



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 2021/2022

The National Carrier of Sri Lanka

Ceylon Shipping Corporation Ltd.
Annual Report & Accounts of
2021/2022

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Vision & Mission Statement

Vision

To develop a dependable and effective
National Fleet of Ships for the country.

Mission

To cater to the sea transportation needs of the export, import and local coastal
trades of Sri Lanka that needs assistance from the National Carrier.

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Letter of Transmittal

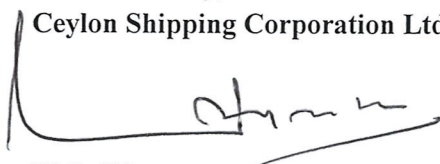
Hon. Minister Ports, Shipping and Aviation
Ministry of Ports, Shipping and Aviation
No.19, Chaithya Road
Colombo 01.

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 01.04.2021 to 31.03.2022.

Yours faithfully,

Ceylon Shipping Corporation Ltd



W.S. Weeraman

CHAIRMAN

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

Date: 28.03.2023

Ceylon Shipping Corporation Ltd.
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Board of Directors

From - 01.04.2021 to 31.03.2022

W.S. Weeraman Esq.
Chairman
From 20/12/2019 to date

Dimuth Jagodaarachchi Esq.
Executive Director
From 08/10/2020 to date

Ms. D.H.S Pullaperuma
Director/ Treasury Representative
From 11/01/2020 to 02/03/2022

Ms. Shehara Jayawardena
Director
From 07/10/2020 to date

Bhatiya Udumalagla Esq.
Director
From 08/10/2020 to date

Ranga Goonawardena Esq.
Director
From 07/10/2020 to date

Mevan Peris Esq.
Director
From 08/10/2020 to date

Company Secretary

Mrs. Malkanthi Gunasekara
Associate Member of the Institute of Chartered Corporate Secretaries (ACCS)
Postgraduate Diploma in Labour Relation and Human Resource Management
University of Colombo

Secretary to the Board

From 28/09/2020 to 18/02/2022

Y.T. Praboditha Esq.

Attorney- At Law, Life Membership of BASL

B.Sc

Secretary to the Board

From 18/02/2022

Mrs. Malkanthi Gunasekara

Associate Member of the Institute of Chartered Corporate Secretaries (ACCS)

Postgraduate Diploma in Labour Relation and Human Resource Management

University of Colombo

Bankers

People's Bank Corporate Banking Division

Bank of Ceylon

Commercial Bank of Ceylon PLC

Auditors

The Auditor General, The National Audit Office, No.306/72, Polduwa Road, Battaramulla.

Board Meetings

Ten (10) 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 up to 31/07/2021

Mrs. C. Jayasinghe

FICS, MILT – UK, M.Sc. in International Shipping -UK

Diploma in Shipping (OSLO)

**Deputy General Manager (Commercial) &
Actg. General Manager from 01/08/2021**

Mrs. Y. S. Wettasinghe

B.Sc. (General)

MSc in Shipping Management –WMU, (Malmo Sweden)

MILT – UK

Deputy General Manager (Legal & Insurance / Human Resources)

Mrs. S.A.S.K. Jayasekara

B.Sc. , Attorney-At Law (SL)

M.Sc. in International Business & Commercial Law – University of West London

Assistant General Manager (Finance)

G.M. Vikum Pradeepa Esq.

B.Com. (Special) Hons., LICA

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

Designated Person Ashore up to 31/07/2021

Capt. Nish Wijayakulathilaka

Master Mariner, MBA (Col),CMILT, AFNI(UK)

IMO Maritime Ambassador, Member UNA

Designated Person Ashore from 21/10/2021

Capt. H.M.A.U.B. Herath

Certificate of Competency as Master (Class 1 – Unlimited)

MICS – Membership of Institute of Chartered Ship Brokers (UK) 2007

Advance Diploma in Maritime Science, CINEC Campus

DPA Course –DNV Maritime Academy India 2021

Technical Superintendent From 01/03/2021

Charaka Wickramanayake Esq.

Chartered Engineer - UK

Chartered Marine Engineer - UK

Incorporate Engineer- SL

Certificate of Competency as Chief Engineer Officer (Class 1 – Unlimited)

Member of the Institute of Marine Engineers Science & Technology (IMAREST) UK

Associate Fellow Nautical Institute – UK -AFNI

Associate Member of the Royal Institution of Naval Architects - AMRINA

Member of the Institution of Incorporated Engineers,-SL- MIIESL

Internal Auditor

Y. Ponnamparuma Esq.

LICA, FMAAT,

Post Graduate Diploma in Shipping Management (OSLO)

Assistant General Manager (Chartering & Agency)

I. Danthanarayana Esq.

B.Sc. Public Management (Special) Hons.

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

MILT - UK , LICA

Assistant General Manager (Documentation)

K.L.M. Maduraja Esq.

B.Com (Special) Hons.

MSc in Shipping Management –WMU, (Malmo Sweden)

Assistant General Manager (Liner, Logistics, NVOCC)

N.P. Kalpage Esq.

B.A. (Special)

MSc in Shipping Management –WMU, (Malmo Sweden)

Actg. Manager (Human Resources)

Mrs. Malkanthi Gunasekara

Associate Member of Institute of Chartered Corporate Secretaries (ACCS)

Postgraduate Diploma in Labour Relations and Human Resource Management

University of Colombo

Head of Administration

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

Diploma in Management – Open University

Diploma in Business Information

Ceylon Shipping Corporation Ltd.

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Chairman's Review

On Behalf of the Board of Directors of Ceylon Shipping Corporation Ltd (CSC), the National Sea Carrier of Sri Lanka, I have great pleasure in presenting the Annual Report providing an over view of CSC's operations and Audited Financial Statements of the Company for the year ended 31st March 2022.

2021/2022 was another financial year dealing with the final stages of Covid-19 pandemic. I am pleased to report that CSC was able to continue its operations in all sectors and fulfilled all its obligations during these difficult times.

Dry Bulk Shipping Market

According to the M/s. Clarksons Research Shipping Intelligence Weekly report, the outlook for the dry-bulk trade in latter part of 2021 was much strong charter market compared to the former part of 2021 first quarters of the year 2021 was indicated that Corona Virus outbreak had significant impact on whole shipping industry.

However the arrange charter rate enjoyed by CSC both vessels were comparatively much higher than the last Financial Year.

Deployment of Ships

During the South-West Monsoon period from April to Mid-September, CSC two owned bulk carriers namely M.V. Ceylon Breeze and M.V. Ceylon Princess were successfully employed in the international charter market under Commercial Management Company based in Singapore, and recorded maximum vessels utilization & highest yield during the Financial Year 2021/2022. Third & fourth quarters of the Financial Year M.V. Ceylon Breeze was fixed about USD 40,000/= per day under time charter basis. At the same period, M.V. Ceylon Princess was chartered out USD 38,000/= and USD 41,700/= per day basis before the 5th year compulsory dry docked of the vessels on 19/02/2022 beginning non-trading period was until end of the Financial Year.

Government Sector Imports

CSC was entrusted to transport of Government sector cargo under the Public Finance Circular No. 415. Accordingly CSC handled General Cargoes such as containerized cargo, vehicles, break-bulk cargoes and heavy- lift cargoes on third party ships on space charter and voyage charter basis from all over the world.

Financial Performance

CSC has recorded an operational profit of Rs.2,377Mn. 2021/22 without considering the Impairment of Assets. After calculation of impairment of Assets amounting to Rs.177Mn. the Profit from Operations was Rs.2,200Mn. in 2021/22. When compared to the 2020/21, Profit from operations was increased by approximately 143.46%. However, after the adjustment of finance expenses (i.e Peoples Bank Loan interest and Exchange Loss of the Loan), the loss after Tax was Rs.4567.786Mn. in 2021/22. It is approximately a (766.55%) increase when compared to the loss after Tax of Rs.527.125Bn. in 2020/21.

During the year 2021/22, CSC was able to achieve total revenue of Rs.7,876Mn. It is approximately (154.53%) increase when compared with the previous Financial Year 2020/21 considering as year-on-year basis. Direct Operational Expenses was reported as Rs.5,706Mn. in 2021/22 and Rs.2,042Mn. in 2020/21. So, Direct operational expenses have also increased by approximately (179.35%) in 2021/22.

Revenue in CSC vessel operation

It has been noted an approximate 407% revenue increase in 2021/22 compared to the last financial year 2020/21 in the deployment of CSC owned two vessels in the international charter market during the South West Monsoon period under a commercial management agreement with a prospective Charterer selected through Bidding process. The total charter hire income earned by the ships was Rs.2,978Mn.

The average charter rate of the both vessels was USD 59,259.22/- day in the year 2021/22 against USD 18,563.89/- day in the year 2020/21.

On the other hand, freight income from transportation of coal by the owned two vessels was decreased by (69%) in 2021/22 against the previous year. The quantity of coal 0.552Mn. MT out of the annual quantity of 2.229Mn. MT consigned to LCC/CEB was carried by our owned vessels and earned freight revenue of Rs.439.788Mn. in 2021/22.

The income generated from agency and address commission from coal operations on third party vessels and lightering operation had been decreased by (17.58%) in 2021/22.

The income from the owned vessel operations was recorded as 43.39% out of the total income of the company.

Revenue in Non-Vessel Operating Common Carrier (NVOCC) service

The income generated from Non-Vessel Operating Common Carrier (NVOCC) operations was increased from Rs.597.83Mn. to Rs.1,802Mn. due to the handling of cargo shipments in 2021/22 when compared to previous financial year. It is a 201.44% increase compared to previous year. Also, the Pandemic situation around the globe in 2020/21 created to fall the revenue in operations due to closure of some ports, reduction of port staff with reduced efficiency causing congestion at some ports, shortage of containers, and lack of inland transport modes to ease door-to-door facilitating services.

Currency depreciation

The depreciation of Sri Lankan Rupee against the United States Dollar affected the company adversely. In 2021/22 the exchange rate was increased by 48% approximately. But when it was compared with the People's Bank Vessels Loan borrowed year in 2015/2016 the exchange rate had been increased by 104% in 2021/2022. This had directly affected to increase the exchange loss of vessels loans amounting to Rs.6,081.3Mn. which is a mandatory provision in the annual accounts in accordance with the Sri Lanka Accounting Standards.

However, CSC was able to settle full amount of the interest instalment and capital components of the vessel loan amounting to Rs.1,941.39Mn. 2021/22.

Further due to the significant Exchange loss and Loan interest payment, it was recorded an annual loss of Rs.5,765Mn. in 2021/22. Compared to the year 2020/21 the loss was increased by 608.87%.

Employees

The total number of the employees of the company was 119 as at 31.03.2022 and expenses for Salaries and wages were Rs.140.61Mn. in 2021/22. Administration expenses were Rs.263.99Mn. in 2021/22 and shows approximately 22.27% decrease when compared to 2020/21.

It had been identified the necessity of having well experienced/trained and well qualified staff to perform the operational functions of CSC in a professional manner and compatible to technological developments in the shipping field.

As such CSC has allocated Rs.2Mn. for staff training purposes annually and Rs.175,433 was spent in 2021/22 to train eleven staff members in various shipping and finance programmes.

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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 2022, to be presented at its Extraordinary 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. This report together with the audited Financial Statements reflects the state of the affairs of the Company.

Principal Activities / Core Businesses

CSC is the National Sea Carrier operating under Sri Lankan flag. 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.

In addition to the above, CSC contributes to the national seafarer training system providing onboard training facilities to seafarers.

Financial Statements

The Financial Statements in this Annual Report prepared in compliance with the requirements of Section 151 of the Companies Act No. 07 of 2007.

Independent Auditor's Report

The Auditor's Report on the Financial Statements 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.

Financial Results/Profit and Appropriations

The Statement of Comprehensive Income of this report.

Property, Plant & Equipment

During the year under review the Company invests Rs.44.31 million in property, plant & equipment.

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

Investments

Notes 13, 14, 15 and 16 to the Financial Statement declare the details of long term investments held by the Company as of 31st March 2022.

Dividend

The Directors do not recommend payment of a dividend for the financial year ended 31st March 2022.

Stated Capital

As per the terms of the Companies Act No.07 of 2007, the stated capital of the Company is Rs.50,000,000/- as at 31st March 2022. The details are given in Note 23 to the Financial Statement.

Going Concern

The Directors have reviewed the Company's business plans and are satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future. As such, the Financial Statement is prepared on that basis for the Ceylon Shipping Corporation Ltd.

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Sustainable report of Ceylon Shipping Corporation Limited.

Ceylon Shipping Corporation Limited, in the Colombo 01, launched its third consecutive Second Sustainability Report for the year 2021/22. Titled “The Present need to sustain for the Future” the report outlines CSCL commitment to driving a sustainable business.

C 122/3(a)/1 of the IMO Secretariat to identify, analyse and address emerging issues and opportunities to further support Member States in their implementation of the 2030 Agenda for Sustainable Development (the IMO SDGs Strategy).

As a specialized agency of the United Nations responsible for global standards for safe, secure, clean and efficient maritime transport, the International Maritime Organization (IMO) has an important role to play in helping Member States to achieve the 2030 Agenda.

IMO is actively working towards the 2030 Agenda and is contributing to the implementation of the SDGs both through providing the legislative framework for international shipping that enables sustainable development and through specific capacity building activities.

While IMO supports the implementation of the 2030 Agenda as a whole, the areas identified by the IMO SDGs Strategy as of most impact of its work are SDG 14 (life below water), SDG13 (climate change), SDG9 (industry, innovation and infrastructure) and SDG5 (gender equality), next to the over-arching SDG17 (partnerships and resource mobilization).

As Sri Lanka faced the 2019 Easter attacks, the COVID-19 pandemic, and currently the external debt and saviour economic crisis, despite setbacks, implementation of policy measures has continued at the national and sub-national levels to deliver the country’s 2030 Agenda commitments. Amongst these, the establishment of the Sustainable Development Council, increasing data availability on SDG indicators from 46 in 2017 to 104 in 2021 and taking steps to mobilize innovative financing for SDGs are notable. To achieve above needs CSCL is already planning to fulfil the IMO SGD goals as an Asian a Government Shipping competitor in the Asian Region with Strong Technically and corporate background to cater.

According to the United Nations Agenda 2030 on Sustainable Developments Goals and Sri Lanka Sustainable Development Act, No. 19 of 2017 which was passed in Parliament on 03.10.2017, this report gives an overview of the company’s sustainability performance during the year under review, considering three key areas for instance Economic, Environmental and Social performance of the Company.

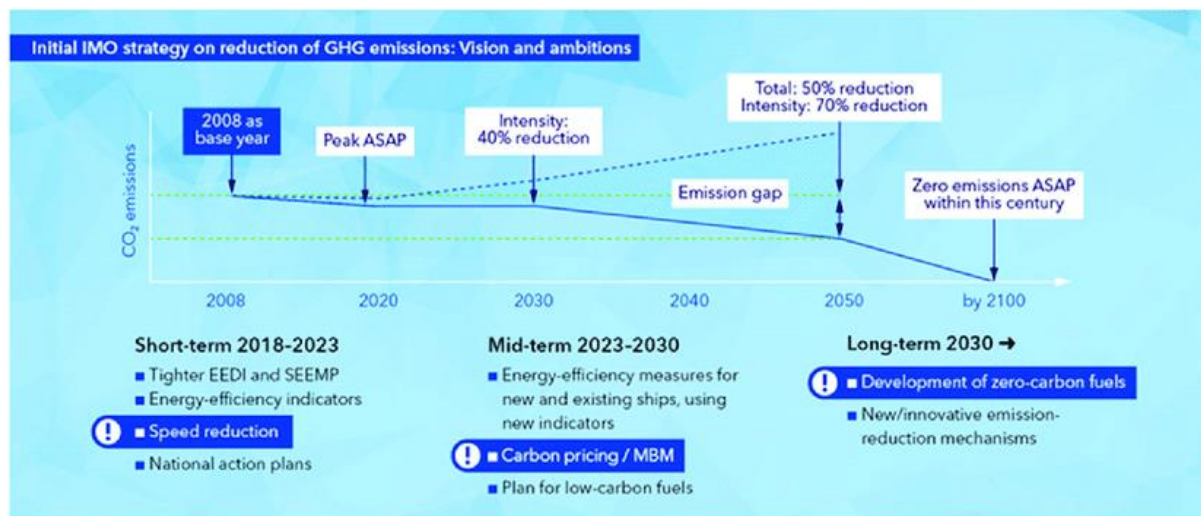
Environmental Sustainability

The CSCL ships MV. Ceylon Breeze and MV. Ceylon Princess have been built, operated, and designed in accordance with all applicable emission norms and regulations that have been adopted globally by shipping administrations under the auspices of IMO. The IMO's MARPOL Convention's Annex VI regulates emissions from international shipping. They cover greenhouse gas (GHG) emissions, energy efficiency, and air pollution.

The enhancement of the current energy efficiency framework with a focus on EEDI and SEEMP, particularly through the adoption of amendments to MARPOL Annex VI on the early implementation of the EEDI Phase 3 requirements for specific ship types, which have been in effect since April 2022 in accordance with resolution MEPC.324 (75).

The key objectives of the policy framework, according to IMO, are listed below.

1. Reduce yearly greenhouse gas emissions from international shipping by at least 50 percent by 2050 relative to their level in 2008, and work toward completely eliminating GHG emissions from shipping as soon as possible this century.
2. The Initial GHG Strategy calls for a reduction in international shipping's carbon intensity (to lower CO₂ emissions per transport work) of at least 40% by 2030 and a goal of 70% by 2050. This is in comparison to 2008.



IMO GHG reduction Strategy

All ships must calculate their acquired Energy Efficiency Existing Ship Index (EEXI) starting on January 1, 2023 in order to gauge their energy efficiency and start data collecting for the reporting of their annual operating carbon intensity indicator (CII) and CII rating. Every ship and every ship that has undergone a major conversion are covered by EEXI. Attained Energy Efficiency Existing Ship Index (attained EEXI) is computed for each ship and each ship that has undergone a substantial conversion (MARPOL Annex VI Regulation 23 Attained EEXI).

CSCL Technical department has been understood the above mentioned GHG reduction strategies of IMO and all precautions have been conducted to comply with both Ultramax bulk carriers owned to the Government of Sri Lanka.

The Makers of the main Engine is MAN energy solutions. Each vessel impacted by the regulation's EEXI value must be calculated separately. The result provides the appropriate power limitation to meet the EEXI standards by coordination with the MAN primary Serve and CSCL of both vessels.

Key benefits

- Easy installation on AT2000 / AT3000 remote control systems
- Activated/overridden Over rideable Power Limitation (OPL) directly from main bridge
- Override logging
- Optimized for better performance (combinatory curves reviewed, optimized and implemented)
- Stable and efficient propulsion control thanks to system level OPL, with minimum wear on the propulsion configuration, and lowest possible fuel oil consumption

In addition to the above Very Low Sulphur Fuel oil (VLSFO) has been consumed by our engines (for main Propulsion and Auxiliaries) from January 2020 as per the sulphur regulations of IMO.

Social Sustainability

Today we all depend on seafarers for most of the things we take for granted in our everyday lives. Over one million seafarers operate the global fleet – they bring both the essentials and the luxuries of life to billions of people. Shipping is essential to the world – but there would be no shipping without seafarers. Therefore 52 cadet officers' from Sri Lankan Universities have been trained at a time of both vessels. Normally 21 seafarers (both officers and other crew members) contributed to the USD income to SL economy to fulfil social sustainability of their families.



Through its Women in Maritime programme, IMO encourages its Member States to enable women to train alongside men in their maritime institutes and acquire the high-level of competence that the maritime industry demands. IMO supports gender equality and the empowerment of women through gender specific fellowships; by facilitating access to high-level technical training for women in the maritime sector in developing countries.

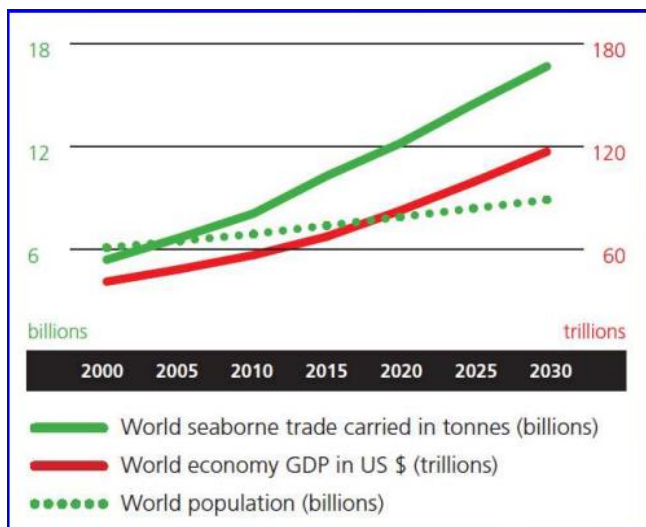
By creating the environment in which women are identified and selected for career development opportunities in maritime administrations, ports and maritime training institutes. In close collaboration of the all leading maritime colleges in the country CSCL encourage and support the above mentioned future plans of the IMO at global scale. Gender equality is ensured not only in our office but also on board our vessels and trained two women seafarers in 2021. They have been trained successfully on board for 6 months.

When it comes to paying crew wages, including EPF/ETF and compensation by subscribing to insurance policies, providing all medical and other hygienic facilities on board ships, and complying with International Labor Organization (ILO) regulations, CSC has done its absolute best to meet industry standards.

We view safety as a fundamental human right, and poor working conditions have an impact not just on employees' productivity and effectiveness, but also on their families and communities. One of our top priorities is the safety of our personnel. We have successfully implemented the ISM system to ensure safety on board our two vessels.

The Wi-Fi facilities for all seafarers on board have been facilitated as understanding that the communication is a major requirement to minimize the fatigue of seafarers.

Economic Sustainability



Sources: IHS, OECD, UN

Maritime trade will continue to expand (along with Global GDP and Population).

Our both vessels trading worldwide and earning around USD 20,000.00 per day as charter hire. This operation has been continued after coal carrying operation from September to end of March every year.

The Daily operational cost (DOC) was maintained for around USD 4,500.00 in 2021 and 2022 per vessel and Estimated USD 5,000.00 per vessel in year 2022/2023.

CSCL focussed the foreign income generated by seafarers; therefore some of the trained cadets were absorbed to the CSCL vessels while others were guided to work on various other shipping companies as top ranked officers. All of them are in active sea service bringing thumping amount of foreign exchange to the country annually. Their involvement in uplifting the social and economic status of the own families is creating a colossal effect of economic prosperity of the nation, beneficial from the concept of training and trading implemented by CSCL.

Through MLC and Document of Compliance (DOC), Sri Lankan Seafarers are being recruited for foreign vessels by the Business development division of CSCL.

Today, the CSCL has enhanced the portfolio of the income generated via implementing purchasing of Supramax Tanker combination with CEPETCO and looking for exporting mineral sand with providing expertise contribution to the Ministry of Mining.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is appointed by the Board of Directors of the **Ceylon Shipping Corporation** (CSC) and reports directly to the Board. The Audit Committee of CSC consisted of three Independent Non-Executive Directors during the financial year:

Mrs. D.H.S. Pullapperuma - Chairman

Mrs. S. Jayawardana- Member

Mr. B.A. Udumalagala - Member

ROLE OF THE AUDIT COMMITTEE

The Audit Committee is empowered to examine all matters pertaining to the financial affairs of the Company and assists the Board of Directors in effectively discharging their duties. The Audit Committee examines the preparation, presentation and adequacy of disclosure with the Sri Lanka Accounting Standards (SLFRS/LKAS) and whether the financial reporting requirements are in accordance with the Companies Act No. 07 of 2007 and other relevant financial reporting related regulations and requirements.

The Audit Committee reviewed and approved the Annual Financial Statements prior to the final approval by the Board.

The Audit Committee also reviewed the adequacy and proper continuous functioning of the internal control procedures of the Corporation to obtain reasonable assurances that the financial statements of the Corporation accurately reflect the state of affairs of the Corporation and the results for the period to which it relates. An independent internal audit is carried out as and when required, Internal Audit Reports are reviewed and discussed with management with a view to further strengthening the internal control environment within the corporation. The Audit Committee also assessed major business and control risks of the Company.

MEETINGS

Three Audit Committee meetings were held during the year 2021/22. Audit Committee meeting attendance of the directors/members was as follows.

Mrs. D.H.S. Pullapperuma(3/3)

Mrs. S. Jayawardana(2/3)

Mr. B.A. Udumalagala(2/3)

Mr. M. D. P. Thilaksiri - By invitation (3/3)

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

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

Reviews:

The audit committee reviewed the following for the year concerned.

1. Submission of the Annual Report for the Year 2019/20, 2020/21 and 2021/22:

Recommendation:

The Audit Committee recommended that to minimize the backlog of Annual Reports and to adhere to the guidelines issued.

2. Allowances to Assistant Accountant Mr. Muthuhara Dias:

Recommendation:

The Audit Committee recommended that a board paper be submitted to the next board meeting regarding the backdated acting allowance.

3. Solvency Test:

Recommendation:

The Audit Committee instructed to inform the progress of this matter to the next Board/ Audit meetings.

4. Recoveries from Ceylon Electricity Board:

Recommendation:

The Audit Committee recommended that to make reminders continuously and follow up the settlements of Lanka Coal Company (LCC)

5. Computer based Ship Management package to Technical Section:

Recommendation:

The Audit Committee instructed to the System Administrator to submit a detailed report to the Board.

6. Boat Building project for coal operation at Norochcholai:

Recommendation:

Committee was instructed to submit the progress to next meeting.

7. Performance Audit:

Audit superintendent stated that a performance audit of CSC is a non-core activity and due to the routine works of the department and also COVID 19 situation of the country, the planning of a performance audit will be delayed.

8. Container Deposits not claimed:

AGM (F) informed that a detailed report has been forward to the Board and Board Decision also received.

9. Cost of PCR test and Hotel Quarantine charges of ship crew members:

Recommendation:

The Audit superintendent suggested that an insurance cover would solve the problem and clarify our need with the insurance companies in the market and act accordingly.

10. Internal Control System:

Recommendation:

The committee suggested that more attention should be given to the procurement activities of CSC.

11. Allowance to Mr. Rohana (Office Aid):

Recommendation:

Audit committee instructed to the Human Resources Section to resubmit the allowance request again to the Board and to adhere to the DMS Circular No. 02/2020.

12. Efficiency Bar Test:

Recommendation:

Board paper will be forwarded to the Board requesting a conceptual approval to select a suitable party to carryout EB exams.

13. Non Inventory Items in Inventory list:

Recommendation:

The Audit Committee instructed to forward the committee report to the Board.

14. Board of Survey – 2022:

Recommendation:

The Audit Committee instructed to submit a report after completion of the asset Verification.

15. Financial and Administrative Regulations:

Recommendation:

The Audit Committee has advised to comply with the laws, the regulations. And it should be monitored properly.

16. Statutory Payments:

Recommendation:

Audit committee instructed to comply with Statutory Requirements.

17. Recovery of money under the Surety Bonds:

Recommendation:

Audit Committee discussed this matter in details and on the humanitarian grounds, Audit Committee recommendations were as follows,

- To release the deceased employee's family from the surety bond.
- To write off 50% of capital outstanding of surety bond signed by the deceased employee.
- To continue the remaining 50% as recoverable from the other surety Mrs. Ayesha Wickramaratne.
- To grant a reasonable installment relief to settle the capital outstanding of remaining surety bond signed by Mrs. Ayesha Wickramaratne.
- To suspend the payments due to Mr. Thenakoon until to settle the outstanding in full.
- To continue the legal action against to Mr. Thennakoon.

Conclusion:

The minutes of the Audit Committee and other reports are submitted to the Board of Directors for their reference and necessary actions. And also, copies of the minutes of the meetings are submitted to the Secretary of the Ministry.

On behalf of the Committee



Mrs. D.H.S. Pullapperuma

Chairman- Audit Committee

Ceylon Shipping Corporation Ltd.
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Acknowledgement

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

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

*The Corporation wishes to thank the Sri Lanka Ports Authority, Sri Lanka Customs and
The Foreign Agents for their assistance and co-operation at all times.*

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

THANKS TO THE STAFF

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

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



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

PAS/B/CSCL/01/22/61

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

27 March 2023

Chairman

Ceylon Shipping Corporation Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Shipping Corporation Limited for the year ended 31 March 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Shipping Corporation Ltd. ("Company") for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



1.2 Basis for Qualified Opinion

- (a) As per the financial statements, loss for the year under review was Rs.5,765,379,292 and the cumulative loss as at 31 March 2022 was Rs.9,328,463,864. Further, the net assets of the Company as at 31 March 2022 was a negative value of Rs.7,914,226,190. The loss for the year and the negative balance of net assets of the Company had increased by 608.87 per cent and 287.65 per cent respectively as compared to preceding year. It was observed that these were the clear indication of material uncertainties that indicates the going concern uncertainties of the Company. The main reason for the loss for the year under review was the exchange loss of Rs. 6,081,305,456 which had incurred from converting the USD loan balance to Rupee value as at 31 March 2022 and although the Company had proposed some mitigating measures at the Extraordinary General Meeting (EGM) held on 30 July 2021 to overcome this situation, actions had not been taken to implement the proposed mitigating measures taken at the EGM.
- (b) As per Paragraph 51 of the Sri Lanka Accounting Standard 16 (LKAS 16) on Property, Plant and Equipment, the residual value and the useful life of an asset shall be reviewed at least at each financial year end and if expectation differ from previous estimate, the change(s) shall be accounted for as a change in an accounting estimate in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimate and Errors. Due to failure to review the residual value and useful life for non- current assets of the Company annually, the estimated error of the fully depreciated fixed assets which were further being used had not been adjusted accordingly. The cost of the fully depreciated fixed assets further being used were Rs.51.687 million
- (c) As per the Paragraph 7 of the Sri Lanka Accounting Standard 16 (LKAS 16) , the cost of an item of property, plant and equipment shall be recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. However, contrary to that the equipment purchased by the Company amounted to Rs. 9,467,137 for two vessels had not been considered as fixed assets and the depreciation pertaining to the year under review had not been adjusted in the accounts.

- (d) According to Paragraph 23 (a) of the Sri Lanka Accounting Standard 21 (LKAS 21), at the end of each reporting period foreign currency monetary items shall be translated using the closing rate. However, contrary to that, the Company had not translated the foreign debtors amounting to Rs.316,169,677 (USD 1,845,981) at the closing rate. As a result, the foreign debtors had been understated by Rs.222, 561,587.
- (e) As per the Paragraph 5.5.15 a (ii) of Sri Lanka Financial Reporting Standards 09 (SLRFS 09) the Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. However, the Company had applied general provision for amount of Rs.1,288,730,656 of trade debtors, instead of applying an Expected Credit Losses Approach to determine the bad debt provisions.
- (f) As per the Paragraph 8 of Sri Lanka Financial Reporting Standards 07 (SLRFS 07) categories of financial assets and financial liabilities, the carrying amounts of each of the following categories should be separately disclosed as specified in SLFRS 9 either in the statement of financial position or in the notes, financial assets measured at fair value through profit or loss, financial liabilities at fair value through profit or loss. However, the financial statements of the Company had not been prepared as required by the Standard.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the Company's 2021/22 Annual Report.

The other information comprises the information included in the Company's 2021/22 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2021/22 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2 Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2 (a), (b), (d) described in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to Law/Direction	Description
(a) Section 133 of the Company Act No .07 of 2007.	The Annual General Meeting should be held during a period not later than 06 months after the balance sheet date and not later than 15 months after the previous Annual General Meeting. However, the Annual General Meetings had not been held after 2017/18.
(b) Section 16.2 of National Audit Act No.19 of 2018 and Section 6.6 of Operational Manual of the Public Enterprises Circular No. 01/2021 dated 16 November 2021	Although the Company should submit the financial statements along with the Draft Annual Report to Auditor General within 60 days after the closure of the accounting year, the financial statements of the Company had been submitted to audit on 08 December 2022 with a sixth months delay.
(c) Operational Manual of the Public Enterprises Circular No. 01/2021 dated 16 November 2021	
(i) Section 3.2	The Company had not obtained approval to pay the refreshment allowance, transport allowance and attendance incentive allowances as per the circulars and the Company had paid those allowances aggregating to Rs.20,382,612 during the year under review.

(ii) Section 6.7

Although the Annual Board of Survey should be carried out on fixed assets and inventories of the Company, the physical verification had not been carried out as at 31 March 2022 for inventories valued at Rs.310,042,933 lying in the two vessels.

2.2.3 To state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018 except for;

(a) Although the main objective of the Company was to operate services for the transport of goods, mails and passengers by sea and to carry on business as ship-owners, charters of ships and vessels, ship brokers, shipping agents and other ancillary services, the following deficiencies were observed at the audit test checks carried out during the year under review.

(i) According to the Decision of Cabinet of Ministers No. CMP/16/0035/737/003 dated 21 January 2016 and the provisions of the Public Finance Circular No. 415 dated 06 May 2005, all the government institutions should import goods through the Company and the Company should also give the priority to government institutions. However, in checking the number of cases of transportation of cargo in the public sector from 01 January 2018 to 31 December 2021, it was observed that the number of cases of transportation through the Company had relatively reduced. Details are given below.

<u>Year</u>	<u>No. of Terms</u>
2018	1981
2019	1790
2020	2172
2021	1533

(ii) Twelve public sector institutions had imported 4,712,210 metric tons (No. of 8,195 import times) of cargo during the period from 01 November 2020 to 31 December 2021. Out of that, importation of 4,520,732 metric tons that is 95.9 per cent of the total amount had been made by foreign shipping companies and only 191,478

metric tons had been imported through Bill of Lading of Company and it was only 4.1 per cent of the total imports. Accordingly, it was observed that the actions had not been taken to inform this matter to relevant authorities and to get increased the number of imports through the Company.

(iii) In checking the approved Action Plan for the year ended 31 March 2022 with the Progress Report on achieving above objectives, the following observations were made.

- The physical targets (No. of terms and volume and No. of deploys) had not been indicated in the Action Plan.
- The achievement of Address Commission on Lightering had increased by 690 and the Carriage of Cargo in Full Container Load (FCL) and Less than Containers Load (LCL) had increased by 397 per cent due to failure of proper estimation of revenue sources.
- Although the Address Commission on Freight expected to be achieved by Rs.95.35 million, the progress of the target had been 0 per cent.
- Although Rs.2, 246 million had been collected as the Charter Hire Income from Coal Vessels. (SPOT), such an activity had not been identified in the preparation of Action Plan.
- Although it had been planned to earn Rs.2,085.42 million from transportation of Coal for CEB, only 21 per cent of that (Rs.439.78 million) had been achieved.
- Although it had been planned to earn Rs.22 million from Customer Clearing and Forwarding, Door Delivery and Pick up, only 78 per cent (Rs.17.24) had been collected.

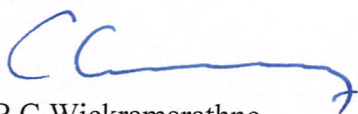
2.2.4. To state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

2.3.1 Other Matters

- (a) Total outstanding trade receivables balance as at 31 March 2022 was Rs.2,460,530,760 and out of that, 51 per cent that is Rs.1,259,424,908 had remained over one year without being recovered. Following observations are made in this regard.
- (i) The total amount of freight clearances, government container deposits and other debtors as at 31 March 2022 was Rs.80, 900,481. Out of that, balances aggregating to Rs.77,275,095 that is 96 per cent had remained over three years without being recovered.
 - (ii) Agency commission receivables from 18 agents aggregating to Rs.3, 944,288 had remained over three years without being recovered and out of that, outstanding balances of 17 agents was Rs.2,008,015. However, it was observed that those agents are not even in service and service agreements had not been provided for audit perusals.
- (b) The Company had spent a sum Rs.250,000 on 23 July 1979 to acquire a land from Sri Lanka Port Authority which located at 18th lane, Aluth Mawatha, Colombo 15 for a housing project and the Cabinet of Ministers had approved to transfer this land in the name of the Company. Although the land had been revalued in 1994 at a Rs.4,000,000 and shown under property plant and equipment in the financial statements, actions had not been taken to transfer the land in the name of the Corporation even up to 15 June 2022.
- (c) Although the Company is liable to pay Value Added Tax based on the cash basis according to the Inland Revenue Department direction provided on 03 September 2003 by letter No: VAT/Gen/04, the amount of Rs.66,419,287 had remained as Value Added Tax payable due to failure of collecting the VAT from the Lanka Coal Company (Pvt.) Ltd. from the date of 19 November 2012 to 16 January 2018 regarding 20 Nos of invoices. Further, Inland Revenue Department had issued clarification on 17 January 2018 under letter No: ACT 17/9 regarding the dispute arose between Lanka Coal Company Ltd. The lightering services provided by the Company had been considered as zero rated from 17 January 2018, but the Lanka Coal Company (Pvt.) Ltd. requires to pay the said defaulted Value Added Tax to the Company accordingly. This dispute

had been outstanding for a long period of time and actions had not been taken to recover the defaulted Value Added Tax from Lanka Coal Company (Pvt.) Ltd. and remit to Inland Revenue Department.

- (d) The accuracy and existence of the debtors aggregating to Rs.2,402,410,757 from 30 debtors and trade payable aggregating to Rs.49,912,076 from 16 creditors could not be ascertained in audit due to lack of confirmations or evidence pertaining to subsequent recoveries.
- (e) The Company had borrowed term loan of USD 70.00 million in 2016 to build two vessels and subsequently, loan capital balance payable to bank had been revised from 15 years to 20 years as at 03 February 2018. According to the revised loan conditions of the term loan, loan repayment should be made by biannual installments of USD 2.03 million. Although USD 18.27 million should have been paid as installments up to 31 March 2022, the Company had paid USD 12.275 million only and arrears of loan installment amounted to USD 5.995 million had not been settled by the Company even as at the end of the year under review.



W.P.C Wickramaratne

Auditor General.

CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March

	Notes	2022 Rs.	2021 Rs.
Revenue	4	7,876,816,356	3,094,619,027
Direct Operational Expenses		(5,706,572,098)	(2,042,821,008)
Gross Profit		2,170,244,258	1,051,798,018
Other Income	5	471,548,197	229,739,950
Administration Expenses		(263,944,537)	(215,875,765)
Profit from Operations before Impairment of Assets		2,377,847,918	1,065,662,204
Impairment of Assets		(177,070,299)	(161,701,680)
Profit from Operations	6	2,200,777,619	903,960,524
Finance Expenses	7	(6,808,841,215)	(1,441,271,549)
Share of Profit of Associates - (Net of Tax)	14.2	40,277,522	10,185,997
Profit/(Loss) before Tax		(4,567,786,074)	(527,125,027)
Income Tax Income/(Expenses)	8	-	-
Profit/(Loss) for the Year after Income Tax		(4,567,786,074)	(527,125,027)
Deferred Tax Adjustment for the year	17	(1,197,593,218)	(286,195,458)
Profit/(Loss) for the Year after Income Tax & Deferred Tax Adjustment		(5,765,379,292)	(813,320,485)
Basic and Diluted Earnings Per Share	9	(914)	(105)
Profit/(Loss) for the Year		(5,765,379,292)	(813,320,485)
Other Comprehensive Income			
Profit/(Loss) on Changes in Fair Value of Available-for-Sale Financial Assets	16.1	36,062,107	5,962,650
Profit/Loss Arising from Changes in Actuarial Assumptions	29.1	7,581,992	(2,666,471)
Share of Other Comprehensive Income of Associates - (Net of Tax)	14.2	5,402,037	5,112,610
Total Comprehensive Income for the Year		(5,716,333,156)	(804,911,696)

The Accounting Policies and Notes on pages 6 to 36 form an integral part of the Financial Statements.



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st March

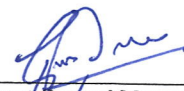
	Notes	2022 Rs.	2021 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	8,868,252,162	9,244,124,773
Capital Work-in-Progress - Vessels Dry Dock Work	11	119,621,698	-
Intangible Asset	12	-	-
Investment in Subsidiary	13	-	-
Investment in Associates	14	432,803,300	387,476,863
Available-for-Sale Financial Assets	16	55,683,161	19,621,054
Deferred Tax Asset	17	-	192,452,549
Total Non-Current Assets		9,476,360,321	9,843,675,239
Current Assets			
Inventories		310,846,104	260,658,042
Trade and Other Receivables	18	1,472,984,001	983,457,636
Statutory Receivables	19	8,481,465	10,606,151
Held to Maturity Investments	20	447,289,305	120,615,896
Short-Term Investments	21	25,533,587	24,839,609
Cash and Cash Equivalents	22	729,586,947	848,666,900
Total Current Assets		2,994,721,409	2,248,844,233
Total Assets		12,471,081,730	12,092,519,473
EQUITY AND LIABILITIES			
Equity			
Stated Capital	23	50,000,000	50,000,000
Contribution Against Equity Capital	24	543,939,497	543,939,497
Capital Reserve	25	767,029,766	767,029,766
Revaluation Reserve	26	3,065,444	3,065,444
Available-for-Sale Financial Assets Reserve		50,202,969	14,140,862
Retained Earnings		(9,328,463,864)	(3,419,789,062)
Total Equity		(7,914,226,190)	(2,041,613,494)
Non-Current Liabilities			
Long - Term Borrowings	28	16,032,891,614	12,139,697,919
Retirement Benefit Obligation - Gratuity	29	35,244,807	40,406,325
Deferred Tax Liability	17	1,005,140,668	-
Total Non-Current Liabilities		17,073,277,089	12,180,104,244
Current Liabilities			
Trade and Other Payables	30	1,555,707,720	831,978,507
Short Term Borrowing	31	1,657,034,724	1,020,271,290
Statutory Payables	32	70,699,752	72,570,160
Accrued Expenses	33	28,588,636	29,208,766
Total Current Liabilities		3,312,030,830	1,954,028,723
Total Equity and Liabilities		12,471,081,730	12,092,519,473

The Accounting Policies and Notes on pages 6 to 36 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.



Acting General Manager

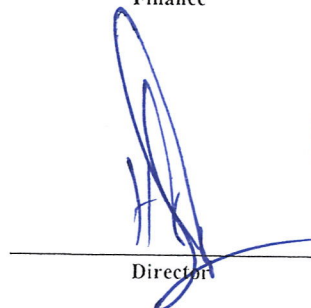


Assistant General Manager-
Finance

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



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2022

	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 2020	50,000,000	543,939,497	767,029,766	3,065,444	8,178,212	(2,647,715,036)	(1,275,502,117)
Prior year Adjustment	-	-	-	-	-	38,800,320	38,800,320
Profit for the year	-	-	-	-	-	(813,320,485)	(813,320,485)
Other comprehensive income	-	-	-	-	5,962,650	2,446,139	8,408,789
Balance as at 31st March 2021	50,000,000	543,939,497	767,029,766	3,065,444	14,140,862	(3,419,789,062)	(2,041,613,494)
Prior year Adjustment	-	-	-	-	-	(156,279,539)	(156,279,539)
Loss for the year	-	-	-	-	-	(5,765,379,292)	(5,765,379,292)
Other comprehensive income	-	-	-	-	36,062,107	12,984,029	49,046,136
Balance as at 31st March 2022	50,000,000	543,939,497	767,029,766	3,065,444	50,202,969	(9,328,463,864)	(7,914,226,190)

The Accounting Policies and Notes on pages 6 to 36 form an integral part of the Financial Statements.



CEYLON SHIPPING CORPORATION LIMITED
STATEMENT OF CASH FLOWS

<i>For the year ended 31st March</i>	2022	2021
	Rs.	Rs.
Cash flows from operating activities		
Profit/(loss) before tax	(4,567,786,074)	(527,125,027)
Adjustments for:		
Depreciation	420,194,198	413,611,172
Profit/loss on disposals of fixed assets	-	(56,840)
Provision for gratuity	4,990,179	3,859,463
Dividend income	-	(192,143)
Share of profit of associates - (net of tax)	(40,277,522)	(10,185,997)
Provision for impairment of trade debtors	177,070,299	161,701,680
Exchange Loss/(Gain)	5,626,477,113	624,649,103
Prior year Adjustment	(156,279,539)	-
Write off a bad debt	(15,013,046)	-
Provision for insurance receivable	(81,790,947)	-
Interest income	(45,379,467)	(23,963,961)
Interest expense	727,535,758	756,811,358
Operating profit before working capital changes	2,049,740,953	1,399,108,806
(Increase)/Decrease in inventories	(50,188,062)	(57,071,363)
(Increase)/Decrease in trade and other receivables	(489,526,366)	1,341,480,027
Increase/(Decrease) in trade and other payables	723,729,212	(786,283,928)
(Increase)/Decrease in statutory receivables	2,124,686	21,570,862
Increase/(Decrease) in statutory payables	(1,870,408)	(3,609,911)
Increase/(Decrease) in accrued expenses	(620,131)	2,674,923
Cash generated from operations	2,233,389,883	1,917,869,416
Gratuity paid	(2,569,705)	(7,441,695)
Interest paid	(689,860,773)	(794,584,810)
Taxes paid	-	-
Net cash from operating activities	1,540,959,405	1,115,842,911
Cash flows from investing activities		
Purchase of fixed assets	(44,312,659)	(1,749,666)
Payments for vessels Dry Dock cost	(119,621,698)	-
Proceeds from disposals of fixed assets	-	56,840
Net Proceeds from/(investment) in held-to-maturity financial assets	(326,673,409)	(60,871,727)
Net investment in short-term investments	(693,978)	(731,686)
Interest received	44,764,963	20,155,818
Dividend received	353,122	545,265
Net cash used in investing activities	(446,183,657)	(42,595,156)
Cash flow from financing activity		
Vessel loan repayment	(1,213,855,701)	(705,093,752)
Net cash from financing activity	(1,213,855,701)	(705,093,752)
Net increase in cash and cash equivalents	(119,079,953)	368,154,003
Cash and cash equivalents at the beginning of the year	848,666,900	480,512,897
Cash and cash equivalents at the end of the year	729,586,947	848,666,900

Note 22

The Accounting Policies and Notes on pages 6 to 36 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, 2022

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

During the year, the principal activities of the company were providing management services in relation to shipping and owning and chartering of vessels.

There were no any significant changes in the nature of the principal activities of the company during the financial year under review.

1.3 Number of Employees

Total number of employees of the Company as at March 31, 2022 was 117 (March 31, 2021-122).

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 31st December. 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 06th December 2022.

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.



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2.3 Comparative Figures

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

2.4 Functional and Presentation Currency

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

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

2.5 Use of Estimates and Judgments

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

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

2.6 Materiality and Aggregation

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

2.7 Going Concern

The financial statements have been prepared on a going concern basis. The company has incurred a net loss of Rs 5765.50million (31st March 2021 Rs.813.32million) for the year ended 31st March 2022. As at balance sheet date Net Assets value of the company has surpassed the Stated Capital (SLRS 50million.) of the company and there is a serious loss of capital situation, as at reporting date the company's net assets show a negative figure of Rs 7,914,226,190/- (2020/2021 - Rs.2,041,613,494 negative).The above financial results is mainly due to;

- High interest component being paid for vessel's loan
- Depreciation of the two vessels charged for the Statement of Comprehensive Income
- Extraordinary exchange losses charged to the Statement of Comprehensive Income for the reason of depreciation the Sri Lanka Rupees against the United States of Dollar
- Net Losses After Tax arises since the year 2016/17 to 2021/22

Although, the above mentioned factors may create significant uncertainty regarding CSC ability to continue as a going concern, however the company's ability to continue as a going



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concern and do not intend either to liquidate or to cease trading based on the following mitigating factors.

- CSC is a fully Government owned business entity and also ships loans amounting to US\$ 71,910,464,32 have been granted with the Treasury Guarantee which will be continue till 03rd of June 2034.
- The Company has not defaulted on the loan capital and interest due to the Bank and Bank has continued to receive full interest and capital instalment as they fall due.
- The scrapping of old vessels and reduction in construction of new vessels will normalized the imbalance of the supply and demand, which has resulted in a positive turn in the shipping market since 2021/2022.
- CSC has obtained conditional report vessels which states that “the vessels were in general, in a good and well maintained conditioned and all equipment was found in a good and workable condition, as the vessels is well equipped with engine as well as other machinery of well-known and reliable European manufactures, which have shown good records of reliability, and all the equipment was found in a good workable condition. It was concluded that assumed technical life time of 20 years could be reached by these vessels”. This indicates that the vessels have been managed professionally and efficiently by the company with high standards of technical efficiently. Furthermore this indicates that the vessels will have the expected lifespan.
- We are confident that the strong relationship existing between the Peoples Bank of Sri Lanka and the main shareholder Public Enterprises of Sri Lanka, Both under Treasury will help resolve any issues in a positive manner.
- The Commercial management agreement between the CSC and M/s Wallem Shipping (Singapore) Pte. Ltd. (Commercial) have been entered for the purpose of international charter to CSC vessels named M.V Ceylon Breeze and M.V. Ceylon Princes for two years period. Therefore, cash flow will allow to service of the loan installment as they fall due.
- Continues control on operational and administrative costs has made positive impact to the CSC.
- The company will continue to follow developments in the shipping industry, with a view to capitalizing on any new opportunities emerging in the market.

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 recognized 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.

CEYLON SHIPPING CORPORATION LIMITED
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3.2 Income Tax Expense

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

(a) Current Tax

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

The Company's liability to tax has been computed in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and the subsequent amendments thereto.

(b) Deferred Tax

Deferred tax is recognized 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 recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized 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 recognized 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 realized 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 realized 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.



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(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 derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

(c) Depreciation

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

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

Assets	Years
Buildings	20
Vessels	25
Motor Vehicle	04
Furniture & Fittings & Office Equipment	10
Computers	05

The cost of periodic dry- docking of vessels are capitalized and depreciated over the period to the next dry-docking date. When significant dry docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off in the month of subsequent dry-docking.

Dry-docking 5 Years

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 derecognized.

(d) Useful Life Time of the property Plant and Equipment

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. Judgment of the management is exercised in the estimation of these values, rates methods and hence they are subject to uncertainty.

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

3.4 Intangible Asset

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

Computer Software	05 Years
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Costs associated with maintaining computer software are recognized as an expense as incurred.

3.5 Investment in Associates

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

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

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

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 amortized.

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 recognized 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 recognized 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 recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.



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3.8 Inventories

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

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

3.9 Financial Instruments

Financial Assets

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

(a) Classification

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables, investments in term deposits, deposits and advances, and cash and cash equivalents in the end of reporting period.

ii Available for Sale Financial Assets (AFS)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets comprise of long-term quoted and unquoted equity investments.

iii. Held to Maturity Investments (HTM)

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to maturity if the Company has the positive intention and ability to hold them until maturity. Held to maturity investments are included in current assets unless the investment matures more than one year. Held to maturity investments comprise of investment in Government Treasury Bills.

(b) Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the Company originates the transaction. Other financial assets are recognized on the trade-date on which the Company becomes a party to the contractual provision of the financial instrument. A financial asset is measured initially at fair value plus, in the case of assets not at fair value

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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



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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 recognized 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 amortized 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 recognized immediately in profit or loss. CSC has applied SLFRS 9 retrospectively, with the initial application date of 1st of April 2018.

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 recognized 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.

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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 recognized 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.

- (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 recognized 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 recognized 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.



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STATEMENT OF COMPREHENSIVE INCOME

3.13 Revenue Recognition

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

(a) Voyage Income

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

(b) Charter Hire Income

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

(c) Agency Fee

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

(d) Interest

Interest income is recognised using effective interest method.

(e) Other Gains and Losses

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

(f) Dividend Income

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

3.14 Expenditure Recognition

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

3.15 Borrowing Costs

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



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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 and amended standards and interpretations

The standards and interpretation that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

SLFRS 17 - Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. The Group does not expect to have a significant impact on the Group's financial statements on the adoption of this standard.

Property, Plant and Equipment: Proceeds before Intended Use- Amendment to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS 16- Property, Plant and Equipment - Proceeds before intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1st January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.



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Amendments to LKAS 37 - Onerous Contracts - Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

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For the year ended 31st March

	Notes	2022 Rs.	2021 Rs.
4 Revenue			
Voyage		1,802,122,355	597,832,869
Freight Income Own Vessel		439,788,449	1,425,339,909
Charter hire income from own vsl		2,978,237,896	587,535,533
Charter hire income from coal vessel		2,246,567,897	-
Clearing and forwarding		18,165,709	8,337,584
Agency and address commission		391,934,051	475,573,131
		<u>7,876,816,356</u>	<u>3,094,619,027</u>
5 Other Income			
Profit on disposals of fixed assets		-	56,840
Dividend		-	192,143
Exchange gain		356,654,971	62,220,301
Interest income - Fixed deposits and treasury bills		45,379,467	23,963,961
Interest income - Staff loans		1,642,484	1,465,263
Demurrage recoveries own vessel		4,064,850	126,681,291
Documetation Chargers recoveries		3,541,235	5,807,139
Others		60,265,190	9,353,012
		<u>471,548,197</u>	<u>229,739,950</u>
6 Profit/(Loss) from Operations			
Profit/(loss) from operations is stated after charging all the operational expenses including the following.			
Auditor's remuneration		760,000	741,000
Depreciation		420,194,198	413,611,172
Professional and legal fees		584,905	637,400
Staff costs (Note: 6.1)		153,748,708	153,638,941
6.1 Staff Costs			
Directors' remuneration		596,050	1,097,000
Salaries and wages		140,610,298	129,155,049
Defined contribution plan costs - Employees' Provident Fund and		15,134,172	16,860,958
Defined contribution plan costs - Employees' Trust Fund		(2,591,813)	6,525,934
Defined benefit plan cost - Retiring Gratuity		<u>153,748,708</u>	<u>153,638,941</u>
7 Finance Expenses			
Finance Expense			
Interest expense - Vessel loan		(727,535,758)	(756,811,358)
Exchange Loss		(6,081,305,456)	(684,460,191)
		<u>(6,808,841,215)</u>	<u>(1,441,271,549)</u>
8 Income Tax Income/(Expenses)			
Tax on ordinary activities	8.1	-	-
Reversal of deferred tax asset	17	1,197,593,218	286,195,458
		<u>1,197,593,218</u>	<u>286,195,458</u>



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For the year ended 31st March

	Note	2022 Rs.	2021 Rs.
8.1 Reconciliation between Taxable Profit and Accounting Profit			
Accounting profit before tax		(4,567,786,074)	(527,125,027)
Add: Dividend received from associates		353,122	353,122
Less: Share of profit of associates - (net of tax)		(40,277,522)	(10,185,997)
		<u>(4,607,710,474)</u>	<u>(536,957,902)</u>
Aggregated disallowable items		7,234,195,429	1,858,902,160
Aggregated allowable items		(29,963,768)	(12,092,543)
Impairment provisions for debtor impairments		177,070,299	161,701,680
Income not subject to tax		(47,375,073)	(24,509,226)
Assessable Income From Business		<u>2,726,216,413</u>	<u>1,447,044,169</u>
Assessable Income From Investment		47,375,073	24,509,226
Add: Other income liable for tax-interest income)			
Total statutory income/assessable income		<u>2,773,591,486</u>	<u>1,471,553,395</u>
Current tax on ordinary activities for the year	8	<u>-</u>	<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)	(4,567,786,074)	(527,125,027)
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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>(913.56)</u>	<u>(105.43)</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.)	(4,567,786,074)	(527,125,027)
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CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2022

10 Property, Plant and Equipment

	Land and Housing Project	Buildings	Vessel	DRY- DOCK WORK	Motor Vehicles	Furniture and Fittings & Equipment	Computers	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation								
Balance as at 1st April 2021	5,286,340	43,390	11,235,780,363	-	37,002,095	21,079,373	23,209,549	11,322,401,110
Additions during the year	-	-	-	41,296,844	-	482,243	2,533,572	44,312,659
/Transferred from Dry-Dock Work during the year	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Balance as at 31st March 2022	<u>5,286,340</u>	<u>43,390</u>	<u>11,235,780,363</u>	<u>41,296,844</u>	<u>37,002,095</u>	<u>21,561,616</u>	<u>25,743,121</u>	<u>11,366,713,769</u>
Accumulated Depreciation								
Balance as at 1st April 2021	1,261,372	43,390	2,010,089,087	-	33,520,886	13,642,811	19,718,791	2,078,276,337
System error correction	-	-	-	-	-	3,272	(12,201)	(8,929)
Charge for the year	8,316	-	408,178,758	7,082,692	1,694,976	1,288,471	1,940,986	420,194,198
On disposals	-	-	-	-	-	-	-	-
Balance as at 31st March 2022	<u>1,269,688</u>	<u>43,390</u>	<u>2,418,267,846</u>	<u>7,082,692</u>	<u>35,215,862</u>	<u>14,934,553</u>	<u>21,647,576</u>	<u>2,498,461,606</u>
Net Book Value								
						Notes	2022 Rs.	2021 Rs.
Land and housing project							4,016,652	4,024,968
Buildings							-	-
Vessels							8,817,512,517	9,225,691,276
Dock work							34,214,153	-
Motor vehicles							1,786,233	3,481,209
Furniture and fittings							6,627,062	7,436,562
Office equipment and computers							4,095,545	3,490,758
							<u>8,868,252,162</u>	<u>9,244,124,773</u>
Capital work-in-progress - Buildings						10.1	3,626,440	3,626,440
Provision for impairment							<u>(3,626,440)</u>	<u>(3,626,440)</u>
						10.2	<u>8,868,252,162</u>	<u>9,244,124,773</u>

CSC performed its annual Impairment Test considering the internal and external factors related to impairment as at 31st March 2022. The recoverable amount of the vessels as at 31st March 2022 was determined based on the method of Value in Use computation using estimated future cash flows and the assessments which were carried out by CSC internal committee comprising of professionals appointed by Chairmen of CSC, in accordance with the paragraph 33 of LKAS 36.

In assessing the Value in Use calculations of the vessels, the entity has made assumptions based on historical and cyclical trend as well as future expectation and estimations on future charter hire rates for the open market operations and Time Charter hire Equivalents (TCE) based on projected market freight rates for the period when the vessels will be operated for transportation of coal for the Lakvijaya Power Station and ships operating expenses. The pre-tax discount rate applied to cash flow projections is 7.55% Residual values were estimated using the average Scrap Price of USD 565 per MT for dry bulk ships as per the Clarkson Shipping Intelligence Weekly (CSIW) In this scenario, increased in the earning matches with the objective information about pattern over industry lifecycle in accordance with LKAS 36 paragraph no. 36.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>		2022 Rs.	2021 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		8,864,252,162	9,240,124,773
At valuation		4,000,000	4,000,000
	10	8,868,252,162	9,244,124,773

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 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs 56,124,859.75 (2021 –Rs. 51,822,482/47) that considered of individually insignificant items

11 Capital Work-in-Progress - Vessels Dry-Dock Work

	MV Ceylon Breeze Rs.	MV Ceylon Prince Rs.	Total Rs.
Cost			
Balance as at 1st April 2021	-	-	-
Additions during the year	41,296,844	119,621,698	160,918,542
Borrowing costs	-	-	-
Transfer to Property, Plant and Equipment	(41,296,844)	-	(41,296,844)
Balance as at 31st March 2022	-	119,621,698	119,621,698

<i>As at 31st March</i>	2022 Rs.	2021 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	-	-

The cost of the software package has already amortized over their estimated useful lives. As well accounting software package was not compatible and user-friendly to cater the requirement of the company. Therefore, both CSC and the supplier dropdown at the time they fixed it for us as of no cost no liability basis. Further the supplier has not provided after sales licencing services.

Therefore, we have planned to purchase a user-friendly new software package for CSC and already appointed TEC for this. Accordingly, CSC management has not recommended for any revaluation for computer software without value for the company.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

2022
Rs.

2021
Rs.

13 Investment in Subsidiary

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

The Company has not consolidated the Financial Statements of the subsidiary in compliance with the decision taken by the Board of Directors meeting held on March 20, 2006 as intended to cease its business operation due to many reasons. Subsequently Board decided to wind up the subsidiary and it was wound up under the supervision of Commercial High Court of Colombo, under reference to the case No.HC(Civil)56/2013/CO), Company, Ceylon Shipping Agency (Pvt) Ltd. Registered under N (PVS) 6037 has been dissolved w.e.f. 28/07/2016 under Gazette Notification dated 02/09/2016 and it is no longer in existence where the name of the Company has also been struck off from the name registry of the Registrar of Companies.

14 Investment in Associates

Carrying Value on Equity Method

Ceylon Shipping Lines (Private) Limited	330,963,192	303,274,506
Ceylon Shipping Agency (Pte) Ltd - Singapore	101,840,108	84,202,357
	<u>432,803,300</u>	<u>387,476,863</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	387,476,863	372,531,378
Share of profit of associates - (net of tax) (14.2)	40,277,522	10,185,997
Share of other comprehensive income of associates - (net of tax)	5,402,037	5,112,610
Dividend income	(353,122)	(353,122)
Balance at the end of the year	<u>432,803,300</u>	<u>387,476,863</u>

14.3 Summarized Financial Information of Associates

	Ceylon Shipping Agency (Pte) Ltd - Singapore		Ceylon Shipping Lines (Private) Limited	
As at 31st December	2021	2020	2021	2020
Total assets	453,459,584	231,075,820	1,040,738,072	927,295,210
Total liabilities	238,160,289	51,771,935	140,729,799	97,378,078
Net assets	215,299,295	179,303,885	900,008,273	829,917,132
Revenue	1,733,064,950	701,782,376	469,278,941	352,997,880
Operating expenses	1,708,363,514	705,302,230	446,629,891	399,903,380
Other income	1,585,641	5,019,383	27,588,477	50,350,444
Profit for the year	26,287,078	1,499,529	70,248,343	24,233,919
Other comprehensive Income for the year	-	-	1,653,728	2,586,136



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March</i>		2022	2021
	Notes	Rs.	Rs.

15 Financial Instruments

Categories of Financial Assets and Financial Liabilities

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

The Carrying Values of Financial Assets and Liabilities

15.1 Financial Assets

15.1.1 Available-for-Sale

Quoted investment	16.1	53,306,091	17,243,984
Unquoted investments	16.2	2,377,070	2,377,070
		<u>55,683,161</u>	<u>19,621,054</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>447,289,305</u>	<u>120,615,896</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	1,472,984,001	983,457,636
Short-term investments	21	25,533,587	24,839,609
Cash and cash equivalents	22	729,586,947	848,666,900
		<u>2,228,104,535</u>	<u>1,856,964,145</u>

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

Total Financial Assets		<u><u>2,731,077,001</u></u>	<u><u>1,997,201,095</u></u>
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15.2 Financial Liabilities

Trade and other payables	30	<u>1,555,707,720</u>	<u>831,978,507</u>
Total Financial Liabilities		<u><u>1,555,707,720</u></u>	<u><u>831,978,507</u></u>

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



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2022 Rs.	2021 Rs.
16 Available-for-Sale Financial Assets			
Quoted investment	16.1	53,306,091	17,243,984
Unquoted investments	16.2	2,377,070	2,377,070
		<u>55,683,161</u>	<u>19,621,054</u>

16.1 Quoted Investment

Balance at the beginning of the year		17,243,984	11,281,334
Profit/(Loss) on changes in fair value		36,062,107	5,962,650
Balance at the end of the year	16	<u>53,306,091</u>	<u>17,243,984</u>

		2022		2021	
	No. of Shares	Cost Rs.	Market Rs.	Cost Rs.	Market Value Rs.
Mercantile Shipping Company PLC	238,506	<u>2,068,800</u>	<u>53,306,091</u>	<u>2,068,800</u>	<u>17,243,984</u>

16.2 Unquoted Investments

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

	Notes	2022 Rs.	2021 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		192,452,549	478,648,007
Reversal during the year	8	-	-
During the year		(1,197,593,218)	(286,195,458)
Balance at the end of the year	17.1	<u>(1,005,140,668)</u>	<u>192,452,549</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 24%.



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2022 Rs.	2021 Rs.
17.1 The Analysis of Deferred Tax Asset and Liability			
Deferred Tax Liability			
From accelerating depreciation		(2,117,506,773)	(2,215,379,794)
		<u>(2,117,506,773)</u>	<u>(2,215,379,794)</u>
Deferred Tax Asset			
From Tax Loss		822,607,358	2,364,498,212
Provision for impairment		281,299,993	33,636,613
From retirement benefit obligation		8,458,754	9,697,518
		<u>1,112,366,105</u>	<u>2,407,832,343</u>
	17	<u>(1,005,140,668)</u>	<u>192,452,549</u>

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

18 Trade and Other Receivables

Trade receivables	18.1	1,288,730,656	848,370,068
Deposits and advances	18.2	15,388,654	20,020,967
Staff receivables	18.3	45,351,301	55,042,036
Other receivables	18.4	123,513,390	60,024,565
		<u>1,472,984,001</u>	<u>983,457,636</u>

18.1 Trade Receivables

Trade receivables		2,460,530,760	1,829,796,029
Trade Control A/C (Local)		-	28,316,889
Coal Transaction Control A/C		283,199	283,199
Provision for impairment		<u>(1,172,083,303)</u>	<u>(1,010,026,050)</u>
	18	<u>1,288,730,656</u>	<u>848,370,068</u>

Trade receivables comprise the following receivables from related parties.

Receivables from Related Parties

Government Institutions		<u>492,899,641</u>	<u>217,806,005</u>
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The aging of the trade receivables is as follows.

Aging of the Trade Receivables

Up to one year		1,259,424,908	733,865,504
1 to 4 years		228,907,326	346,677,041
More than four years		972,198,525	749,253,484
		<u>2,460,530,760</u>	<u>1,829,796,029</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		16,931,052	31,944,098

Collective Impairment

		<u>1,010,837,188</u>	<u>833,766,889</u>
		<u>1,172,083,303</u>	<u>1,010,026,050</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2022 Rs.	2021 Rs.
18.2 Deposits and Advances			
Container deposits		13,243,865	18,554,346
Other refundable deposits		6,124,052	6,124,052
Advances		4,349,646	3,671,478
		<u>23,717,563</u>	<u>28,349,877</u>
Provision for impairment		(8,328,910)	(8,328,910)
	18	<u>15,388,654</u>	<u>20,020,967</u>
18.3 Staff Receivables			
Staff loans		41,145,250	51,789,854
Advances and others		4,206,051	3,252,182
	18	<u>45,351,301</u>	<u>55,042,036</u>
18.4 Other Receivables			
Guarantee repairs receivable		19,839,635	19,839,635
Others		126,975,566	63,486,740
		<u>146,815,201</u>	<u>83,326,375</u>
Provision for impairment		(23,301,810)	(23,301,810)
	18	<u>123,513,390</u>	<u>60,024,565</u>
19 Statutory Receivables			
Withholding Tax		8,481,465	8,464,489
Goods and Services Tax		18,936,777	18,936,777
Provision for impairment		(18,936,777)	(18,936,777)
National Security Levy		2,612,349	2,612,349
Provision for impairment		(2,612,349)	(2,612,349)
Double Tax		-	2,141,662
		<u>8,481,465</u>	<u>10,606,151</u>
20 Held to Maturity Investments			
Investment in treasury bills		<u>447,289,305</u>	<u>120,615,896</u>
21 Short-Term Investments			
Investment in fixed deposits	21.1	1,981,012	1,945,051
State Mortgage and Investment Bank - for staff loans		23,552,575	22,894,559
		<u>25,533,587</u>	<u>24,839,609</u>
21.1 Investment in Fixed Deposits			
Bank of Ceylon		1,310,700	1,310,700
Commercial Bank of Ceylon PLC		35,000	35,000
Commercial Bank of Ceylon PLC - security and housing loan		635,312	599,351
	21	<u>1,981,012</u>	<u>1,945,051</u>



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2022 Rs.	2021 Rs.
22 Cash and Cash Equivalents			
Cash in hand		49,766	77,090
Cash to Master		1,781,797	1,003,767
Cash at bank		727,755,385	847,586,043
Balance for Statement of Cash Flows		<u>729,586,947</u>	<u>848,666,900</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	15,046,963,632	11,283,156,548
People's Bank - Interest Capitalisation Loan	28.2	985,927,982	856,541,371
		<u>16,032,891,614</u>	<u>12,139,697,919</u>

28.1 People's Bank - Vessel Loan

Balance at the beginning of the year		12,208,266,998	12,336,045,000
Payments during the year		(1,118,243,078)	(705,093,752)
Exchange gain		(36,000)	-
Exchange loss		5,332,356,392	577,315,750
		<u>16,422,344,312</u>	<u>12,208,266,998</u>
Repayable within one year	31	1,375,380,680	925,110,450
Repayable after one year	28	15,046,963,632	11,283,156,548
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		951,702,211	906,528,858
Instalments paid during the year		(95,612,623)	-
Exchange loss		411,492,438	45,173,353
Balance at the end of the year		<u>1,267,582,026</u>	<u>951,702,211</u>
Repayable within one year	31	281,654,044	95,160,840
Repayable after one year	28	985,927,982	856,541,371
Treasury has given guarantee to cover the full value and tenor.			



CEYLON SHIPPING CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March

	Notes	2022 Rs.	2021 Rs.
29 Retirement Benefit Obligation - Gratuity			
Balance at the beginning of the year		40,406,325	42,095,585
Provision for the year	29.1	(2,591,813)	6,525,934
		<u>37,814,512</u>	<u>48,621,519</u>
Gratuity Payable		-	(773,500)
Payments made during the year		(2,569,705)	(7,441,695)
Balance at the end of the year		<u><u>35,244,807</u></u>	<u><u>40,406,325</u></u>

29.1 Provision for the Year

Current service cost		2,096,625	2,320,215
Interest charge for the year		2,893,554	1,539,248
Loss arising from changes in actuarial assumptions		(7,581,992)	2,666,471
	29	<u>(2,591,813)</u>	<u>6,525,934</u>

The principal assumptions used are as follows.

Discounting factor	7.50%	4.50%
Expected future salary increment	1.17%	1.11%
Staff turnover factor	6.78%	5.13%
Retirement age	62 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	1,279,225,610	502,049,215
Deposits	3,557,414	5,472,748
interest payable for vessel loan	149,421,266	111,746,281
Others	123,503,429	212,710,263
	<u><u>1,555,707,720</u></u>	<u><u>831,978,507</u></u>

31 Short -Term Borrowings

People's Bank - Vessel loan	<u><u>1,657,034,724</u></u>	<u><u>1,020,271,290</u></u>
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32 Statutory Payables

Income Tax	9,665,215	9,665,215
Stamp Duty	28,374	31,699
Value Added Tax	61,006,162	62,871,983
Goods Services Tax	-	1,262
	<u><u>70,699,752</u></u>	<u><u>72,570,160</u></u>

33 Accrued Expenses

Accrued expenses	<u><u>28,588,636</u></u>	<u><u>29,208,766</u></u>
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For the year ended 31st March 2022

34 Contingent Liabilities

There were no materialized Contingent liabilities as at the end of the reporting period which required adjustments or disclosure to be made in the financial statements except the legal claims arising in the ordinary course of business operation to consider, if these claims to be made justified and probability of an outflow due to remoteness of settlement. This evaluation is in consistent with legal opinion of the Company's Legal Division; therefore no provision has been made for the following cases,

1. Mv Lanka Mahapola had been chartered out to M/s Triple "S" Shipping Ltd in the year 2011 and the said company has defaulted the Charter hire, after paying few hires and subsequently deserted the ship at the Port of Mombasa, Kenya without proper redelivery of the vessel with huge amount of arrears in crew wages and operations expenses and also the vessel was under arrest and detained by the Maritime Authorities. With a view of recovering all dues from M/s Triple "S" Shipping Ltd, an Arbitral process has been initiated in terms of Charter party signed with them and currently it is in the process.

The hearing held on 25.01.2021 at the Sri Lanka National Arbitration Centre in the presence of both parties, former sole Arbitrator informed the parties that he has been appointed as the Chairman of the Public Service Commission and as the Claimant is a government owned company there could be a potential conflict of interest if a matter relating to the Claimant is referred to the Public Service Commission. Accordingly, the Arbitrator withdrew and/or resigned himself from the said arbitration. Accordingly, we nominated two arbitrators and informed them via registered post though there was no response from, Triple "S" Shipping. The next step is to proceed as set out in the said notice by acting in terms of the provisions of the Arbitration Act to appoint a new arbitrator. CSC Legal Division has taken steps to appoint to a substitute Arbitrator from Commercial High Court. Accordingly, as provided for in Sections 9 and 7 of the Arbitration Act, an application was made by way of Petition and Affidavit to the Commercial High Court seeking the appointment of an Arbitrator by Commercial High Court. Considering the application for appointment of a new Arbitrator at CHC is in process.

2. The Company entered into an Agreement with Ms Taurian Iron & Steel Company (TISC) in Mumbai, India to supply coal for Lanka Coal Company (Pvt)Ltd(LCC), 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 TISC. In order to reach an amicable solution as advised by AG's Department a Committee has been appointed by the Cabinet of Ministers and the Committee compiled a report and submitted the same for the line Ministry for further action. The line Ministry in turn has submitted the report to the CEB and LCC for their review and comments before the report to be submitted to the Cabinet of Ministers. The comments and concerns are yet to be received by the line Ministry as informed

3. The transportation of crude oil for Ceylon Petroleum Corporation(CPC) had to be discontinued due to a dispute arose between the foreign ship owner and the disponent owner of the vessel from whom the CSC chartered the vessel for the carriage of crude oil. This discontinuation resulted financial dispute between Ceylon Shipping Corporation Ltd and the disponent owner Ms Luna Shipping and finally with the CPC. The financial dispute with the Ms Luna Shipping and CSC was brought to the notice of at the AG's Department and the AG was of the view that the Arbitration process could be initiated in London as per the COA signed with them for the recovery option. In the meantime to resolve the issue with Ceylon Petroleum Corporation a Committee was appointed with the high ranking officers of CSC, CPC and from the Treasury. The Committee in their process has requested CSC and CPC to make a joint submission to AG's Department for the clarity on certain legal issues to finalize the Committee report. The preparation of the joint submission is in the process. In these circumstances the Board of Directors of the CSC set aside the initiation of Arbitral process against Luna Shipping in London until the issue with CPC is resolved. The said Committee in its interim report recommended referring certain legal issues to be clarified from AG's Department by submitting a joint request. The concurrence of the draft letter from CPC is yet to be received. The last correspondence from CSC to CPC is requesting them to forward certified documents, which CSC has made in writing on the 27/05/2020. As CSC has still not received a reply, sent a further reminder on 09/11/2022.

4. In and around 28th April 2020 there was a reported collision incident between Mv.Ceylon Breeze and a Fishing Vessel(FV) in Chinese territorial waters. This matter was considered under collision liabilities in which the liability of H&M insurance was exempted due to the damage claim falling below the deductible of USD100,000. But the liability of P&I Club for their portion (¼) remains unchanged. In these circumstances, the balance (¾) has to be absorbed by Ceylon Shipping Corporation Ltd in the final claim and its associated expenses i.e Survey expenses, Correspondent's expenses, Legal fees etc. The matter was negotiated between lawyers appointed by P&I Club and the lawyers of FV. After discussion considering the potential cost of litigation in a foreign country i.e. in China, CSC agreed to settle the dispute going in line with SLIC & the P&I Clubs' advise upon a payment of US\$ 20,149/- to the fishing vessel interest. Fishing vessel has released CSC from all claims by returning the club undertaking.



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For the year ended 31st March 2022

5. Collision incidents of MV Ceylon Breeze with MV. Leopold and MV. Cyclades.

Mv.Ceylon Breeze was on a time charter voyage from port of Paradip, India to port of Lianyungang, China to discharge 60,100MT iron Ore pellet in bulk. She had called Port of Singapore on 11/06/2021 for a bunkering stoppage.

1st Collision (Mv.LeopoldLD)

While taking bunkers at port of Singapore on 11/06/2021 another vessel by the name, Mv.Leopold (flag reg.Malta) had dragged towards Mv.Ceylon Breeze making a contact causing damage to our vessel to the port quarter vessel bow area of the Hull as well as incurring damage to her own. This matter was considered under collision liabilities in which the liability of H&M cover. The estimated damage to our vessel was approx. USD 590,000/-. CSC has lodged the damage claim by submitting cost calculations & Bills & Receipts CSC has submitted its claim to a loss adjustor appointed by the Club and in the process of providing necessary documents and information. The Club has informed that Leopold cost has been estimated as USD230,000/- while proposing the liability share of CSC as 85%-90% requesting for a settlement.

2nd Collision (Mv.Cyclade)

While Mv.Ceylon Breeze was in the anchorage on 12/06/2021, our vessel had dragged towards another vessel which was in stationery in outer port area named Mv. Clyclade and made contact causing damage to Mv.Cyclades as well as to her own. This matter was considered under collision liabilities where H&M insurance Cover was activated due to the estimated damage to our vessel being above deductible level (USD 100,000/-) Solicitors have been appointed by the P & I Club with the consent of CSC and the matter is currently under negotiation to exchange securities between both parties CSC has requested for actual cost for Cyclade but still haven't received their actual cost or claim.

Cyclade is maintaining silence regarding their claim.

35 Related Party Disclosures

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

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	2022 Rs.	2021 Rs.
Remuneration and other short-term employment benefits	32,898,309	35,378,957
Balance outstanding - Loans and advances	4,038,672	6,494,542
Balance Outstanding- Post employment benefits	10,546,800	14,144,916

35.2 Transactions with Related Entities

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

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

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

Related Parties	Nature of Transactions	Transaction Value Rs.	Balance (Due)/ Receivable as at 31/03/2022 Rs.
Government of Sri Lanka	Freight charges, charter hire, container rent, clearing & forwarding and other charges	1,544,435,050	
	Settlements	(1,166,226,859)	378,208,191



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For the year ended 31st March 2022

	Freight charges, clearing & forwarding and other	153,748,533	
State-Owned Enterprises	charges		
	Settlements	(33,845,590)	119,902,944
	Freight charges ,lightering and bunker escalation		
Lanka Coal Company	charges	4,082,578,181	
	Settlements	(2,800,855,192)	1,281,722,989
Other Government	Clearing & forwarding and other charges	245,266	
Related Entities	Settlements	(52,220)	193,046

36 Events after the end of the Reporting Period

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

• ESCROW AGENT

Between Ceylon Shipping Corporation Ltd and Refined Success Ltd

The disputes have arisen between the Parties in relation to the charter of the MV Ceylon Breeze" (the "Vessel") pursuant to a charterparty dated 17th March 2022 (MV CEYLON BREEZE / REFINED SUCCESS LTD - CLEAN RECAP CP DD 17th MARCH 2022) (the "Charterparty") whereby the Owner claims a balance of hire and has stated that in the absence of payment it is entitled to exercise a lien over cargo on board the Vessel and / or to suspend performance of the Charterparty in terms of the respective provisions thereof, which is disputed by the Charterer who alleges that hire has been fully paid after taking account of off hire in respect of matters which (a) occurred during the Vessel's call at Port Elizabeth, (b) relate to the Vessel's stay at Port Coega, and / or that it is entitled to and claims damages in respect of such matters and (c) relate to the period which the vessel deviated to land a stowaway at Tanzania, which is disputed by the Owner (the "Disputes"); (B) The Disputes are subject to determination in London arbitration by a Tribunal appointed pursuant to the arbitration agreement contained in the Charterparty ("Tribunal"); to avoid escalation of the Disputes, the Charterer will pay the sum of US\$469,524.98 (Four Hundred and Sixty Nine Thousand Five Hundred and Twenty Four United State Dollars and Ninety Eight Cents Only) (the "Escrow Amount") the Escrow Agent's US Dollar client account held at Standard Chartered Bank (Hong Kong) Ltd (the "Bank") against an undertaking from the Escrow Agent either to hold the Escrow Amount as escrow agent. The Arbitration process is yet to be commenced.

• Ceylon Shipping Corporation Limited (CSC) v. M.I. International (Pvt) Limited and 02 others D.C., Colombo, Case No. DMR 2493/22

The vehicle No. WP KY -7714 is a Vehicle belong to the Ceylon Shipping Corporation Ltd and It has caused accident with the vehicle No.WP CAV 7862, belong to Mr. Mohomad Imran Infas (Address: No.05, 1st Chapel Street, Colombo 06) at Rajakeeya Mawatha in Kuruduwa Police area on Friday 18th September 2020 at about 19.05 hrs.

Ceylon Shipping Corporation has obtained an Estimate from United Motors Lanka PLC to repair the said damage vehicle No. WP KY 7714 and accordingly the total cost of repairing the said damage vehicle is Rs. 1,000,012.06 . As per the legal advices of AGs Department of initiate legal advices and action against Mr. Mohomad Imran Mohomad Infas and to recover the money and cost of the said damage to CSC due to the subject Vehicle Accident.

According to the consultation of the AGs Department Ceylon Shipping Corporation Limited have instituted legal proceedings in D.C. Colombo Case No. DMR 2493/22 against I.M. International (pvt) Ltd, the owner of vehicle bearing No. CAV 7862 insured with Amana Takaful PLC under policy bearing No. HOVPTDP00360/20 and Mr.Mohomad Imran Mohomad Infas , the driver of the subject vehicle at the subject accident for the recovery of a sum of Rs.1,000,012.06 bearing the amount due and owing in respect of the damage caused to vehicle bearing No. KY 7714 owned by Ceylon Shipping Corporation Limited.



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37 Capital Commitments

The company has committed to purchase two new 63,600 DWT Ultramax Bulklers with training purpose amounting to US\$ 70 Mn. from the Avic International Beijing Company Ltd. (China) on February 18, 2014. Cabinet of Ministers approved the purchase of two new 63,600 DWT Ultramax Bulklers with training purpose under the unsolicited proposal on December 23, 2013.

The Company has entered into an agreement with the supplier under the buyer credit terms and therefore the Company has sought its fund requirement by obtaining loan facility from the People's Bank amounting to US\$ 70 Mn. with the interest rate of 06 months LIBOR + 5.25% p.a. Further, the People's Bank has granted additional amount of US\$ 10Mn. with the interest rate of 06 months LIBOR +3% p.a. in order to pay the interest which has arisen from the above loan which CSC had utilized only US\$ 5.5Mn.

As at date of Statement of Financial Position, amount payable to the bank is US\$ 59,164,464.32

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.

- 38.1 Credit Risk
- 38.2 Liquidity Risk
- 38.3 Market Risk (Currency Risk and Interest Rate Risk)
- 38.4 Capital Management

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.

38.1 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 2022

	Notes	2022 Rs.	2021 Rs.
Cash and cash equivalents	38.1.1	727,755,385	847,586,044
Term deposits with banks		25,533,587	24,839,609
Trade receivables	38.1.2	2,460,530,760	1,829,796,029
Other receivables		184,253,345	135,087,568
		<u>3,398,073,077</u>	<u>2,837,309,250</u>



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38.1.1 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	2022 Rs.	2021 Rs.
Cash at bank		727,755,385	847,586,044
	38.1	<u>727,755,385</u>	<u>847,586,044</u>

38.1.2 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	2022 Rs.	2021 Rs.
Aging of the Trade Receivable			
Up to one year		1,259,424,908	733,865,504
1 to 4 years		228,907,326	346,677,041
More than four years		972,198,525	749,253,484
	38.1	<u>2,460,530,760</u>	<u>1,829,796,029</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.

38.1.3 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.



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For the year ended 31st March 2022

38.2 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 2022 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	55,683,161	-	-	55,683,161
Held to maturity investments	447,289,305	447,289,305	-	-
Short-term investments	25,533,587	-	1,981,012	23,552,575
Trade receivables	2,460,530,760	-	1,259,424,908	1,201,105,851
Other receivables	184,253,345	-	63,488,826	120,764,519
Cash and cash equivalents	727,755,385	727,755,385	-	-
	<u>3,901,045,543</u>	<u>1,175,044,690</u>	<u>1,324,894,746</u>	<u>1,401,106,107</u>
Financial Liabilities				
Trade payables	1,279,225,610	1,279,225,610	-	-
Other payables	276,482,110	123,503,429	152,978,680	-
	<u>1,555,707,720</u>	<u>1,402,729,039</u>	<u>152,978,680</u>	<u>-</u>

38.3 Market Risk (Currency Risk and Interest Rate Risk)

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



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38.3.1 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 2021/22 is Rs.5,724,650,486/-

38.3.2 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.

38.4 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 2021 and 2022

	2021/22 Rs.	2020/21 Rs.
Class of Capital		
Total borrowings	17,689,926,338	13,159,969,209
Total equity	(7,914,226,190)	(2,041,613,494)
Gearing ratio (x)	-224%	-645%

39 Absorption of Costs of Cargo Insurance

Approved by the Cabinet of Ministers on 17/06/2019 on the Cabinet Paper No. 17/1791/129/023 and the decision taken at the Board of Directors of CSCL dated 29/07/19, Cargo Insurance Costs, which has already, being done by M/S Lanka Coal Company Ltd. directed to be absorbed by CSC. Details are given below.

Financial Year	Amounts (Rs)
2015/16	12,512,559.00
2016/17	21,447,333.00
2017/18	21,502,890.00
2018/19	22,571,307.28

Original documents such as VAT invoices, Receipts which are issued by the Insurers required to be submitted for reimbursement. Accordingly, amounting to Rs.22,571,307.28 has already absorbed in the accounts for the year ended 31/03/2019. Also, amounting to Rs.54,190,609.70 have been adjusted to the retained earnings of the financial year 2019/20 and 2020/2021. Reimbursement of cargo insurance amounting to Rs. Rs1,271,172.30 has not been taken into accounts due to non-availability of documents required.

CEYLON SHIPPING CORPORATION LIMITED

Lead Schedule

ADMINISTRATION EXPENSES

A/c No	Description	2022	2021
50000	STAFF TRAINING	175,433	227,775
50010	STAFF RECRUITMENT	57,000	-
50030	CONTRIBUTION TO PROVIDEND FUND	12,614,362	14,050,798
50040	EXECUTIVE STAFF SALARIES	63,952,391	66,470,465
50050	CLERICAL & ALLIED STAFF SALARIES	48,401,842	40,606,871
50060	TEMPORARY & CASUAL EMPLOYEES WAGES	841,189	1,169,596
50080	OVERTIME	11,550,489	9,633,445
50090	BONUS	3,911,129	338,995
50100	CONTRIBUTION TO MEDICAL FUND	48,000	44,000
50110	CONTRIBUTION TO E.T.F	2,519,810	2,810,160
50120	MEDICAL LEAVE PAY	4,646,607	4,568,835
50140	GRATUITY	(2,591,813)	6,525,934
50150	COMPENTION	3,730,080	-
50170	HARDSHIP ALLOWANCE-NOROCHCHOLAI	1,506,988	1,376,850
60010	OFFICE RENT	19,558,800	18,798,180
60020	PRINTING & STATIONARY	2,365,230	1,373,209
60030	MEMBERSHIP SUBSCRIPTIONS	1,303,510	1,409,553
60050	INSURANCE	7,271,538	6,896,863
60060	MAINT. OF OFFICE PREMISES & EQUIPMENT	5,691,657	4,700,118
60070	ELECTRICITY CHARGES -HEAD OFFICE	1,475,657	1,354,857
60072	ELECTRICITY CHARGES -QUARTERS	71,734	24,949
60080	STAFF WELFARE	5,624,230	4,762,216
60090	SECURITY CHARGES	2,107,140	2,322,300
60110	COMPUTER EXPENSES	1,877,867	520,190
60140	BANGALOW MAINTENENCE - MODARA	3,026	17,520
60170	TRASLATION CHARGES	185,914	169,628
60210	WATER CONSUMPTION HEAD OFFICE	180,000	180,000
60220	WATER CONSUMPTION - QUARTERS	69,234	38,497
60230	PENALTY CHARGERS	7,080	-
61010	TELEPHONE CHARGES	2,686,601	2,210,467
61020	POSTAGE & TELEGRAMMES	27,655	5,065
61040	INTERNET / E-MAIL CHARGES	3,058,649	2,223,117
62000	FOREIGN TRAVEL & EXPENSES	38,117	-
62010	LOCAL TRAVEL	3,946,217	4,835,293
62030	MAINTENENCE OF MOTOR VEHICLES	5,727,485	3,597,727
62040	TRAVELLING & SUBSISTANCE	14,250	54,700
63010	ENTERTAINMENT	100,257	134,976
63020	ADVERTISMENT	4,262,440	2,670,056
63060	ANNUAL REGISTRATION LEAVY	41,000	41,000
64000	DIRECTORS FEES	596,050	1,097,000
64010	AUDIT FEES	760,000	741,000



64020	PROFESSIONAL CHARGES & LEGAL FEES	584,905	637,400
64060	TENDER COMMITTEE ALLOWN AND EXPENSES	1,332,200	556,000
65010	MISCELLANEOUS EXPENSES	515,604	287,162
65040	DONATIONS	62,500	32,500
65050	ANNIVERSARY EXPENSES	707,409	-
65800	DEPRECIATION	4,932,749	5,432,414
70000	BANK CHARGES	27,775,207	3,552,427
70030	OVERDRAFT INTEREST	1	203
70050	STAMP DUTY EXPENSES A/C	37,125	41,925
	PROFIT /(LOSS) ARISING FROM CHANGES IN ACTUARIAL ASSUMPATIONS	7,581,992	(2,666,471)
		263,944,537	215,875,765

