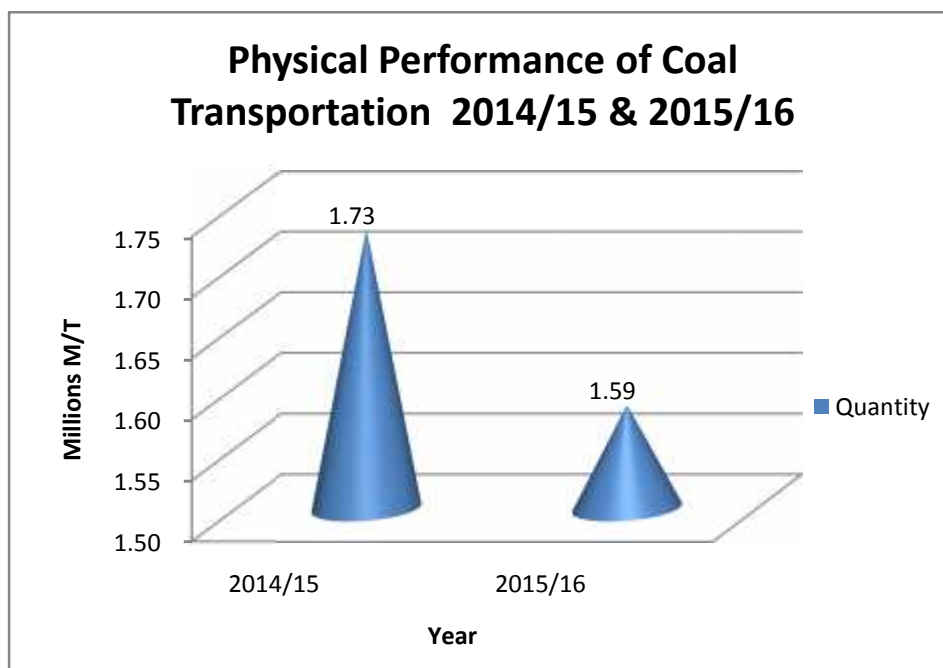
A new revenue stream from the sea transportation of coal on CSC's owned vessels, amounting to Rs. 86.16 million, were added to the revenue in 2015/16.

However, due to the re-negotiation of the charter contract for sea transportation of coal on third-party vessels, as per the decision taken by the Cabinet of Ministers in Feb 2015, the overall revenue from this business was declined, though it in fact resulted in saving of foreign exchange for the country at large.

On top of this, there was a drop of the quantity of Coal carried by CSC from 1,730,538 MT in 2014/15 to 1,585,662 MT in 2015/16, since 06 shipments (total 357,116 MT) were purchased by Lanka Coal Company (Pvt) Ltd. on CIF terms. However, the total quantity of 1,942,778 MT in 2015/16 was discharged at the anchorage and delivered to the Jetty (lightering) of the Power Station by the Barges by CSC.

In addition to the drop of revenue in terms of Address Commission on transportation of coal on mother ships, the Address Commission from the coal lightering business also declined as per the Bid offer selected at the Tender for selecting of a Barge owning Partner for the coal lightering business called in 2015.

In view of above reasons, the overall Agency and Address Commission income from the coal transportation and lightering operations was declined from Rs.397.7 million in 2014/15 to Rs.189 million in 2015/16.

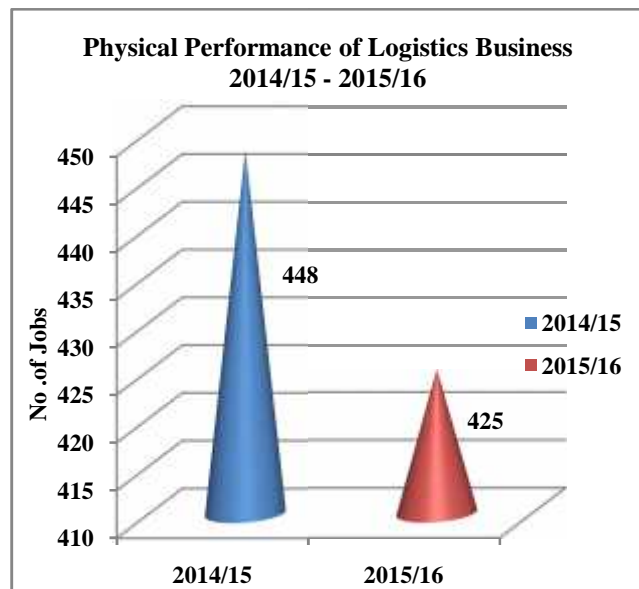
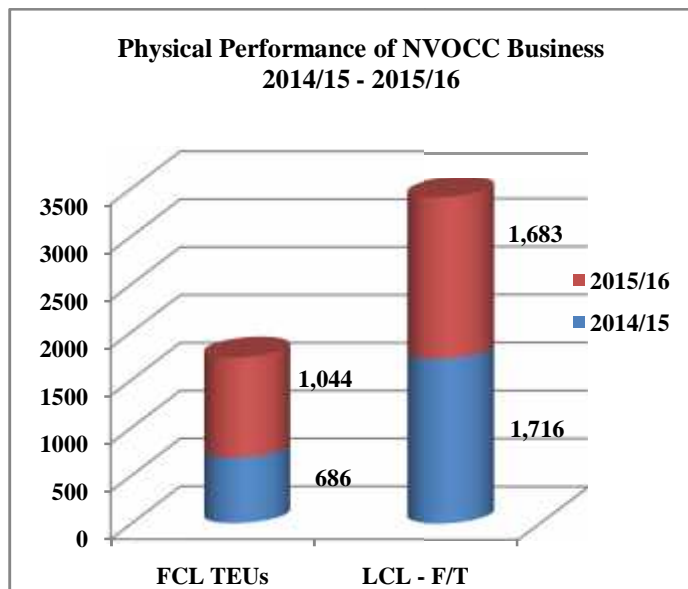


Non-Vessel Operating Common Carrier (NVOCC) Service

NVOCC Income has increased from Rs.178.71 Million in previous year to Rs.191.93 Million in the current year.

CSC continued to serve its' business on the liner sector on NVOCC basis arranging the sea passage mainly for Government sector cargoes under the existing Public Finance Circular No. 415 to and from the all the places all over the world during the year 2015/2016.

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.



In carriage of cargoes in Full Container Loads, there was a 52.18% increase in year 2015/2016 when compared with the figures in 2014/2015. This is due to CSC managing to secure more cargoes imported by the Government Institutions through various sales efforts.

There has been a decline in Logistics business when compared with the previous financial year due to a loss of a Customer as well as lesser no of shipments of major customers.

There a slight drop of Administrative Expenses from Rs. 189.83 million to Rs. 184.75 million.

4. Human Resources Development:

The Scheme of Recruitment for CSC was approved by the Department of Management Services in Feb 2016.

5. Welfare Activities:

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

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

The Directors of CSC are pleased to submit their report together with the Audited Accounts of the Company, for the year ended 31st March 2016, to be presented at its Annual 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 11. This report together with the Audited Financial Statement reflects the status 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 22 to 54 in this Annual Report prepared in compliance with the requirements of Section 151 of the Companies Act No. 7 of 2007.

Independent Auditor's Report

The Auditor's Report on the Financial Statements is given on page 20 to 21 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 26 to 54

Financial Results/Profit and Appropriations

The Statement of Comprehensive Income is set out on page 22.

Property, Plant & Equipment

During the year under review the Company invests Rs. 5,582mn.inproperty, plant & equipment. Note10 to the Financial Statement provides information relating to movement in Property, Plant & Equipment during the year.

Investments

Notes 13,14,15, and 16to the Financial Statement on page 40 to 42 declare the details of long term investments held by the Company as of 31st March 2016.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31st March 2016.

Stated Capital

In terms of the Companies Act No. 7 of 2007, the Stated Capital of the Company is Rs. 50,000,000 as at 31st March 2016. The details are given in note 23 to the Financial Statement on page 45

Going Concern

The Directors have reviewed the Company's business plans and are satisfied that the Company has adequate resources for going concern in 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.

Committee Members and attendance:

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

Name of Director	No. of Meetings attended	Attendance Percentage-%
Mr.A.K.Senevirathne	04	100
Mr.T.S.Nanayakkara	04	100
Mr.Suren Goonewardene-from 09/11/15	01	50
<i>(After appointing the Director Mr.Suren as an audit committee member, 02 Nos.meetings were held for this period and attended only for 01meeting.)</i>	01	50
Brigadier M.Wijeyewickrama -from 27/01/15 to 18/08/15		
<i>(During the period from 01/04/15 to 18/08/2015, only 02 nos.meetings were held and attended only for 01 meeting.)</i>		
Mr.K.P.G.Hemaratne	04	100

This table shows the membership of the committee together with their attendance at meetings during theyear 2015/16.If Directors are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Committee Chairman and to request for an excuse.

The 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

• Short term Assets:

Committee discussed the audit committee paper submitted for the subject matter

Decision:

- ✓ To identify the items purchased below the value of Rs.5,000.00 as Recurrent Expenditure and not as Capital Expenditure.
- ✓ To maintain records separately to the Asset Register.

- **Circulars for investing excess funds:**

External Auditors wanted to know about recent circulars etc.issued for investing funds.

Decision:

- ✓ No recent circulars to invest funds and, excess funds if any, the entity can invest as Treasury Bills for a period of short term or long term subject to the working capital requirements.
- **Excess payment of foreign travel allowance:**

Committee members wanted a clarification about excess payment of foreign travel allowance paid to the Technical Manager of CSC.

Decision:

- ✓ Foreign travel allowances must be paid as per the circular No MF/6/1/1/2015 and instructed to recover the over payments made.
- **The Internal Control System 2015:**

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 2016.

Decision:

- ✓ To forward the Internal Control System to the next Board meeting for approval.
- ✓ To add effective controls when necessary.

- **The Audit Programme 2015:**

Committee discussed the programme prepared.

Decision:

- ✓ To submit the Audit Programme to the next board meeting for approval.

- **Sitting allowance to the convener of the committee:**

Discussed the matter and declined the request.

Decision:

The convener is a salary paid employee of the entity and duties relating to the convener are considered as part of his normal duties and therefore sitting allowance for audit committee meetings is not an entitlement to the convener.

- **The Annual Budget 2015/16:**

Members of the Committee discussed in details the budget prepared for the period of 2015/16.

Decision:

- ✓ Committee decided that to prepare the corporation budget to match with the National Budget and the Finance Manager of CSC was instructed that to adjust tax rates of VAT, **NBT and Corporate Tax which have changed in the National Budget and therefore the** impact of said tax rates have to be adjusted in CSC budget accordingly.
- ✓ FM CSC was further instructed to prepare a past three years (2012/13, 2013/14, 2014/15) progress report with, variance analysis between actual and budgeted and submit the report to the next Board.
- ✓ Convener was instructed to follow up.

- **Ship Building Loan and Accounting Loss :**

Chairman of the committee asked the reasons for accounting loss shown in the budget in 2015/16 replied was budgeted operating expenses and other administrative costs are higher than the budgeted revenue after acquisition of 02.Nos.new ships. And FM CSC further informed the committee that ship building loan repayments will also be started in 2016/17 and therefore, loss would be continued if revenue factor remains unchanged.Proposals suggested for minimizing the said loss were, suitable employments for new ships, requesting budgetary allocations through the government treasury and positive methods of cost controls.

Decision:

- ✓ To strengthening the Business Development department and Chartering Departments.
- ✓ Instructed to maintain possible cost controls.

- **Overdue outstanding list:**

Subject list was discussed and observed that there were some government institutions as debtors in arrears.

Decision:

- ✓ Chairman of the committee instructed that to relevant officers/head of departments to forward a Chairman signed reminder letter to all parties in the list as a first step of recovery procedure.
- ✓ In additions to above step, instructed to send a Letter of Demand with the assistance of the Legal Department.

- **Delaying the minutes of the Audit Committee:**

External Auditors complained that delay in distributing the minutes of the meetings has to be minimized.

Decision:

- ✓ Convener was instructed that committee meeting minutes be available within a two weeks time before the date of meeting scheduled.
- **Cabinet Paper No 16/0041/719/001 dated 05/01/2016 and note to the Cabinet Ref No PE/BS/FM/CM dated 05/01/2016-Statutory Dues by State Owned Enterprises:**

CSC Senior Management Committee discussed the above matter and the clarification forwarded to the Secretary of the line ministry was tabled to the Audit Committee.

Clarification:

- ✓ Rs.23.0M Gratuity Provision and Rs.1.0M EPF Provision are not Statutory Dues, but provisions as per the Accepted Accounting Standards.
- ✓ And also, payment of Gratuity are paid promptly to the employees when they become eligible and no any outstanding as at date and similarly, statutory payments such as EPF,ETF and Taxes are provided monthly and remittances are made before the due dates.

Decision:

- ✓ Convener was instructed to follow up.
- **General:**

Under the any other matters of the agenda, Audit Committee members review the followings in this committee and Board.

- ✓ Regular payments of statutory dues
- ✓ Significant transactions
- ✓ Capital Expenditure done,
- ✓ Recovery of debts,
- ✓ Annual Budget with Actual
- ✓ Performance report of the Corporate Plan.
- ✓ 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

A handwritten signature in dark ink, appearing to be 'A. K. Senevirathne', written in a cursive style.

A. K. Senevirathne
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 அபிபதி திணைக்களம்

AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

POS/B/CSCL/1/16/4

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

14 September 2018

To the Shareholders of the
Ceylon Shipping Corporation Limited.

Report of the Auditor General on the Financial Statements of the Ceylon Shipping Corporation Limited for the year ended 31 March 2016.

The audit of the financial statements of the Ceylon Shipping Corporation Limited ("the Company") for the year ended 31 March 2016 comprising the statement of financial position as at 31 March 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 2016, and its financial performance and 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 which describing the failure of preparation of consolidated financial statements by considering the financial statements of its Subsidiary i.e. Ceylon Shipping Agency (Private) Limited since the Subsidiary is not in operation and in the process of liquidation.

Report on Other Legal and Regulatory Requirements

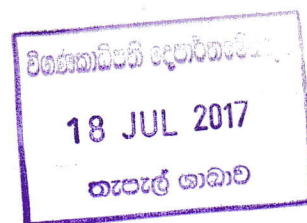
As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

- a. The basis of opinion and scope and limitations of the audit are 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 have been kept by the Company.
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

Report to Parliament

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


W.P.C. Wickramaratne**Auditor General (Acting)**



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March

	Notes	2016 Rs.	2015 Rs.
Revenue	4	617,071,388	622,974,244
Direct Operational Expenses		(260,993,862)	(134,899,598)
Gross Profit		<u>356,077,526</u>	<u>488,074,646</u>
Other Income	5	(9,834,314)	36,690,291
Administration Expenses		(184,758,722)	(189,838,445)
Profit from Operations before Impairment of Assets		<u>161,484,490</u>	<u>334,926,492</u>
Impairment of Assets		(51,471,119)	(138,872,917)
Profit from Operations	6	<u>110,013,371</u>	<u>196,053,575</u>
Net Finance Income/(Expense)	7	(2,743,836)	31,568,400
Share of Profit of Associates - (Net of Tax)	14.2	16,541,363	12,331,550
Profit before Tax		<u>123,810,898</u>	<u>239,953,525</u>
Income Tax Expense	8	(49,493,769)	(115,011,500)
Profit for the Year		<u><u>74,317,129</u></u>	<u><u>124,942,025</u></u>
Basic and Diluted Earnings Per Share	9	15	25
Profit for the Year		74,317,129	124,942,025
Other Comprehensive Income			
Loss on Changes in Fair Value of Available-for-Sale Financial Assets	16.1	(7,942,250)	(477,012)
Loss Arising from Changes in Actuarial Assumptions	29.1	(2,275,482)	(3,037,701)
Share of Other Comprehensive Income of Associates - (Net of Tax)	14.2	316,372	(1,891,729)
Total Comprehensive Income for the Year		<u><u>64,415,769</u></u>	<u><u>119,535,583</u></u>

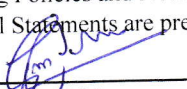
The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st March

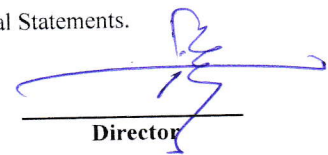
	Notes	2016 Rs.	2015 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	5,583,712,032.00	36,338,732
Capital Work-in-Progress - Vessels	11	3,438,496,046.00	4,948,946,995
Intangible Asset	12	-	-
Investment in Subsidiary	13	-	-
Investment in Associates	14	266,364,396.00	249,859,783
Available-for-Sale Financial Assets	16	22,578,528.00	30,520,778
Deferred Tax Asset	17	-	3,904,317
Total Non-Current Assets		9,311,151,002	5,269,570,605
Current Assets			
Inventories		80,348,915.00	410,396
Trade and Other Receivables	18	832,360,894.00	939,876,153
Statutory Receivables	19	22,974,946.00	21,549,126
Held to Maturity Investments	20	150,380,701.00	401,804,634
Short-Term Investments	21	249,127,541.00	236,564,356
Cash and Cash Equivalents	22	388,146,363.00	220,458,402
Total Current Assets		1,723,339,360	1,820,663,067
Total Assets		11,034,490,362	7,090,233,672
EQUITY AND LIABILITIES			
Equity			
Stated Capital	23	50,000,000.00	50,000,000
Contribution Against Equity Capital	24	543,939,497.00	543,939,497
Capital Reserve	25	767,029,766.00	767,029,766
Revaluation Reserve	26	3,065,444.00	3,065,444
Available-for-Sale Financial Assets Reserve		17,098,336.00	25,040,585
Retained Earnings		12,335,561.00	(60,022,456)
Total Equity		1,393,468,604	1,329,052,835
Non-Current Liabilities			
Long - Term Borrowings	28	7,964,256,501.00	4,861,787,543
Retirement Benefit Obligation - Gratuity	29	27,226,665.00	24,112,990
Deferred Tax Liability	17	35,666,473.00	-
Total Non-Current Liabilities		8,027,149,639	4,885,900,533
Current Liabilities			
Trade and Other Payables	30	744,216,814.00	713,350,008
Short Term Borrowing	31	821,968,000.00	-
Statutory Payables	32	40,511,470.00	154,789,604
Accrued Expenses	33	7,175,835.00	7,140,692
Total Current Liabilities		1,613,872,119	875,280,304
Total Equity and Liabilities		11,034,490,362	7,090,233,672

The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.
These Financial Statements are prepared in compliance with the requirements of the Companies Act, No.07 of 2007.


**Assistant General Manager-
Finance**

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board


Director


Director

Colombo.
10th July 2017.

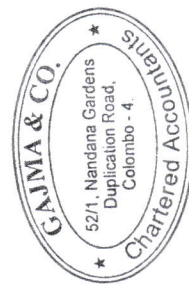


CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2016

	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 2014	50,000,000	543,939,497	767,029,766	3,065,444	25,517,598	(180,035,051.00)	1,209,517,254
Profit for the year	-	-	-	-	-	124,942,025.00	124,942,025
Other comprehensive income	-	-	-	-	(477,013)	(4,929,430.00)	(5,406,443)
Balance as at 31st March 2015	50,000,000	543,939,497	767,029,766	3,065,444	25,040,585	(60,022,456.00)	1,329,052,836
Loss for the year	-	-	-	-	-	74,317,129.00	74,317,129
Other comprehensive income	-	-	-	-	(7,942,249)	(1,959,112.00)	(9,901,361)
Balance as at 31st March 2016	50,000,000	543,939,497	767,029,766	3,065,444	17,098,336	12,335,561.00	1,393,468,604

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>	2016 Rs.	2015 Rs.
Cash flows from operating activities		
Profit/(loss) before tax	123,810,898	239,953,525
Adjustments for:		
Depreciation	34,766,522	7,771,246
Profit/loss on disposals of fixed assets	(704,900)	9,000
Provision for gratuity	3,440,695	3,021,962
Dividend income	(581,959)	-
Share of profit of associates - (net of tax)	(16,541,363)	(12,331,550)
Provision for impairment of trade debtors	51,471,119	-
Interest income	(37,999,749)	(31,607,049)
Interest expense	40,743,585	38,649
Operating profit before working capital changes	198,404,848	206,855,783
(Increase)/decrease in inventories	(79,938,519)	123,085
Decrease in trade and other receivables	56,044,140	275,814,802
Increase/(decrease) in trade and other payables	30,866,806	(79,830,570)
(Decrease)/increase in statutory payables	(33,278,411)	41,697,570
Increase in accrued expenses	35,143	1,000,794
Cash generated from operations	172,134,007	445,661,463
Gratuity paid	(2,602,502)	(2,288,245)
Interest paid	(40,743,585)	(38,649)
Taxes paid	(82,425,543)	(84,527,878)
Net cash from operating activities	46,362,377	358,806,692
Cash flows from investing activities		
Purchase of fixed assets	(2,444,989)	(23,862,929)
Payments for vessels cost	(4,069,243,888)	(4,666,559,452)
Proceeds from disposals of fixed assets	704,900	-
Net Proceeds from/(investment) in held-to-maturity financial assets	251,423,933	(95,976,802)
Net investment in short-term investments	(12,563,185)	-
Interest received	28,429,896	4,879,277
Dividend received	581,959	353,123
Net cash used in investing activities	(3,803,111,374)	(4,781,166,785)
Cash flow from financing activity		
Proceeds from vessel loan	3,924,436,958	4,579,400,000
Net cash from financing activity	3,924,436,958	4,579,400,000
Net increase in cash and cash equivalents	167,687,961	157,039,907
Cash and cash equivalents at the beginning of the year	220,458,402	63,418,495
Cash and cash equivalents at the end of the year	388,146,363	220,458,402

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, 2016

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, 2016 was 115 (March 31, 2015-120).

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...10th July 2017.

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.

CEYLON SHIPPING CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2.4 Functional and Presentation Currency

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

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

2.5 Use of Estimates and Judgments

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

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

2.6 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign Currency Transactions/Translation

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

3.2 Income Tax Expense

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

(a) Current Tax

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

CEYLON SHIPPING CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The carrying amount of deferred tax is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

ASSETS AND BASES OF VALUATION

Assets classified as current assets in the statement of financial position are cash and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the reporting date whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the date of financial position.

3.3 Property, Plant and Equipment

(a) Recognition and Measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses except the land which was carried at revalued amount in the statement of financial position. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent Expenditure

The Company adds to the carrying amount of an item of property, plant and equipment, the cost of replacing parts of such an item, when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

(c) Depreciation

Land is not depreciated. Depreciation is charged to the profit or loss so as to allocate the cost of assets less their residual value over the estimated useful lives of other items of property, plant and

CEYLON SHIPPING CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

3.4 Intangible Asset

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

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

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

3.5 Investment in Associates

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

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

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

CEYLON SHIPPING CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3.6 Non-Current Assets Held For Sale

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

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

3.7 Impairment of Non-Financial Assets

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

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

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

3.8 Inventories

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

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

3.9 Financial Instruments

Financial Assets

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

(a) Classification

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in

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.

CEYLON SHIPPING CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 depend on one or more factors such as age, years of service and compensation.

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

**(a) Defined Contribution Plans - Employees' Provident Fund (EPF) and
- Employees' Trust Fund (ETF)**

All employees who are eligible for Employees' Provident Fund and Employees' Trust Fund contributions are covered by relevant contribution funds in line with respective statutes and regulations.

(b) Defined Benefit Plans - Retirement Gratuity

The liability recognised in the statement of financial position in respect of retirement gratuity is the present value of gratuity obligation at the reporting date. Gratuity obligations are measured using projected unit credit method calculated using the gratuity formula.

According to the Payment of Gratuity Act, No. 12 of 1983, the Company is liable to pay gratuity only to retiring employees who have completed five years of continuous service.

Actuarial gains/losses are recognised in other comprehensive income in the period those occurred.

Gratuity is not funded externally.

3.12 Contingencies and Capital Commitments

All material capital commitments and contingencies, which exist as at the reporting date, are disclosed in the respective notes to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

3.13 Revenue Recognition

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

(a) Voyage Income

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

(b) Charter Hire Income

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

(c) Agency Fee

Agency fee is recognized as revenue in the period in which the services are rendered based on completion of services.

(d) Interest

Interest income is recognised using effective interest method.

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

(e) Other Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for profit and loss, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

(f) Dividend Income

Dividend income is recognized when the right to receive payment is established.

3.14 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year.

3.15 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.

3.16 Related Party Transactions

Disclosures have been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions/policies irrespective of a price being charged.

3.17 New Accounting Standards Issued but not yet Effective

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

SLFRS 9 - Financial Instruments: Classification and Measurement

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

SLFRS 14 – Regulatory Deferral Accounts

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

SLFRS 15 – Revenue from Contracts with Customers

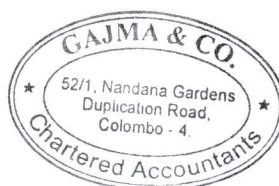
SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the existing revenue recognition guidance, including LKAS 18-Revenue, LKAS 11-Construction Contracts and IFRIC 13-Customer Loyalty Programmes. This standard is effective for the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

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

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March

	Notes	2016 Rs.	2015 Rs.
4 Revenue			
Voyage		191,931,985	178,717,226
Freight		86,158,193	-
Charter hire		105,221,782	-
Clearing and forwarding		44,860,061	46,528,936
Agency and address commission		188,899,367	397,728,082
		617,071,388	622,974,244
5 Other Income			
Profit on disposals of fixed assets		704,900	-
Dividend		581,959	9
Net exchange (loss)/gain		(23,309,445)	23,809,073
Management fees - Ceylon Electricity Board tugs and barges		11,850,000	11,850,000
Others		338,272	1,031,209
		(9,834,314)	36,690,291
6 Profit/(Loss) from Operations			
Profit/(loss) from operations is stated after charging all the operational expenses including the following.			
Auditor's remuneration		573,341	436,425
Depreciation		34,766,522	7,771,246
Professional and legal fees		3,833,188	2,869,724
Staff costs (Note: 6.1)		118,672,822	120,498,623
6.1 Staff Costs			
Directors' remuneration		1,260,750	1,782,581
Salaries and wages		102,100,966	102,932,578
Defined contribution plan costs - Employees' Provident Fund and Employees' Trust Fund		9,594,929	9,723,801
Defined benefit plan cost - Retiring Gratuity		5,716,177	6,059,663
		118,672,822	120,498,623
7 Net Finance Income/(Expense)			
7.1 Finance Income			
Interest income - Fixed deposits and treasury bills		36,756,816	30,320,413
Interest income - Staff loans		1,242,933	1,286,636
		37,999,749	31,607,049
7.2 Finance Expense			
Interest expense - Vessel loan		(40,743,585)	(38,649)
		(2,743,836)	31,568,400
8 Income Tax Expense			
Tax on ordinary activities	8.1	4,535,121.00	102,066,507
Reversal of deferred tax asset	17	39,570,790.00	43,087
Deemed dividend tax		5,387,858.00	12,901,906
		49,493,769	115,011,500



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March

	Note	2016 Rs.	2015 Rs.
8.1 Reconciliation between Taxable Profit and Accounting Profit			
Accounting profit before tax		123,810,898	239,953,525
<i>Less:</i> Share of profit of associates - (net of tax)		(16,541,363)	(12,331,550)
		<u>107,269,535</u>	<u>227,621,975</u>
Aggregated disallowable items		94,612,463	152,275,666
Aggregated allowable items		(1,865,775,391)	(9,279,301)
Income not subject to tax		(38,581,707)	(31,607,058)
Profit/(loss) from trade or business		<u>(1,702,475,100)</u>	<u>339,011,282</u>
<i>Add:</i> Other income liable for tax-interest income (Rs. 37,999,748 @ 35%)		13,299,912	31,607,049
Total statutory income/assessable income		<u>(1,689,175,188)</u>	<u>370,618,331</u>
<i>Add:</i> Taxable income liable for tax-interest income (Rs. 37,999,748 @ 65%)		24,699,836	31,607,049
Tax charged at statutory tax rate of 28%		6,915,954	103,773,133
<i>Less:</i> Notional tax		(2,380,833)	(1,706,626)
Current tax on ordinary activities for the year	8	<u><u>4,535,121</u></u>	<u><u>102,066,507</u></u>

9 Basic and Diluted Earnings Per Share

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

Amount used as the numerators

Net profit attributable to equity holders (Rs)	74,317,129	124,942,025
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Amount used as the denominator

Weighted average number of shares in issue	5,000,000	5,000,000
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Basic and Diluted Earnings Per Share (Rs.)	<u><u>14.86</u></u>	<u><u>24.99</u></u>
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Basic and Diluted Earnings Per Share

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

Amount used as the numerator

Net profit/(loss) attributable to equity holders (Rs.)	74,317,129	124,942,025
--	------------	-------------

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2016

10 Property, Plant and Equipment

	Land and Housing Project Rs.	Buildings Rs.	Vessel Rs.	Motor Vehicles Rs.	Furniture and Fittings Rs.	Office Equipment and Computers Rs.	Total Rs.
Cost/Valuation							
Balance as at 1st April 2015	5,286,340	43,390	-	49,346,932	14,661,864	17,290,373	86,628,899
Additions during the year	-	-	-	-	821,237	1,623,752	2,444,989
Transferred from capital work-in-progress-vessels during the year	-	-	5,579,694,834	-	-	-	5,579,694,834
Disposals during the year	-	-	-	(3,100,000)	(232,473)	(133,437)	(3,465,910)
Balance as at 31st March 2016	5,286,340	43,390	5,579,694,834	46,246,932	15,250,628	18,780,688	5,665,302,812
Accumulated Depreciation							
Balance as at 1st April 2015	1,211,476	43,390	-	25,289,128	9,952,228	13,793,946	50,290,168
Charge for the year	8,316	-	24,905,636	7,462,911	818,767	1,570,892	34,766,522
On disposals	-	-	-	(3,100,000)	(232,473)	(133,437)	(3,465,910)
Balance as at 31st March 2016	1,219,792	43,390	24,905,636	29,652,039	10,538,522	15,231,401	81,590,780
Net Book Value							
				Notes	2016 Rs.	2015 Rs.	
Land and housing project					4,066,548	4,074,864	
Buildings					-	-	
Vessels					5,554,789,198	-	
Motor vehicles					16,594,893	24,057,805	
Furniture and fittings					4,712,106	4,709,636	
Office equipment and computers					3,549,287	3,496,427	
					5,583,712,032	36,338,732	
Capital work-in-progress - Buildings				10.1	3,626,440	3,626,440	
Provision for impairment					(3,626,440)	(3,626,440)	
				10.2	5,583,712,032	36,338,732	

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

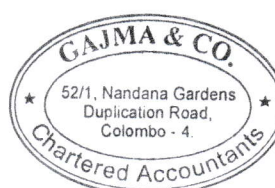
1. The short term Time Charter (2016-2020) has been estimated based on demand and supply expectations.
 2. For the long term freight outlook (2021-2041) time charter rate has been estimated using the method of Mean Reservation Analysis (MRA)
 3. Time charter rates have thus been estimated using the 13 year historical average inflation adjusted new building price, covering the useful 25 years trading life of a vessel, at a WACC 10.2%
- Other factor they have considered that will come to place by 2020 "emission control norms and retrofitting of ballast water treatment system". These two regulations are expected to send tonnage older than 18-20 years to scrap yard thereby pushing the earnings of existing tonnage. In this scenario increase in the earnings matches objective information about pattern over industry lifecycle.

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

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

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

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



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2016 Rs.	2015 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		5,579,712,032	32,338,732
At valuation		4,000,000	4,000,000
	10	5,583,712,032	36,338,732

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

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

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

Property, plant and equipment of the Company with a cost of Rs.16,704,617 (2015 - Rs.13,269,081) have been fully depreciated and held to continue to be in use by the Company.

11 Capital Work-in-Progress - Vessels

	MV Ceylon Breeze Rs.	MV Ceylon Prince Rs.	Total Rs.
Cost			
Balance as at 1st April 2015	2,957,886,893	1,991,060,102	4,948,946,995
Additions during the year	2,119,083,078	1,011,366,090	3,130,449,168
Borrowing costs	502,724,866	436,069,854	938,794,720
Transfer to Property, Plant and Equipment	(5,579,694,837)	-	(5,579,694,837)
Balance as at 31st March 2016	-	3,438,496,046	3,438,496,046

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

As at 31st March

	2016 Rs.	2015 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

2016
Rs.

2015
Rs.

13 Investment in Subsidiary

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

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

14 Investment in Associates

Carrying Value on Equity Method

Ceylon Shipping Lines (Private) Limited	216,721,799	200,198,909
Ceylon Shipping Agency (Pte) Ltd - Singapore	49,642,597	49,660,874
	<u>266,364,396</u>	<u>249,859,783</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>

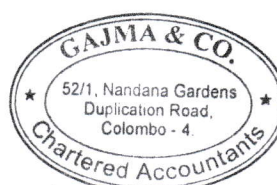
14.2 Movement of Investment in Associates on Equity Method

Investor's Share of Net Assets

Balance at the beginning of the year	249,859,783	239,773,085
Share of profit of associates - (net of tax)	16,541,363	12,331,550
Share of other comprehensive income of associates - (net of tax)	316,372	(1,891,729)
Dividend income	(353,122)	(353,123)
Balance at the end of the year	<u>266,364,396</u>	<u>249,859,783</u>

14.3 Summarized Financial Information of Associates

	Ceylon Shipping Agency (Pte) Ltd - Singapore		Ceylon Shipping Lines (Private) Limited	
As at 31st December	2015	2014	2015	2014
Total assets	165,990,831	187,137,065	713,096,816	644,475,603
Total liabilities	57,217,066	78,326,001	104,719,963	78,465,111
Net assets	108,773,765	108,811,064	608,376,853	566,010,492
Revenue	552,954,826	607,215,332	415,654,415	384,974,776
Operating expenses	552,138,230	604,153,360	406,779,687	384,911,018
Other income	67,559	71,216	22,025,270	13,342,430
Profit for the year	750,678	3,238,105	41,470,592	27,550,971
Total comprehensive income for the year	750,678	3,238,105	43,271,826	28,210,873



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2016 Rs.	2015 Rs.
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15 Financial Instruments

Categories of Financial Assets and Financial Liabilities

The carrying value of the financial assets and liabilities reported in the statement of financial position are as follows:

The Carrying Values of Financial Assets and Liabilities

15.1 Financial Assets

15.1.1 Available-for-Sale

Quoted investment	16.1	20,201,458	28,143,708
Unquoted investments	16.2	2,377,070	2,377,070
		<u>22,578,528</u>	<u>30,520,778</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>150,380,701</u>	<u>401,804,634</u>
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Held to maturity investments are measured inclusive of interest receivable.

15.1.3 Loans and Receivables

Trade and other receivables	18	832,360,894	939,876,153
Short-term investments	21	249,127,541	236,564,356
Cash and cash equivalents	22	388,146,363	220,458,402
		<u>1,469,634,798</u>	<u>1,396,898,911</u>

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

Total Financial Assets		<u><u>1,642,594,027</u></u>	<u><u>1,829,224,323</u></u>
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15.2 Financial Liabilities

Trade and other payables	30	744,216,814	713,350,008
Total Financial Liabilities		<u><u>744,216,814</u></u>	<u><u>713,350,008</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2016 Rs.	2015 Rs.
16 Available-for-Sale Financial Assets			
Quoted investment	16.1	20,201,458	28,143,708
Unquoted investments	16.2	2,377,070	2,377,070
		<u>22,578,528</u>	<u>30,520,778</u>

16.1 Quoted Investment

Balance at the beginning of the year		28,143,708	28,620,720
Loss on changes in fair value		(7,942,250)	(477,012)
Balance at the end of the year	16	<u>20,201,458</u>	<u>28,143,708</u>

	No. of Shares	2016		2015	
		Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Mercantile Shipping Company PLC	238,506	<u>2,068,800</u>	<u>20,201,458</u>	<u>2,068,800</u>	<u>28,143,708</u>

16.2 Unquoted Investments

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

	Notes	2016 Rs.	2015 Rs.
	No. of Shares		
Associate News Papers of Ceylon Limited	31,206	312,060	312,060
Ceylon Port Services Limited	5,000	50,000	50,000
Sri Lanka Port Management and Consultancy Ltd	1,501	15,010	15,010
Lanka Coal Company (Private) Limited	200,000	2,000,000	2,000,000
	16	<u>2,377,070</u>	<u>2,377,070</u>

17 Deferred Tax Asset/(Liability)

Balance at the beginning of the year		3,904,317	3,947,404
Reversal during the year	8	(39,570,790)	(43,087)
Balance at the end of the year	17.1	<u>(35,666,473)</u>	<u>3,904,317</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	2016 Rs.	2015 Rs.
17.1 The Analysis of Deferred Tax Asset and Liability			
Deferred Tax Liability			
From accelerating depreciation		(516,258,990)	(2,847,320)
		<u>(516,258,990)</u>	<u>(2,847,320)</u>
Deferred Tax Asset			
From Tax Loss		472,969,051	-
From retirement benefit obligation		7,623,466	6,751,637
		<u>480,592,517</u>	<u>6,751,637</u>
	17	<u>(35,666,473)</u>	<u>3,904,317</u>

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

18 Trade and Other Receivables

Trade receivables	18.1	824,670,982	852,775,200
Deposits and advances	18.2	8,599,715	10,414,450
Staff receivables	18.3	38,080,656	40,426,663
Other receivables	18.4	(38,990,459)	36,259,840
		<u>832,360,894</u>	<u>939,876,153</u>

18.1 Trade Receivables

Trade receivables		1,191,274,179	1,167,907,279
Provision for impairment		(366,603,197)	(315,132,078)
	18	<u>824,670,982</u>	<u>852,775,200</u>

Trade receivables comprise the following receivables from related parties.

Receivables from Related Parties

Government Institutions		<u>818,272,320</u>	<u>834,360,421</u>
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The aging of the trade receivables is as follows.

Aging of the Trade Receivables

Up to one year		680,890,435	804,552,898
1 to 4 years		143,780,548	122,554,672
More than four years		366,603,197	240,799,709
		<u>1,191,274,180</u>	<u>1,167,907,279</u>

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

The Details of Provision for Impairment of the Trade Receivables;

Specific Impairment

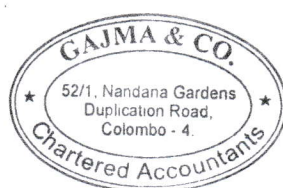
Government institutions		36,206,870	36,206,870
Foreign agents		64,024,592	64,024,592
Private institutions		44,083,601	44,083,601
Others		31,944,098	31,944,098

Collective Impairment

		<u>190,344,036</u>	<u>138,872,917</u>
		<u>366,603,197</u>	<u>315,132,078</u>

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>	Notes	2016 Rs.	2015 Rs.
18.2 Deposits and Advances			
Container deposits		5,631,108	5,359,017
Other refundable deposits		7,914,464	7,914,465
Advances		3,383,053	5,469,878
		<u>16,928,625</u>	<u>18,743,360</u>
Provision for impairment	18	<u>(8,328,910)</u>	<u>(8,328,910)</u>
		<u>8,599,715</u>	<u>10,414,450</u>
18.3 Staff Receivables			
Staff loans		33,368,238	36,130,946
Advances and others		4,712,418	4,295,717
	18	<u>38,080,656</u>	<u>40,426,663</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		(95,086,749)	(19,836,450)
		<u>(15,688,649)</u>	<u>59,561,650</u>
Provision for impairment	18	<u>(23,301,810)</u>	<u>(23,301,810)</u>
		<u>(38,990,459)</u>	<u>36,259,840</u>
19 Statutory Receivables			
Withholding Tax		1,425,820	-
Goods and Services Tax		18,936,777	18,936,777
National Security Levy		2,612,349	2,612,349
		<u>22,974,946</u>	<u>21,549,126</u>
20 Held to Maturity Investments			
Investment in treasury bills		<u>150,380,701</u>	<u>401,804,634</u>
21 Short-Term Investments			
Investment in fixed deposits	21.1	217,730,685	205,867,304
State Mortgage and Investment Bank - for staff loans		31,396,856	30,697,052
		<u>249,127,541</u>	<u>236,564,356</u>
21.1 Investment in Fixed Deposits			
People's Bank		215,918,814	204,083,465
Bank of Ceylon		1,358,550	1,365,642
Commercial Bank of Ceylon PLC		35,000	35,000
Commercial Bank of Ceylon PLC - security and housing loan		406,486	383,197
	21	<u>217,730,685</u>	<u>205,867,304</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2016 Rs.	2015 Rs.
22 Cash and Cash Equivalents			
Cash in hand		137,773	132,373
Cash at bank		388,008,590	220,326,029
Balance for Statement of Cash Flows		<u>388,146,363</u>	<u>220,458,402</u>

23 Stated Capital

Issued and Fully Paid

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

<u>50,000,000</u>	<u>50,000,000</u>
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24 Contribution Against Equity Capital

This represents funds received from the treasury for capital contribution, advances to working capital and for investing in new passenger terminal for ferry services.

25 Capital Reserve

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

26 Revaluation Reserve

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

28 Long - Term Borrowings

People's Bank - Vessel Loan	28.1	7,397,712,000	4,715,550,000
People's Bank - Interest Capitalisation Loan	28.2	566,544,501	146,237,543
		<u>7,964,256,501</u>	<u>4,861,787,543</u>

28.1 People's Bank - Vessel Loan

Balance at the beginning of the year		4,715,550,000	-
Proceeds during the year		2,917,600,000	4,579,400,000
Exchange loss		586,530,000	136,150,000
		<u>8,219,680,000</u>	<u>4,715,550,000</u>
Repayable within one year	31	821,968,000	-
Repayable after one year	28	<u>7,397,712,000</u>	<u>4,715,550,000</u>

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

28.2 People's Bank - Interest Capitalisation Loan

Balance at the beginning of the year		146,237,543	-
Proceeds during the year		407,227,745	146,237,543
Exchange loss		13,079,213	-
Balance at the end of the year		<u>566,544,501</u>	<u>146,237,543</u>
Repayable after one year	28	<u>566,544,501</u>	<u>146,237,543</u>

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2016 Rs.	2015 Rs.
29 Retirement Benefit Obligation - Gratuity			
Balance at the beginning of the year		24,112,990	20,341,572
Provision for the year	29.1	5,716,177	6,059,663
		29,829,167	26,401,235
Payments made during the year		(2,602,502)	(2,288,245)
Balance at the end of the year		<u>27,226,665</u>	<u>24,112,990</u>

29.1 Provision for the Year

Current service cost		1,097,613	1,033,191
Interest charge for the year		2,343,082	1,988,771
Loss arising from changes in actuarial assumptions		2,275,482	3,037,701
	29	<u>5,716,177</u>	<u>6,059,663</u>

The principal assumptions used are as follows.

Discounting factor	10.74%	10.70%
Expected future salary increment	1.25%	1.20%
Staff turnover factor	2.56%	4.30%
Retirement age	60 years	60 years

These assumptions are developed by the Company based on the management's best estimates of variables used to measure the retirement benefit obligation. Discounting factor is determined on the basis of market rates of long-term Government Bond.

30 Trade and Other Payables

Trade payables	716,012,151	710,444,962
Deposits	99,363	99,362
Others	28,105,298	2,805,683
	<u>744,216,812</u>	<u>713,350,008</u>

31 Short -Term Borrowings

People's Bank - Vessel loan	<u>821,968,000</u>	-
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32 Statutory Payables

Current Tax	6,690,281	77,767,300
Stamp Duty	19,674	19,399
Value Added Tax	33,800,253	77,002,904
	<u>40,511,470</u>	<u>154,789,604</u>

33 Accrued Expenses

Accrued expenses	<u>7,175,835</u>	<u>7,140,692</u>
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CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2016

34 Contingent Liabilities

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

The Company entered into an agreement with M/s. Taurian Iron & Steel Company in Mumbai, India to supply coal for Lanka Coal Company (Pvt)Ltd, the procuring arm of coal for "Lakvijaya" power plant in Puttalam belongs to Ceylon Electricity Board (CEB). The supply of coal under the said agreement had to be halted due to a quality issue of coal supplied by the said party. This dispute was referred to the Attorney General's Department to initiate legal action against M/s. Taurian Iron & Steel Company with a view of claiming damages. Upon scrutinising the agreement and related documents the Attorney General's Department requested for cogent evidence to support the Company line of argument, however, Ceylon Electricity Board failed to provide it after all attempts. Then the Attorney General's Department advised the Company to negotiate for an amicable settlement with the said party for the issues in dispute. Thereafter, this was referred to the Cabinet of Ministers with a related issue. The Cabinet of Ministers decided to authorised the Secretary to the Ministry of Ports and Shipping to appoint a committee comprising four members from General Treasury, Ceylon Electricity Board, Ceylon Shipping Corporation Ltd and Lanka Coal Company (Pvt) Ltd and the nominee from the General Treasury being a senior officer as the chairman of the committee. Now the committee has completed the negotiation with M/s. Taurian Iron & Steel Company and has submitted a report to the Ministry of Ports and Shipping and the Ministry in turn intends to bring the contents of the report to the attention of Cabinet of Ministers soon.

The transportation of crude oil for Ceylon Petroleum Corporation had to be discontinued due to a dispute arose between the foregoing ship owner and the disponent owner of the vessel from whom the Company chartered the vessel for the carriage of crude oil. This discontinuation resulted in financial disputes Ceylon Shipping Corporation Ltd with both the disponent owner of the vessel and Ceylon Petroleum Corporation in respect of the carriage of crude oil in three consignments before discontinuation. The recovery of dues from the foregoing ship owner was handed over to the Attorney General's Department and several consultations were had with senior officials of the department and waiting for their opinion to proceed. In respect of dues from Ceylon Petroleum Corporation, Ceylon Shipping Corporation Ltd requested the interference of the Secretary to the Ministry of Ports and Shipping as the Chief Accounting Officer to resolve the issue in a manner acceptable to both these state institutes. Accordingly, the line Ministry has appointed a committee comprising officials from both institutes and a representative from the Department of Public Enterprise of the General Treasury to discuss and agree on terms acceptable to both these organisations to resolve this matter. The committee has already commenced their work.

35 Related Party Disclosures

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

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2016

35 Related Party Disclosures (Continued)

35.1 Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standards, LKAS 24 - "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Directors, General Manager and Operational Managers have been classified as Key Management Personnel of the Company.

Transactions with Key Management Personnel	2016 Rs.	2015 Rs.
Remuneration and other short-term employment benefits	17,179,573	14,291,049
Balance outstanding - Loans and advances	4,951,450	3,240,326
- Post employment benefits	8,877,913.00	1,262,604

35.2 Transactions with Related Entities

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

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

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

Related Parties	Nature of Transactions	Transaction Value	Balance (Due)/ Receivable as at 31/03/2016
		Rs.	Rs.
Government of Sri Lanka	Freight charges, charter hire, container rent, clearing & forwarding and other charges	123,644,395	
	Settlements	(122,914,200)	80,618,547
State-Owned Enterprises	Freight charges, clearing & forwarding and other charges	162,128,029	
	Settlements	(75,043,973)	106,752,013
	Freight charges, lightering and bunker escalation charges	3,751,203,590	
	Settlements	(3,856,019,852)	628,767,289
Other Government Related Entities	Clearing & forwarding and other charges	3,595,360	
	Settlements	(2,681,450)	2,134,471

36 Events after the end of the Reporting Period

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



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2016

37 Capital Commitments

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

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

38 Financial Risk Management

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

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 2016.

	Notes	2016 Rs.	2015 Rs.
Risk Exposure to Financial Assets			
Cash and cash equivalents	36.1.1	388,008,590	220,326,030
Term deposits with banks		249,127,541	236,564,356
Trade receivables	36.1.2	1,191,274,179	1,167,907,279
Other receivables		7,689,912	87,100,953
		<u>1,836,100,222</u>	<u>1,711,898,617</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2016

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	2016 Rs.	2015 Rs.
Cash at bank		388,008,590	220,326,030
	36.1	<u>388,008,590</u>	<u>220,326,030</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	2016 Rs.	2015 Rs.
Aging of the Trade Receivable			
Up to one year		680,890,435	804,552,898
1 to 4 years		143,780,548	122,554,672
More than four years		366,603,197	240,799,709
	36.1	<u>1,191,274,180</u>	<u>1,167,907,279</u>

The Company establishes policy for provision for impairment (Refer note 3.9.1 to the financial statements) that represents the estimate of incurred losses in respect of trade receivables. According to the impairment policy established, customers are reviewed individually to measure the impairment loss. Please refer note 18.1 to the financial statements relating to trade receivables and provision for impairment loss.

36.1.3 Other Financial Assets

Credit risk arising from other financial assets of the Company comprises deposits held with banks. The Company's exposure to credit risk arises from default in meeting contractual obligations of the contractual parties, with a maximum exposure equal to the carrying amount of these financial instruments. The Company manages its credit risks with regard to these financial instruments by mainly placing its fund with state banks and credit rated banks.

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2016

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 2016 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	22,578,528	-	-	22,578,528
Held to maturity investments	150,380,701	150,380,701	-	-
Short-term investments	249,127,541	-	217,730,685	31,396,856
Trade receivables	1,191,274,179	1,191,274,179	-	-
Other receivables	7,689,912	(38,990,459)	46,680,371	-
Cash and cash equivalents	388,008,590	388,008,590	-	-
	<u>2,009,059,451</u>	<u>1,690,673,011</u>	<u>264,411,056</u>	<u>53,975,384</u>
Financial Liabilities				
Trade payables	716,012,151	716,012,151	-	-
Other payables	28,204,661	28,105,298	99,363	-
	<u>744,216,812</u>	<u>744,117,449</u>	<u>99,363</u>	<u>-</u>

36.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the Company's income or the carrying value of holdings of financial instruments.

CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2016

36.3.1 Currency Risk

The Company's exposure to currency risk is arising from fluctuations in the value of US Dollar (USD) and other foreign currencies against Sri Lankan Rupee. The Company's functional currency in respect of certain services rendered is USD and other foreign currencies. Certain trade receivables & payables are denominated in foreign currencies.

The net foreign exchange loss that the Company has reported and included in the operating results for the reporting period 2016 is Rs. 23,265,396/-.

36.3.2 Interest Risk

The Company's exposure to interest risk is the changes in market interest rates relate to short-term bank deposits, treasury bills and term deposits.

The Company has bank balances including term deposits placed with state banks and credit rated banks. The

Company manages interest rate risk by actively monitoring the interest rate movements.

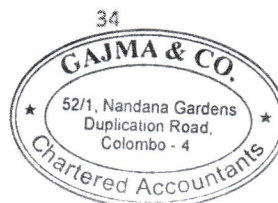
36.4 Capital Management

The Company manages its capital for safeguarding the Company's ability to continue as a going concern in order to provide maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital structure on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings by total equity. Total borrowings include non-current and current borrowings as shown in the statement of financial position. Following table depicts the Company's total borrowing and equity ratio as at 31 March 2015 and 2016.

	2016	2015
	Rs.	Rs.
Class of Capital		
Total borrowings	7,964,256,501	4,861,787,543
Total equity	1,393,468,604	1,329,052,835
Gearing ratio (x)	572%	366%

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

Description	2015/16	2014/15
	Rs.	Rs.
STAFF TRAINING	924,643	293,237
CONTRIBUTION TO PROVIDEND FUND	7,995,774	8,103,167
EXECUTIVE STAFF SALARIES	44,489,300	41,519,879
CLERICAL & ALLIED STAFF SALARIES	37,352,468	31,979,533
TEMPORARY & CASUAL EMPLOYEES WAGES	1,732,364	577,194
OVERTIME	8,153,934	8,994,375
BONUS	2,780,808	1,628,442
CONTRIBUTION TO E.T.F	1,599,155	1,620,634
MEDICAL LEAVE PAY	2,299,119	2,409,754
GRATUITY PAYMENTS	3,440,696	3,021,961
PAYE TAX	881,707	538,845
HARDSHIP ALLOWANCE-NORROCHCHPLAI	1,065,500	1,121,250
Library	-	2,900
OFFICE RENT	9,023,328	8,453,828
PRINTING & STATIONARY	1,171,372	2,001,854
MEMBERSHIP SUBSCRIPTIONS	1,137,748	759,766
NEWSPAPERS & PERIODICALS	278,700	299,924
INSURANCE	7,457,774	7,206,224
MAINT. OF OFFICE PREMISES & EQUIPME	2,522,021	7,439,519
ELECTRICITY CHARGES	1,966,902	1,699,638
ELECTRICITY CHARGES(FERRY)	-	41,150
STAFF WELFARE	3,302,830	14,408,913
SECURITY CHARGES	1,817,617	1,946,517
COMPUTER EXPENSES	640,837	442,272
BANGALOW MAINTENENCE - MODARA	23,109	19,760
TRASLATION CHARGES	21,286	-
TELEPHONE CHARGES	2,365,698	2,358,602
POSTAGE & TELEGRAMMES	25,078	28,600
INTERNET / E-MAIL CHARGES	3,495,185	1,668,050
FOREIGN TRAVEL & EXPENSES	2,054,620	4,549,702
LOCAL TRAVEL	1,419,346	1,054,405
MAINTENENCE OF MOTOR VEHICLES	9,351,934	11,694,901
TRAVELLING & SUBSISTANCE	34,500	37,250
ENTERTAINMENT	1,531,657	1,422,897
ADVERTISMENT	4,387,944	3,482,579



Ceylon Shipping Corporation Ltd
Detailed Break -up of Administrative Expenses

Administrative Expenses (Continued)	2015/16	2014/15
	Rs.	Rs.
COMPLIMENTS & PRESENTATION	81,490	111,150
EXPENSES FOR GOVERNMENT EXHIBITIONS	-	117,858
ANNUAL REGISTRATION LEVY	170,039	
DIRECTORS FEES	1,260,750	1,782,581
AUDIT FEES	573,341	436,425
PROFESSIONAL CHARGES & LEGAL FEES	3,833,188	2,869,724
NEW PROJECTS COSTS	47,930	10,250
TENDER COMMITTEE ALLOWANCES	112,500	
MISCELLANEOUS EXPENSES	71,925	264,553
DONATIONS	30,000	307,000
DEPRECIATION	9,860,888	7,771,246
COST OF FIXED ASSETS SOLD	-	9,000
BANK CHARGES	1,938,523	3,292,716
STAMP DUTY EXPENSES A/C	33,190	30,675
Nation Building tax	-	7,745
	<u>184,758,718</u>	<u>189,838,445</u>

