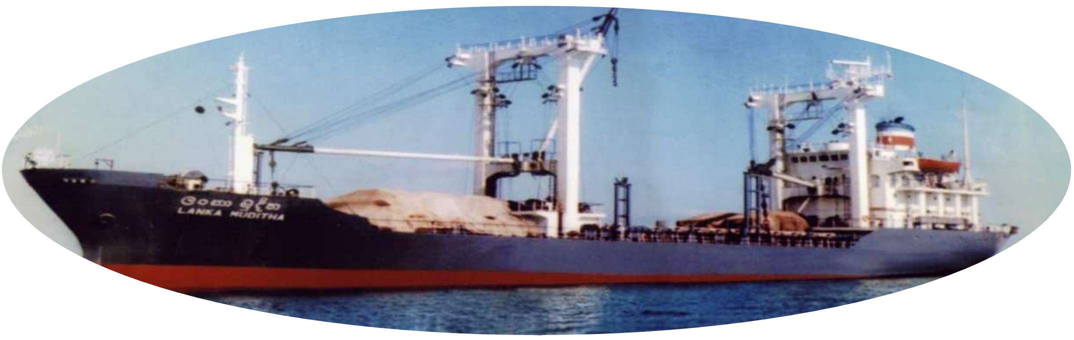
Ceylon Shipping Corporation Ltd

(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 2012/2013



CSCL ANNUAL REPORT & ACCOUNTS
2012 / 2013

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Letter of Transmittal

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

Dear Sir,

In accordance with the provisions of the conversion of Public Corporations and Government Owned Business undertakings into Public Companies Act. No. 23 of 1987 and the Companies Act. No. 07 of 2007, I am pleased to present the Annual Report and Statement of Accounts, in respect of the activities of the company for the period of 01.04.2012 to 31.03.2013.

Yours faithfully,
Ceylon Shipping Corporation Ltd

Vice Admiral Jayanath Colombage RSP, VSV, USP, rcds, psc
MSc (DS), MA (IS), Dip in IR, Dip in CR, FNI (Lond)
Acting Chairman

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

Date: 19th May 2014

CSCL ANNUAL REPORT & ACCOUNTS
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Board of Directors

Kanchana Ratwatte Esq.
Chairman
From 06.01.2012 to14.02.2012 Revoked
Re- appointed w.e.f. 14.03.2012

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

Aasiri Iddamalgoda Esq.
Director
From 31.05.2010 to date

AriyaseelaWickramanayake Esq.
Director
From 31.05.2010 to date

Chandana Gamage Esq.
Director
From 31.05.2010 to date

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

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

Secretary to the Board
Mrs. E.M.S. Perera
Secretary
Attorney – At – Law, Post Graduate Diploma in
Port Management & Shipping – Netherlands
Auditors

T & D Associates

Board Meetings
Five (05) Board Meetings were held during the year under review.

Management Team

General Manager
Sunil Obadage Esq.
Bachelor's Degree
MICS - UK
Diploma in Shipping (OSLO)

Senior Deputy General Manager (Commercial & Operation)
S.M.D.N. Dharmapriya Esq.
BSc. Msc. in Maritime Studies, MILT - UK

Deputy General Manager Legal & Insurance / Human Resources
Mrs. E.M.S. Perera
Attorney-At-Law
Post Graduate Diploma in Port, Shipping & Transport Management – Netherlands

Assistant General Manager
Business Development Human Resource
Chris Weerasinghe Esq
MBA Open University in London (Last semester to be completed)
Bsc in Computer System Administration
Higher National Diploma in Computer Soft wear-London

Finance Manager
G.M. Vikum Pradeepa Esq.
B.Com. (Special) Hons. LICA
Msc. in Shipping Management (Malmo-Sweden)

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

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

Manager Coal Operation/Technical
S.L. Rajapakse Esq.
Chartered Engineer

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

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

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

CSCL ANNUAL REPORT & ACCOUNTS
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Chairman's Review for the year 2012/1013

I am pleased to report that during the period under review, CSCL has made an exceptional progress by achieving an after tax profit of Rs. 218.79 million compared to that of Rs. 84.20 million recorded in the previous year. This shows a record growth of profit by 159 % year on year. This significant progress was made by CSCL in a backdrop of bleak industry scenario, where generally all market segments of the shipping industry continued to experience a setback, mainly due to excess of supply more than the demand for shipping services. The impact of the economic recession doomed in the year 2008 continues to be felt in the shipping industry. The much awaited recovery back to pre-recession level has yet to be materialized despite expectations of the industry analysts.

During the period under review, CSCL was able to achieve a total turnover of Rs. 850.7 million, which is a healthy increase of 150% compared to that of Rs. 339 million in the previous year. It should be noted that the business segment of coal transportation accounts substantially with the contribution of Rs. 237.7 million to the total turnover. The decision taken by the management of CSCL during the period under review to re-arrange the coal transport contract, which was effective from the year 2010 in order to obtain more economical benefits has been noteworthy and contributed to exceptional increase of the turnover and the quantum of profit.

The Basic Earnings Per Share during the period under review amounts Rs. 43.76 as against that of Rs. 16.84 in the previous year recording a substantial increase of 159.8% year on year. In view of the exceptional profit made during the period under review, an interim dividend of Rs. 10.0 million was paid to the Department of Public Enterprises of the General Treasury which is the sole shareholder of CSCL.

The two ships owned by CSCL, namely Lanka Mahapola and Lanka Muditha, which were not suited for any economically viable commercial operation due to their old age were sold. Action initiated to purchase new ships with the assistance of the Government is being continuously pursued. An agreement was signed with a Chinese shipyard to build two bulk carriers for carriage of coal, to be funded by a commercial loan issued by a local state bank with the Government Guarantee.

In considering the future outlook, it is of critical importance that CSCL being the National Carrier of the country secures exclusive right of sea transportation of bulk commodities such as coal, crude oil and fertilizers being imported to the country, on the long term basis, eventually assisting CSCL to build up its own fleet of ships and also long term chartering of ships in order to fulfill the very objectives that the Corporation has been established for.

Serving the external trade of the country and assisting the Sea Training aspect of the aspirant seafarers by offering on-board the vessel training opportunities remains the foremost objectives of CSCL. It should be mentioned that the assistance being offered by the Government in this regard has been encouraging. It is also essential that CSCL further enhance its revenue from general cargo transportation operations based on buying and selling of space and slots on third party ships operated in the international trade, by securing more state sector cargo to CSCL fold, which are now being carried by foreign shipping companies. CSCL should also make use of the opportunities in alternative segments such as bunkering, coastal services, common user warehousing etc., which are now been facilitated and encouraged under the Government policy of developing the country as the Maritime Hub.

CSCL continued to look after its employees by contributing to their welfare activities and empowering them with updated knowledge and skills by sponsoring their training programs and professional study courses. The contribution made by the employees of CSCL to achieve the noteworthy progress by their hard work and dedication is commendable and appreciated.

In conclusion, I take this opportunity to appreciate and thank the Board of Directors, our Line Ministry, all our customers, business partners, agents and all other stakeholders for their continued support and cooperation extended to CSCL and looking forward to their enhanced partnerships and patronage in the coming year as well.

Directors Report for the Annual Report 2012 / 2013

CSCL continued with the process to purchase new ships in pursuance of the recommendation received from the National Planning Department of the General Treasury in response to the feasibility study submitted by CSCL for acquisition of ships. Action is now being pursued with the relevant Government agencies to build initially two 63,600 MT DWT vessels in China for transportation of thermal coal being imported to the country by Ceylon Electricity Board.

One of the two ships owned by CSCL, namely M.V. Lanka Muditha continued to be in laid up status in the Port of Galle while the tender process was in progress for its disposal. The other owned ship, M.V. Lanka Mahapola was on bareboat charter and the charterer was in breach of charter party agreement, which has been referred to arbitration. Actions were being followed up to take the redelivery of the ship from the defaulting charterer.

CSCL continued to serve its’ business on the general cargo liner sector hiring space on third party vessels on NVOCC basis. The main cargo base has been the government cargoes offered to CSCL under the existing Public Finance Circular No: FIN 415, to and from the places all over the world during the year under review. Whilst performing the service as such CSCL was able to achieve a considerable increase in the tonnage of almost all types of imports including Pure Car Carrier services as well as Break Bulk cargo service, which shows a significant improvement in its volumes as against the previous year whereas volumes of FCL and LCL export tonnage have shown a drastic reduction as against the previous year.

CSCL NVOCC services handled cargo from USA, Canada, UK and all European destinations, Scandinavian port, Russian ports, Brazil, Mexico, South Africa, Slovenia, Ukraine, Mediterranean, Arabian Gulf, Far East, East Asia, Australia, New Zealand & Indian sub continent ports etc. During the period under review break bulk and pure car carrier volumes have been increased more than almost 3 fold compared to the previous year. However, LCL tonnage and container movements in TEUs have decreased by 25.93% & 20.88% respectively compared to the previous year.

The period under review is the 3rd Contract Year of the Contract of Affreightment signed between CSCL and the Lanka Coal Company (Pvt) Ltd. in March 2010, valid until March 2014, for the transportation of coal for the Lakvijaya Power Station of the Ceylon Electricity Board. CSC lifted a total quantity of 761,281 MT during the six months window period excluding South West monsoon season. A notable feature in this year is the deployment self-propelled barges replacing dumb barges, which resulted in a drastic improvement of the productivity in coal discharging and lightering in the port of Puttalam.

Report of the Audit Committee

Appointment:

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

Role of the Audit Committee:

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

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

Composition of the Audit Committee:

- The Audit Committee should consist of at least three (03) non Executive Board Members including a Treasury Representative and the Chief Accountant of the Line Ministry.

- The Audit Committee should be chaired preferably by a Treasury Representative or a person possessing Financial Management Skills.
- A representative from the Auditor Generals' Department/External Auditors or any other person whose services is essential for the functioning of the Audit Committee could be invited to serve as an observer.
- General Manager, Finance Manager and other Senior Managers should also be made to attend the Audit committee by invitation as and when necessary.
- While the Internal Auditor should assist the Audit committee through the submission of relevant reports etc. to assist in the deliberation, the Board Secretary should function as the Secretary to the Committee

Meetings:

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

Reviews:

Audit Committee reviewed followings for the year concerned

- The Audit Programme 2013.
- The Internal Control System 2013.
- Discussion about the preparation for adopting Sri Lanka Financial Reporting Standards (SLFRS)
- Review of Expenditure Report 2010/11and 2011/12
- Review and discuss the Presidential Secretariat Circular No SP/CS/30/12

Conclusion:

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

Ajith Abeysekara
Chairman Audit Committee.

ACKNOWLEDGEMENT

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

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

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

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

THANKS TO THE STAFF

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

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

GALLE OFFICE
36, LIGHTHOUSE STREET, FORT,
GALLE, SRI LANKA.
Tele :+94 91-2225700
Fax :+94 91-4384849
E-mail: galle@tndsrilanka.com

COLOMBO OFFICE
34/7, BARNES PLACE,
COLOMBO-07
Tele :+94 11-4734962
Fax :+94 11-2692767
E-mail: colombo@tndsrilanka.com

T & D Associates
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CEYLON SHIPPING CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Shipping Corporation Limited which comprise the statement of financial position as at 31 March 2013, and the comprehensive income statement, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the company's state of affairs as at 31 March 2013 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without qualifying our opinion we draw attention to the matter that the Company has not consolidated the financial statements of its subsidiary, Ceylon Shipping Agency (Pvt) Ltd since the audits of the said company has not been completed yet and has not operating.

Partners: H.L.T. Dhammika (FCA, FCMA), H.D.W. Peiris (ACA, ACMA), N.A.P. Hettiarachchi (ACA, ACMA), D.S.K. Rasaputhra (FCA, ACMA) M.M. Senaka (ACA.)

www.tndsrilanka.com

The Company has sought the approval of the Registrar of Companies in accordance with section 153(7) of the Companies Act No 07 of 2007 to refrain from consolidation for the reasons explained in the preceding paragraph. Accordingly those investments have been accounted on cost basis.

Report on Other Legal and Regulatory Requirements

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

T & D Associates

CHARTERED ACCOUNTANTS
13 November 2013.
Colombo.

CEYLON SHIPPING CORPORATION LIMITED

(Expressed in Sri Lankan Rupees)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH	Note	2013	2012
Revenue	6	850,732,686	339,091,211
Direct Operational Expenses		(539,088,718)	(170,069,243)
Gross Profit		**311,643,968**	**169,021,968**
Other Income	7	48,218,207	27,940,317
Administrative Expenses		(145,944,235)	(143,777,618)
Profit from Operations		**213,917,940**	**53,184,667**
Net Finance Income	8	39,405,262	21,562,599
Share of Profit of Associates Net of Tax	15.1	21,387,767	18,954,260
Profit Before Taxation	9	**274,710,969**	**93,701,526**
Income Tax Expenses	10	(55,918,925)	(9,492,978)
Profit for the Year		**218,792,044**	**84,208,548**
Basic Earnings Per Share	11	**43.76**	**16.84**
Other Comprehensive Income			
Profit for the Year		218,792,044	84,208,548
Other Comprehensive Income			
Net Gain / (Loss) on Available-for-Sale Financial Assets	17.1	(6,368,110)	(4,531,614)
Total Other Comprehensive Income		**(6,368,110)**	**(4,531,614)**
Total Comprehensive Income for the Year		**212,423,934**	**79,676,934**

Figures in brackets indicate deductions.
The accounting policies and notes on pages 7 through 34 form an integral part of these Financial Statements.

CEYLON SHIPPING CORPORATION LIMITED

(Expressed in Sri Lankan Rupees)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH	Note	2013	2012	As At 01 April 2011
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	12	72,858,715	67,098,342	56,764,726
Intangible Assets	13	-	-	-
Investment in Subsidiary	14	-	-	-
Investment in Associates	15	217,970,518	196,912,331	178,287,651
Available-for-Sale Financial Assets	17	37,827,808	44,195,918	48,727,532
Deferred Tax Assets	18	3,180,367	17,875,603	19,490,383
Total Non-Current Assets		**331,837,408**	**326,082,194**	**303,270,292**
Current Assets				
Inventories		2,221,735	2,144,023	845,359
Trade and Other Receivables	19	1,154,149,173	769,946,972	367,097,338
Statutory Receivables	20	38,140,327	34,660,965	48,387,267
Held to Maturity Investments	21	131,700,530	93,430,380	154,204,954
Short-Term Investments	22	205,054,559	179,708,322	397,197,981
Cash and Cash Equivalents	23	73,186,619	63,498,493	244,563,834
Total Current Assets		**1,604,452,943**	**1,143,389,155**	**1,212,296,733**
Assets Classified as Held for Sale	24	12,326,800	12,326,800	-
Total Assets		**1,948,617,151**	**1,481,798,149**	**1,515,567,025**
EQUITY AND LIABILITIES				
Equity				
Stated Capital	25	50,000,000	50,000,000	50,000,000
Contribution Against Equity Capital	26	562,017,353	575,541,087	515,541,087
Available-for-Sale Financial Assets Reserve		32,347,616	38,715,726	43,247,340
Capital Reserves	27	767,029,765	767,029,765	767,029,765
Revaluation Reserve	28	18,796,336	18,796,336	18,796,336
Retained Earnings *(at debit)*		(447,018,426)	(676,744,559)	(760,953,107)
Total Equity		**983,172,644**	**773,338,355**	**633,661,421**
Non-Current Liabilities				
Retirement Benefits Obligation	29	18,315,468	21,941,868	23,624,285
Total Non-Current Liabilities		**18,315,468**	**21,941,868**	**23,624,285**
Current Liabilities				
Trade and Other Payables	30	874,692,411	642,776,451	841,894,736
Statutory Payables	31	69,154,628	35,220,888	7,491,152
Accrued Expenses	32	3,282,000	3,174,938	3,727,117
Bank Overdrafts	23	-	5,345,649	5,168,314
Total Current Liabilities		**947,129,039**	**686,517,926**	**858,281,319**
Total Equity and Liabilities		**1,948,617,151**	**1,481,798,149**	**1,515,567,025**

Figures in brackets indicate deductions.
The accounting policies and notes on pages 7 through 34 form an integral part of these Financial Statements.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.

....
Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors of Ceylon Shipping Corporation Limited;

....
Director

....
Director

Colombo.
13 November 2013.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Note	Stated Capital	Contribution Against Equity Capital	Capital Reserve	Revaluation Reserve	Available-for-Sale Financial Assets Reserve	Retained Earnings (at debit)	Total
Balance as at 01 April 2011 (Previously Stated)	39	**50,000,000**	**515,541,087**	**880,754,607**	**-**	**-**	**(1,147,110,046)**	**299,185,648**
Impact Due to First Time Adoption of SLFRS	39	-	-	(113,724,842)	18,796,336	43,247,340	386,156,939	334,475,773
Balance as at 01 April 2011 (Re-stated)	39	**50,000,000**	**515,541,087**	**767,029,765**	**18,796,336**	**43,247,340**	**(760,953,107)**	**633,661,421**
Grants Received From Treasury		-	60,000,000	-	-	-	-	60,000,000
Profit for the Year		-	-	-	-	-	84,208,548	84,208,548
Other Comprehensive Income		-	-	-	-	(4,531,614)	-	(4,531,614)
Balance as at 31 March 2012		**50,000,000**	**575,541,087**	**767,029,765**	**18,796,336**	**38,715,726**	**(676,744,559)**	**773,338,355**
Profit for the Year		-	-	-	-	-	218,792,044	218,792,044
Other Comprehensive Income		-	-	-	-	(6,368,110)	-	(6,368,110)
Restatement of Fully Depreciated Assets	12	-	-	-	-	-	10,934,089	10,934,089
Repayment of Grants Received		-	(13,523,734)	-	-	-	-	(13,523,734)
Balance as at 31 March 2013		**50,000,000**	**562,017,353**	**767,029,765**	**18,796,336**	**32,347,616**	**(447,018,426)**	**983,172,644**

Figures in brackets indicate deductions.
The accounting policies and notes on pages 7 through 34 form an integral part of these Financial Statements.

CEYLON SHIPPING CORPORATION LIMITED

(Expressed in Sri Lankan Rupees)

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARC	Note	2013	2012
Cash Flows from Operating Activities			
Profit Before Taxation		274,710,969	93,701,526
Adjustments for;			
Depreciation		4,166,202	3,767,523
(Profit) / Loss on Disposal of Property, Plant and Equipment		(710,043)	(262,750)
Gratuity Charge for the Year		805,230	931,858
Provision For Impairment - Property, Plant and Equipment		3,626,440	-
Dividend Income		(337,959)	(718,907)
Share of Profit of Associates Net of Tax		(21,387,767)	(18,954,260)
Interest Income		(39,447,836)	(23,954,821)
Interest Expenses		42,574	2,392,222
Operating Profit Before Changes in Working Capital		**221,467,810**	**56,902,391**
Changes in Working Capital			
Inventories		(77,712)	(1,298,665)
Trade and Other Receivables		(384,202,200)	(402,849,635)
Statutory Receivables		-	8,519,638
Trade and Other Payables		231,915,960	(199,118,285)
Statutory Payables		(7,289,950)	27,233,467
Accrued Expenses		107,062	(552,179)
Cash Generated from / (used in) Operations		**61,920,970**	**(511,163,268)**
Gratuity Paid		(4,431,630)	(2,614,275)
Interest Paid		(42,574)	(2,392,222)
Taxes Paid		(3,479,361)	(2,175,265)
Net Cash Flow from / (used in) Operating Activities		**53,967,405**	**(518,345,030)**
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment		(2,645,124)	(22,896,115)
Proceeds from Sale of Property, Plant and Equipment		736,241	262,750
Expenses Incurred on Work-in-Progress		-	(3,531,824)
Investment in Held-to-Maturity Financial Assets		(145,363,635)	(87,791,422)
Maturity of Held-to-Maturity Financial Assets		107,846,479	147,761,559
Maturity of Short-Term Financial Assets		-	228,535,500
Interest Received		13,348,605	13,713,417
Dividend Received		667,540	1,048,487
Net Cash Flow from / (used in) Investing Activities		**(25,409,894)**	**277,102,352**
Cash Flows from Financing Activities			
Grants Received From Treasury / (Repayment)		(13,523,734)	60,000,000
Net Cash Flow from / (used in) Financing Activities		**(13,523,734)**	**60,000,000**
Net Changes in Cash and Cash Equivalents During the Year		**15,033,777**	**(181,242,678)**
Cash and Cash Equivalents at Beginning of the Year		58,152,842	239,395,520
Cash and Cash Equivalents at End of the Year	**Note 23**	**73,186,619**	**58,152,842**

Figures in brackets indicate deductions.
The accounting policies and notes on pages 7 through 34 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1 CORPORATE INFORMATION

1.1 Reporting Entity

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.

The financial statements of the company as at and for the year ended 31 March 2013 comprise the financial information of the company and its interest in associate companies.

1.2 Principal Activities 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 significant changes in the nature of the principal activities of the company during the financial year under review.

1.3 Reporting Date

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

1.4 Date of Authorization for Issue

The Financial Statements were authorized for issue by the Board of Directors on 13 November 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of Ceylon Shipping Corporation Limited have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). The financial statements have been prepared under the historical cost convention, as modified by the fair value of quoted investments designated as available-for-sale financial assets and the revaluation of property, plant and equipment. The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The company prepared its financial statements for previous periods including the reporting period ended 31 March 2012 in accordance with SLAS which were effective up to 31 December 2011. The financial statements are company's first SLFRS financial statements prepared in accordance with SLFRS 1 First-time Adoption of Sri Lanka Accounting Standards. The effect of the transition to Sri Lanka Accounting Standards (SLFRSs) on previously reported financial positions, financial performances of the company are given in note 39 to the financial statements.

2.2 Changes in Accounting Policies

The changes in accounting policies set out below have been applied consistently to the periods presented in the condensed financial statements and to the opening SLFRS statement of financial position at the date of transition to SLFRSs, unless otherwise indicated.

The presentation and classification of the financial statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

2.3 Investments in Associates

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

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

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

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

2.4 Foreign Currency Translation

2.4.1 Functional and Presentation Currency

Transactions and balances included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sri Lanka Rupees (LKR), which is the company's presentation currency.

2.4.2 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Translation differences related to changes in amortized cost are recognized in the statement of comprehensive income.

2.5 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Property, plant and equipment were carried at revalued amounts in the statement of financial position prepared in accordance with SLAS prior to 31 March 2011. The Company has elected such revalued amount as deemed cost at the date of the revaluation. Accordingly the property, plant and equipment are stated at deemed cost less accumulated depreciation and any accumulated impairment losses. Other property, plant and equipment acquired after revaluation are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as an asset, only when 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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated, depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Assets Category	Years
Vessels	10 Years
Containers	10 Years
Buildings	20 Years
Motor Vehicles	04-10 Years
Garage	10 Years
Computers	05 Years
Furniture & Equipment	10 Years
Spreaders	05 Years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Intangible Assets

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

Computer Software	05 Years

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

2.7 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.

2.8 Impairment of non-financial assets

At each end of reporting period, the company reviews the carrying amounts of its property, plant and equipment, intangible assets and investment in subsidiary to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company determines the cash-generating unit (CGUs) and estimates the recoverable amount of the CGUs to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

2.9 Financial Assets

(a) Classification

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

I. Loans and receivables
II. Available for sale Financial Assets (AFS)
III. Held to Maturity Investments (HTM)

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)

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

(b) Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the company originates the transaction. Other financial assets are recognized on the trade-date on which the company becomes a party to the contractual provision of the financial instrument.

A financial asset is measured initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership of the financial assets.

(c) Subsequent Measurement

I. Loans and receivables

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment.

II. Available for sale Financial Assets (AFS)

After initial recognition, quoted equity investments classified as AFS financial assets are measured at fair value. Changes in the fair value of AFS financial asset 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)

HTM 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

For loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

II. Available for sale Financial Assets (AFS)

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. For quoted equity investments, a significant or prolonged decline in the fair value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the quoted investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are reversed through profit or loss. The amount of reversal is recognized in the other comprehensive income.

For unquoted equity investments, a significant or prolonged decline in the value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the unquoted investments, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average method. Inventories comprise of consumables.

2.11 Trade Receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. Collection is expected in the normal operating cycle of the business (within one year or less) and the receivables are classified as current assets. Trade receivables are recognized initially at fair value (invoice value) and subsequently measured at the original invoice value less provision for impairment as the dues are expected to receive in the normal operating cycle of the business.

The company assesses at the end of each reporting period whether there is objective evidence that trade receivables are impaired. Objective evidences of impairment for trade receivables include the company's past experience in collecting payments and number of default payments. Trade receivables are impaired and impairment losses are incurred, only if there is objective evidence of impairment. Trade receivables are assessed individually for impairment.

2.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, term deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less net of bank overdraft.

2.13 Stated capital

Ordinary shares are classified as equity.

2.14 Financial Liabilities

The company classifies financial liabilities into other financial liabilities. The company's other financial liabilities include trade and other payables. The other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

The company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

2.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due in the normal operating cycle of the business (within one year or less). If not, they are classified as non -current liabilities.

Trade payables are recognized initially at fair value (transaction price) and subsequently measured at the transaction price as they are expected to pay in the normal operating cycle of the business.

2.16 Government Grants

Grants from the government including non-monetary grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight- line basis over the expected lives of the related assets.

Non-monetary grants are measured at carrying value of the non-monetary asset and account for both grant and asset at the carrying value.

2.17 Borrowing Costs

Borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

2.18 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income statement, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted at the reporting period end applicable for the company operate and generate taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

2.19 Employee benefits

The company has both defined benefit and defined contribution plans.

(a) Defined Contribution plan

A defined contribution plan is a post employment benefit plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

The company contributes 15% on gross emoluments of employee to Employee Provident Fund (EPF) and 3% on gross emoluments of employee to Employee Trust Fund (ETF).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(b) Defined benefit plan
The company obligation in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is measured annually using the projected unit credit method calculated use the gratuity formula. The present value of the defined benefit obligation is determined by discounting the estimated future benefit that employee have earned in return for their services in the current and prior period.

Gains and losses arising from changes in the assumptions, current service cost and interest are recognized in the statement of comprehensive income in the period in which they arise.

The retirement benefits obligation is not externally funded.

(c) Short-term employee benefit
Short-term employee benefit obligations are measured on an undiscounted amount expected to be paid for related services provided by the employees.

2.20 Provisions and Contingent Liabilities
Provisions for legal claim and other operational expenses are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the company and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

All contingent liabilities are disclosed as a note to the financial statements unless the possibility of an outflow of resources is remote.

2.21 Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sale of goods in the ordinary course of company’s activities, stated net of Value Added Taxes (VAT) and Nation Building Tax (NBT). The company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the company.

The company applies the revenue recognition criteria set out below to each identifiable major types of revenue.

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

(b) Charter Hire Income
Revenue from time charter hiring is recognized over the period of the time charter agreement on an accrual basis.

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

(d) Interest Income
Income is recognized using the effective interest method.

(e) Gain and Losses on Disposal of Property, Plant and Equipment
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

(f) Dividend Income
Dividend income is recognized when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

2.22 Expenses

Expenditures incurred in the running of the operation are to income in arriving at the profit for the reporting period.

2.23 Events Occurring after the Reporting Period

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

2.24 Commitments

All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

3. Sri Lanka Accounting Standards (SLFRS/LKAS) issued but not yet effective

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

a. **SLFRS 9-Financial Instruments:** SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to recognition, classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1 January 2015.

b. **SLFRS 10-Consolidated Financial Statements:** SLFRS 10 replaces the portion of LKA 27 consolidated and separate financial statements that addresses the accounting for consolidated financial statements. SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in LKAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014.

c. **SLFRS 12 Disclosure of Interests in Other Entities:** SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates. This standard becomes effective for annual periods beginning on or after 1 January 2014.

d. **SLFRS 13-Fair Value Measurement:** SLFRS 13 establishes guidance for all fair value measurements and disclosures. The company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

4. Significant Accounting Estimates and judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

I. The following are significant judgments in applying the accounting policies that have most significant effect on the financial statements.

(a) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

II. Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

(a) Useful life time of depreciable assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(b) Defined benefit plan

The present value of the defined benefit plan obligations depends on a number of factors that are determined on projected unit credit basis by using number of assumptions. The assumptions used in determining the net cost and obligation for defined benefit plan including the discount rate are disclosed in the note 29 Any changes in these assumptions will impact the carrying amount of defined benefit obligation.

5. First time adoption of SLFRS/LKAS

The financial statements, for the reporting period ended 31March 2013, are the first financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). Previous reporting periods including up to the reporting period ended 31 March 2012, the company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS), which were effective up to 31 December 2011.

In preparing these financial statements, the opening statement of financial position was prepared as at 1 April 2011, which is the date of transition to Sri Lanka Accounting Standards (SLFRSs). This note explains the principal adjustments made in restating its SLAS financial statements to SLFRSs financial statements for the reporting period as of 1 April 2011, 31 March 2012.

Optional exemptions from the retrospective Application

I. In preparing the first financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs), The company has elected to apply following optional exemptions from the retrospective application of other Sri Lanka Accounting Standards (SLFRSs).

a. **LKAS 27 Investment in Subsidiaries**
The company has measured its investments in subsidiaries at cost, which is the carrying amount as per SLAS at the date of transition 1 April 011.

b. **Fair value or Revaluation as Deemed Cost**
Property, plant and equipment were carried at revalued amount in the statement of financial position prepared in accordance with SLAS prior to 31 March 2012. The company has elected those revaluation amount as deemed cost at the date of the revaluation since they were broadly comparable to fair value at the date of the revaluation.

c. **Designation of Previously Recognized Financial Instruments**
The company has designated both long term quoted and unquoted equity instruments as available-for-sale investments at the date of transition to Sri Lanka Accounting Standards (SLFRSs).

II. Following optional exemptions are not applicable to the company:

a. SLFRS 4 -Insurance contracts, since this application is not relevant to the Company.
b. IFRIC 4 - Determining whether arrangement contains a lease, since the company does not have such arrangements.
c. LKAS 19 - Employee benefits, since the company measures its defined benefits obligation using formula method.
d. LKAS 21 -Cumulative translation differences, since the company does not have foreign operation.
e. Assets and liabilities of subsidiaries, associates and joint ventures, since the subsidiaries and associates have converged from SLASs to SLFRSs simultaneously with the company.
f. LKAS 32 - Compound financial instruments, since the company does not have compound financial instruments.
g. Decommissioning liabilities included in the cost of property, plant and equipment, since company does not have decommissioning liabilities relating to property, plant and equipment.
h. IFRIC 12 - Service Concession Arrangements, since the company does not have such arrangement.

Mandatory exceptions from retrospective application

In preparing the first financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs), the company has elected to apply following mandatory exceptions from the retrospective application of other Sri Lanka Accounting Standards (SLFRSs).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

I. Accounting Estimates

All accounting estimates at the date of transition to SLFRSs and as at 31 March 2012 are consistent with the estimates made in accordance with SLAS except the following.

a. The company re-estimates useful life time of some items of property, plant equipment and intangible assets in accordance with SLFRSs to reflect conditions existed at the date of transition to SLFRSs and as at 31 March 2012.

II. Following mandatory exceptions are not applicable to the company:

a. De-recognition of financial assets and financial liabilities.

b. Hedge Accounting.

c. Non-Controlling Interest.

5.1 Explanation of transition to SLFRSs

The accounting policies set out in note 2 have been applied in preparing the financial statements for the reporting period ended 31 March 2013together with comparative information for the reporting period ended31 March 2012 and opening SLFRS statement as at 1 April 2011 which is the transition date of SLFRSs for the company.

In preparing SLFRS financial statement of previous reporting periods, required adjustments have been made in accordance with Sri Lanka Accounting Standards (SLFRSs). The effect of the transition from SLASs to SLFRSs has been presented in the statement of reconciliation of equity, statement of comprehensive income and notes to the reconciliations.

CEYLON SHIPPING CORPORATION LIMITED *(Expressed in Sri Lankan Rupees)*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH		2013	2012
6	**REVENUE**		
	Voyage Income	527,424,949	221,949,668
	Charter Hire Income	47,801,910	40,988,934
	Clearing and Forwarding Income	30,986,034	27,824,623
	Agency and Address Commission	141,557,778	48,327,986
	Other Services	102,962,015	-
		850,732,686	**339,091,211**
7	**OTHER INCOME**		
	Dividend	337,959	718,907
	Profit on Sale of Property, Plant and Equipment	710,043	262,750
	Net Exchange Gain	45,252,357	19,218,182
	Others	1,917,848	7,740,478
		48,218,207	**27,940,317**
8	**NET FINANCE INCOME**		
	Interest Income		
	Interest on Fixed Deposits and Treasury Bills	38,448,458	23,172,691
	Interest on Staff Loan	999,378	782,130
		39,447,836	**23,954,821**
	Interest Expenses		
	Interest on Bank Overdrafts	(42,574)	(2,392,222)
		(42,574)	**(2,392,222)**
		39,405,262	**21,562,599**
9	**PROFIT BEFORE TAXATION**		
	is arrived at after charging all expenses including the following:		
	Directors' Remuneration	1,974,194	958,500
	Auditors' Remuneration	859,000	795,500
	Depreciation	4,166,202	3,767,523
	Defined Contribution Plan Costs - EPF / ETF	8,605,968	9,488,778
	Defined Benefit Plan Cost - Retiring Gratuity	805,230	931,858
	Staff Cost	78,434,192	77,836,176
	Professional and Legal Fees	7,132,001	277,492
	Provision for Impairment of Working Progress	3,626,440	-
10	**INCOME TAX EXPENSES**		
	Current Tax Expense (Note 10.1)	41,223,690	7,878,198
	Deferred Tax Charge / (Reversal) (Note 18)	14,695,235	1,614,780
		55,918,925	**9,492,978**
	10.1 Reconciliation Between taxable profit and accounting profit		
	Accounting Profit Before Taxation	**274,710,969**	**93,701,526**
	Less: Share of Profit of Associates Net of Tax	(21,387,767)	(18,954,260)
		253,323,202	**74,747,266**
	Aggregated Disallowable Items	10,475,586	36,758,807
	Aggregated Allowable Items	(12,998,153)	(6,841,435)
	(Income)/ Loss not Subject to Tax	**(84,753,481)**	(84,801,305)
	Profit from Trade or Business	**166,047,154**	**19,863,333**
	Other Income Liable for Tax - Interest Income	36,113,782	23,423,469
	Total Statutory Income	**202,160,936**	**43,286,802**
	Tax Losses Utilized	(54,933,473)	(15,150,381)
	Assessable Income / Taxable Income	**147,227,463**	**28,136,421**
	Tax Charged at Statutory Tax Rate of 28%	41,223,690	7,878,198
	Current Tax on Ordinary Activities for the Year	**41,223,690**	**7,878,198**

11 BASIC EARNINGS PER SHARE

Basic 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.

	2013	2012
Amount used as the Numerator		
Net Profit Attributable to Equity Holders (Rs.)	218,792,044	84,208,548
Number of Ordinary Shares used as the Denominator		
Weighted Average number of Shares in Issue (Nos)	5,000,000	5,000,000
Basic Earnings Per Share (Rs.)	**43.76**	**16.84**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

12 PROPERTY, PLANT AND EQUIPMENT

Freehold Cost or Valuation	Land and Housing Project	Buildings	Vessels	Containers	Motor Vehicles	Furniture and Fittings	Office Equipment and Computers	Spreaders	Total
Balance as at 01 April 2011	**5,286,340**	**43,390**	**330,000,000**	**7,048,348**	**31,541,932**	**10,470,421**	**10,852,753**	**1,828,962**	**397,072,146**
Adjustments	-	-	(70,000,000)	(7,048,348)	-	-	-	-	(77,048,348)
Additions	-	-	-	-	-	20,096,315	2,799,800	-	22,896,115
Disposals	-	-	-	-	(260,000)	(471,575)	(289,808)	-	(1,021,383)
Balance as at 31 March 2012	**5,286,340**	**43,390**	**260,000,000**	**-**	**31,281,932**	**30,095,161**	**13,362,745**	**1,828,962**	**341,898,530**
Addition	-	-	-	-	-	1,343,793	1,301,331	-	2,645,124
Disposals	-	-			(735,000)	(520,564)	(15,600)		(1,271,164)
Balance as at 31 March 2013	**5,286,340**	**43,390**	**260,000,000**	**-**	**30,546,932**	**30,918,390**	**14,648,476**	**1,828,962**	**343,272,490**
Depreciation									
Balance as at 01 April 2011	**1,112,901**	**43,390**	**282,866,788**	**7,048,348**	**29,216,928**	**8,509,653**	**9,775,066**	**1,828,962**	**340,402,036**
Charge for the Year	64,320	-	-	-	774,996	1,935,789	992,418	-	3,767,523
Adjustments	-	-	(57,673,200)	(7,048,348)	-	-	-	-	(64,721,548)
Disposals	-	-	-	-	(260,000)	(471,575)	(289,808)	-	(1,021,383)
Balance as at 31 March 2012	**1,177,221**	**43,390**	**225,193,588**	**-**	**29,731,924**	**9,973,867**	**10,477,676**	**1,828,962**	**278,426,628**
Charge for the Year	17,623	-	-	-	774,996	2,408,052	965,531	-	4,166,202
Adjustments	-	-	-	-	(10,905,477)	(28,612)	-	-	(10,934,089)
Disposals	-	-	-	-	(735,000)	(494,366)	(15,600)	-	(1,244,966)
Balance as at 31 March 2013	**1,194,844**	**43,390**	**225,193,588**	**-**	**18,866,443**	**11,858,941**	**11,427,607**	**1,828,962**	**270,413,775**

Net Carrying Values	**2013**	**2012**	**As At 01 April 2011**
Land and Housing Project	4,091,496	4,109,119	4,173,439
Buildings	-	-	-
Vessels	34,806,412	34,806,412	47,133,212
Containers	-	-	-
Motor Vehicles	11,680,489	1,550,008	2,325,004
Furniture and Fittings	19,059,449	20,121,294	1,960,768
Office Equipment and Computers	3,220,869	2,885,069	1,077,687
Spreaders	-	-	-
	72,858,715	**63,471,902**	**56,670,110**
Work-in-Progress (Note 12.1)	3,626,440	3,626,440	94,616
	(3,626,440)	-	-
Provision For Impairment	**72,858,715**	**67,098,342**	**56,764,726**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

	2013	2012	01 April 2011
12.1Capital Work-in-Progress (Buildings)			
Balance at 01 April	**3,626,440**	**94,616**	-
Additions	-	3,531,824	94,616
Transferred	-	-	-
Balance at 31 March	**3,626,440**	**3,626,440**	**94,616**

	2013	2012	01 April 2011
12.2 Carrying Value of Total Assets			
At Cost	34,052,304	24,665,490	5,536,898
At Valuation	38,806,412	38,806,412	51,133,212
	72,858,716	**63,471,902**	**56,670,110**

Property, plant and equipment were revalued on July 1994 by Government Valuation Department. Property, plant and equipment were valued 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.

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

	2013	2012	01 April 2011
Cost	406,819,749	406,819,749	406,819,749
Accumulated Depreciation	(368,013,337)	(368,013,337)	(368,013,337)
Carrying Value	**38,806,412**	**38,806,412**	**38,806,412**

Property, plant and equipment of the company with a cost of Rs.27,009,274 (2012 - Rs.52,232,552) have been fully depreciated and continue to be in use by the company.

13 INTANGIBLE ASSETS

	2013	2012	01 April 2011
Computer Software			
Cost			
Balance as at Beginning of the Year	6,144,497	6,144,497	6,144,497
Addition	-	-	-
Balance as at Beginning of the Year	**6,144,497**	**6,144,497**	**6,144,497**
Amotisation			
Balance as at Beginning of the Year	6,144,497	6,144,497	6,144,497
Charge for the Year	-	-	-
Balance as at Beginning of the Year	**6,144,497**	**6,144,497**	**6,144,497**
Net Carrying Value	-	-	-

14 INVESTMENT IN SUBSIDIARY

	No of Shares	% of Holding	2013	2012	01 April 2011
Ceylon Shipping Agency (Private) Limited	9,999	100%	99,990	99,990	99,990
Provision for Impairment			(99,990)	(99,990)	(99,990)
			-	-	-

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

15 INVESTMENTS IN ASSOCIATES

			Cost as at 31 March		Cost as at
	No of Shares	% of Holding	2013	2012	01 April 2011
Ceylon Shipping Lines (Private) Limited	156,942	39%	1,569,420	1,569,420	1,569,420
Ceylon Shipping Agency (Pte) Ltd - Singapore	24,500	49%	143,622	143,622	143,622
			1,713,042	**1,713,042**	**1,713,042**

15.1 Movement of Investment in Associates on Equity Method

Investors' Share of Net Assets	2013	2012	01 April 2011
Balance at 01 April	**196,912,331**	**178,287,651**	**1,713,042**
Adjustments in Retained Earnings at the Date of Transition to SLFRSs	-	-	176,574,609
Share of Profit of Associates Net of Tax	21,387,767	18,954,260	-
Dividend Income	(329,580)	(329,580)	-
Balance at 31 March	**217,970,518**	**196,912,331**	**178,287,651**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH	2013	2012	01 April 2011

Investment in Associates Cont…..

15.2 Carrying Value of Investment in Associates on Equity Method

	2013	2012	01 April 2011
Ceylon Shipping Lines (Private) Limited	178,290,820	162,756,362	151,087,866
Ceylon Shipping Agency (Private) Limited - Singapore	39,679,698	34,155,969	27,199,785
	217,970,518	**196,912,331**	**178,287,651**

15.3 Summarized Financial Information of Associates

	Ceylon Shipping Agency-Singapore		Ceylon Shipping Lines	
As at 31st December	**2012**	**2011**	**2012**	**2011**
Total Assets	204,433,934	156,753,333	585,027,862	534,348,002
Total Liabilities	101,309,507	79,587,755	75,166,902	64,345,369
Net Assets	103,124,427	77,165,578	509,860,960	470,002,633
Revenue	899,754,150	726,633,104	371,189,029	319,172,097
Operating Expenses	887,746,815	711,753,022	377,739,625	317,607,247
Other Income	70,295	500,483	29,941,039	19,784,015
Profit for the Year	11,272,918	14,196,294	40,678,398	30,765,339

16 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

	Note	2013	2012	As At 01 April 2011
16.1 Financial Assets				
Available-for-Sale Financial Assets				
Quoted Investment	**Note 17.1**	35,450,738	41,818,848	46,350,462
Unquoted Investments	**Note 17.2**	2,377,070	2,377,070	2,377,070
		37,827,808	**44,195,918**	**48,727,532**

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 cannot be reliably measured.

Held to Maturity Investments

	Note	2013	2012	As At 01 April 2011
Investments in Treasury Bills	**Note 21**	131,700,530	93,430,380	154,204,954
		131,700,530	**93,430,380**	**154,204,954**

Held to Maturity Investments are measured inclusive of interest receivable.

Loans and Receivables

	Note	2013	2012	As At 01 April 2011
Trade and Other Receivables	**Note 19**	1,301,671,157	866,860,709	464,011,076
Short-Term Investments	**Note 22**	205,054,559	179,708,322	397,197,981
Cash and Cash Equivalents	**Note 23**	73,186,619	63,498,493	244,563,835
		1,579,912,335	**1,110,067,524**	**1,105,772,892**

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

	2013	2012	As At 01 April 2011
Total Financial Assets	**1,749,440,673**	**1,247,693,822**	**1,308,705,378**

16.2 Financial Liabilities

Other Financial Liabilities

	Note	2013	2012	As At 01 April 2011
Trade and Other Payables	**Note 30**	874,692,411	642,776,449	841,894,736
Bank Overdrafts	**Note 23**	-	5,345,648	5,168,314
		874,692,411	**648,122,097**	**847,063,050**

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

	2013	2012	As At 01 April 2011
Total Financial Liabilities	**874,692,411**	**648,122,097**	**847,063,050**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH		2013	2012	As At 01 April 2011
17 AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Quoted Investments	**Note 17.1**	35,450,738	41,818,848	46,350,462
Unquoted Investments	**Note 17.2**	2,377,070	2,377,070	2,377,070
		37,827,808	**44,195,918**	**48,727,532**

17.1 Quoted Investments			
Balance as at 01 April	**41,818,848**	**46,350,462**	**3,103,122**
Gain / (Loss) on Fair Value Adjustment	(6,368,110)	(4,531,614)	43,247,340
Balance as at 31 March	**35,450,738**	**41,818,848**	**46,350,462**

		2013		2012		2011	
Mercantile Shipping Company PLC	**No of Shares**	**Cost (Rs.)**	**Market Value (Rs.)**	**Cost (Rs.)**	**Market Value (Rs.)**	**Cost (Rs.)**	**Market Value (Rs.)**
	238,506	2,068,800	34,416,416	2,068,800	40,784,526	2,068,800	45,316,140

17.2 Unquoted Investments

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

	No. of Shares			
Associate News Papers of Ceylon Limited	31,206	312,060	312,060	312,060
Ceylon Port Services Limited	5,000	50,000	50,000	50,000
Sri Lanka Port Management and Consultancy Limited	1,501	15,010	15,010	15,010
Lanka Coal Company (Private) Limited	200,000	2,000,000	2,000,000	2,000,000
		2,377,070	**2,377,070**	**2,377,070**

18 DEFERRED TAX ASSETS			
Balance as at 01 April	**17,875,603**	**19,490,383**	**4,863,024**
Recognized in Comprehensive Income	(14,695,235)	(1,614,780)	20,161,094
Recognized in Equity	-	-	(7,309,686)
Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-	1,775,951
Balance as at 31 March	**3,180,367**	**17,875,603**	**19,490,383**

Deferred tax is recognised using liability method for temporary difference between the carrying amount of assets and liabilities and tax base of assets and liabilities. Deferred tax has been measured by the effective tax rate of 28%.

18.1 The Analysis of Deferred Tax Assets and Liabilities

Deferred Tax Liability			
From Revaluation Gains	(7,309,686)	(7,309,686)	(7,309,686)
From Accelerating Depreciation	(4,630,234)	(4,394,685)	(7,493,088)
	(11,939,920)	**(11,704,371)**	**(14,802,774)**
Deferred Tax Assets			
From Retirement Benefit Obligations	5,128,331	6,143,723	6,614,800
From Brought Forward Tax Losses	-	14,459,697	18,701,803
From Accounting Provision	9,991,957	8,976,554	8,976,554
	15,120,288	**29,579,974**	**34,293,157**
	3,180,368	**17,875,603**	**19,490,383**

Deferred tax assets are recognized for provision for retirement benefits obligation, impairment provision for other receivables and brought forward tax losses to the extent that the realization of the related tax benefits through future taxable profits are probable and deferred tax liabilities are recognized for accelerating depreciation and revaluation surplus.

The deferred tax liability and assets arising from the adjustment made at the date of transition to SLFRSs in relating to re-measurement of assets and liabilities is adjusted to retained earning.

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH		2013	2012	As At 01 April 2011
19 TRADE AND OTHER RECEIVABLES				
Trade Receivables	**Note 19.1**	1,106,719,797	733,892,825	334,913,646
Deposits and Advances	**Note 19.2**	9,802,280	8,133,542	7,400,315
Staff Receivables	**Note 19.3**	31,922,673	26,482,148	24,141,923
Other Receivables	**Note 19.4**	5,704,423	1,438,457	641,454
		1,154,149,173	**769,946,972**	**367,097,338**
19.1 Trade Receivables				
Trade Receivables		1,254,241,780	830,806,563	431,827,384
Provision for Impairment		(147,521,983)	(96,913,738)	(96,913,738)
		1,106,719,797	**733,892,825**	**334,913,646**

Trade receivables comprise following receivables from related parties.

Receivables from Related Parties			
Government Institutions	83,978,353	77,525,892	80,626,985
	83,978,353	**77,525,892**	**80,626,985**

The ageing of the trade receivables are as follows.

Aging of the Trade Receivables

Up to One Year	945,431,108	585,151,193	174,878,841
1 to 4 Years	94,285,924	32,398,364	45,786,739
More than Four Years	214,524,748	46,453,636	45,940,634
	1,254,241,780	**664,003,193**	**266,606,214**

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 2.11.

The Details of Provision for Impairment of the Trade Receivables

Government Institutions	36,206,870	36,206,870	36,206,870
Foreign Agents	35,123,350	4,072,991	4,072,991
Private Institutions	43,405,411	43,405,411	43,405,411
Others	29,453,384	9,895,498	9,895,498
	144,189,015	**93,580,770**	**93,580,770**

The Carrying Amounts of Trade Receivables Denominated in Foreign Currencies

US Dollars	19,218,452	18,482,484	108,667,021
India Rupees	16,373,733	16,373,733	16,373,733
Euros	1,388,821	1,388,821	1,388,821
Others	4,038,520	4,044,132	4,044,132
	41,019,526	**40,289,170**	**130,473,707**

19.2 Deposits and Advances			
Container Deposits	4,311,796	4,279,316	4,279,166
Other Refundable Deposits	7,914,465	7,914,465	7,914,465
Advances Paid	5,904,929	4,268,671	3,535,594
Provision for Impairment	(8,328,910)	(8,328,910)	(8,328,910)
	9,802,280	**8,133,542**	**7,400,315**
19.3 Staff Receiavbels			
Staff Loans	29,741,877	25,846,044	23,585,247
Advances and Others	2,180,796	636,104	556,676
	31,922,673	**26,482,148**	**24,141,923**
19.4 Other Receivables			
Guarantee Repairs Receivable	19,839,635	19,839,635	19,839,635
Others	9,595,000	5,329,034	4,532,031
Provision for Impairment	(23,730,212)	(23,730,212)	(23,730,212)
	5,704,423	**1,438,457**	**641,454**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH		2013	2012	As At 01 April 2011
20 STATUTORY RECEIVABLES				
Economic Service Charges (ESC)		1,915,323	1,915,323	8,309,175
Withholding Tax (WHT)		14,675,878	11,196,516	10,009,328
Goods and Services Tax (GST)		18,936,777	18,936,777	18,936,777
National Security Levy (NSL)		2,612,349	2,612,349	2,612,349
Value Added Tax (VAT)		-	-	8,519,638
		38,140,327	**34,660,965**	**48,387,267**
21 HELD TO MATURITY INVESTMENTS				
Investments in Treasury Bills		131,700,530	93,430,380	154,204,954
		131,700,530	**93,430,380**	**154,204,954**
22 SHORT TERM INVESTMENTS				
Investments in Fixed Deposits	**Note 22.1**	205,054,559	179,708,322	397,197,981
		205,054,559	**179,708,322**	**397,197,981**
22.1 Investments in Fixed Deposits				
Peoples Bank		173,954,730	154,207,796	372,732,157
Bank of Ceylon		1,403,167	1,396,022	1,373,578
Commercial Bank of Ceylon PLC		35,000	35,000	35,000
Commercial Bank of Ceylon PLC - Security & Housing Loan		319,176	290,230	279,901
State Mortgage and Investment Bank		29,342,486	23,779,274	22,777,345
		205,054,559	**179,708,322**	**397,197,981**
23 CASH AND CASH EQUIVALENTS				
Favorable Balances				
Cash in Hand		233,387	443,143	425,341
Short Tem Deposits		7,295,444	-	-
Cash at Bank		65,657,788	63,055,350	244,138,494
		73,186,619	**63,498,493**	**244,563,835**
Unfavorable Balances				
Bank Overdrafts		-	(5,345,649)	(5,168,314)
Cash & Cash Equivalents for the Purpose of Cash Flow Statement		**73,186,619**	**58,152,844**	**239,395,521**
24 ASSETS CLASSIFIED AS HELD FOR SALE				
Vessel - Lanka Muditha		12,326,800	12,326,800	-
		12,326,800	**12,326,800**	**-**

The vessel -Lanka Muditha has been classified as as held for sale during the reporting period 2012 as resolved in the Board to sell. Following the tender procedures, the Cabinet has granted approval on 30 October 2012 to award to the highest acceptable offer submitted by M/S Windsor Reef Navigation (Pvt) Ltd for USD 550,000. However after paying the 10% performance deposit of US$ 55,000/- , the buyer failed to complete the sale transaction. Therefore the performance deposit was forfeited and the sale agreement was cancelled. The Ministry has now decided to sell the vessel following the Standing Cabinet Appointed Review Committee (SCARC) procedure based on the unsolicited offers for which the approval of the Cabinet of Ministers is now being awaited. Currently both the company and the Ministry remain committed to their plan to sell the vessel. The vessel is stated at its carrying value.

	2013	2012	As At 01 April 2011
25 STATED CAPITAL			
Issued and fully paid			
5,000,000 Ordinary Shares	50,000,000	50,000,000	50,000,000
	50,000,000	**50,000,000**	**50,000,000**

26 CONTRIBUTION AGAINST EQUITY CAPITAL

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

27 CAPITAL RESERVES

This represents settlements made by the Treasury on behalf of the company for ASTARSA Loan and Treasury Guaranteed Loan obtained from Peoples Bank.

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH	2013	2012	As At 01 April 2011

28 REVALUATION RESERVE

The revaluation reserve relates to the revaluation surplus of property, plant and equipment as per the valuation carried out in 1993, once the respective revalued assets have been derecognized, portion of revalued surplus is transferred to retained earnings.

29 RETIREMENT BENEFIT OBLIGATION

		2013	2012	As At 01 April 2011
Balance as at 01 April		**21,941,868**	**23,624,285**	**26,525,799**
Expenses Recognized in Comprehensive Income	**Note 29.1**	805,230	931,858	-
Payments Made During the year		(4,431,630)	(2,614,275)	-
Adjustments in Retained Earning at the Date of Transition to SLFRSs		-	-	(2,901,514)
Balance as at 31 March		**18,315,468**	**21,941,868**	**23,624,285**

29.1 Expense Recognized in Comprehensive Income

	2013	2012	As At 01 April 2011
Current Service Cost	633,479	913,561	-
Interest Charge for the Year	2,356,557	2,539,611	-
(Gain) / Loss Arising From Changes in the Assumptions	(2,184,806)	(2,521,314)	-
	805,230	**931,858**	**-**

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

The principal assumptions used are as follows:

	2013	2012	As At 01 April 2011
Discount Rate [%]	11%	11%	8.5%
Future Salary Increases - Salary [%]	1.25%	1.29%	1.23%
Staff Turnover Factor [%]	6.7%	1.0%	2.3%
Retirement age [Yrs]	60 Years	57 Years	57 Years

30 TRADE AND OTHER PAYABLES

	2013	2012	As At 01 April 2011
Trade Payables	866,269,208	643,060,987	836,117,423
Deposits Received	99,362	99,362	124,671
Other Payables	8,323,841	(383,898)	5,652,642
	874,692,411	**642,776,451**	**841,894,736**

31 STATUTORY PAYABLES

	2013	2012	As At 01 April 2011
Current Tax	49,212,617	7,988,927	7,492,658
Stamp Duty	17,269	17,869	(1,506)
Value Added Tax (VAT)	19,924,742	27,214,092	-
	69,154,628	**35,220,888**	**7,491,152**

32 ACCRUED EXPENSES

	2013	2012	As At 01 April 2011
Provision and Accrued Expenses	3,282,000	3,174,938	3,727,117
	3,282,000	**3,174,938**	**3,727,117**

33 CAPITAL AND OTHER COMMITMENTS

There were no material capital expenditure or other financial commitments approved by the Board of Directors as at the reporting period end.

34 CONTINGENT LIABILITIES

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

The Mercator Lines (Singapore) Limited instituted three law suits viz one at Colombo High Court - Case No 435-2012 two at the Supreme Court - Case SC 615-2012 and SC-LA 103-2012 as against the termination of Shipping and Lightering Agreement dated 18 March 2010 by company. All three cases were subsequently withdrawn by the Mercator Line (Singapore) Private Limited. In addition, Mercator Line (Singapore) Limited informed of appointing an arbitrator on their behalf and requested to appoint an arbitrator on behalf of the company in order to institute arbitration proceedings. However since then the arbitration proceedings have not been instituted and it is now time barred.

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

35 RELATED PARTY DISCLOSURE

The company's related parties includes Government of Sri Lanka, State-Owned Enterprises, Other Related Entities and key management personnel.

35.1 Transactions with Key Management Personnel (KMPs)

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

Transactions with Key Management Personnel	2013	2012
Remuneration and Other Short-Term Employee Benefits	11,788,716	1,648,139
Post Employment Benefits	-	-
Balance Outstanding - Loans and Advances	3,893,863	-
- Post Employment Benefits	5,577,918	-

38.2 Related Party Transactions

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

Transactions with Government of Sri Lanka and 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 company has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as related parties.

Related Parties	Nature of Transactions	Transaction Value	Balance (Due to)/Due from
Government of Sri Lanka	Freight Charges, Charter Hire, Container Rent and Clearing & Forwarding and Other Charges	488,667,663	61,798,813
	Repayment of Grants Received	13,523,734	-
	Office Rent Received	-	909,938
State-Owned Enterprises	Freight Charges, Clearing & Forwarding and Other Charges	76,501,560	2,685,187
	Freight Charges ,Lightering and Bunker Escalation Charges	2,766,855,028	850,642,443
	Investment in Treasury Bills and Repo	152,659,079	-
	Maturity of Treasury Bills and Repo	107,846,479	138,995,975
	Fixed Deposits Placed	-	204,700,383
Other Government Related Entities	Freight Charges, Container Rent and Clearing & Forwarding and Other Charges	4,409,163	824,777

36 ASSETS PLEDGED AS SECURITIES

Assets Pledged as Securities by the company are as follows.

Type of Facility	Facility Limit	Utilized / Outstanding	Securities
Bank Overdraft - People Bank	Rs.100 Mn	Nil	Fixed Deposit of Rs.173.9Mn of the company

37 EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting period that require adjustments to or disclosure in the financial statements other than following;

The charterer of Lanka Mahapola - M/s Triple S Shipping (Private) Limited who has breached the Charter Party agreement and delivered the vessel to the company in the port of Mombasa, Kenya on 12 May 2013 while the vessel was under arrest by the Kenya High Court for non-payment of crew wages by the defaulting charterer. The company had to get the vessel released from the court order after settling all dues through the Court. Arbitration procedures are continuing in Sri Lanka for recovering all dues from the charterer.

Cabinet of Ministers approved the sale of Lanka Mahapola vessel at a sale price of US$ 853,000/- to M/s Ocean Marine Service of Sri Lanka consequent to the tender. The sale of the vessel is now being arranged.

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

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

1.Credit Risk
2.Liquidity Risk
3.Market Risk (Currency Risk and Interest Rate Risk)

The financial instruments of the company comprise of quoted and unquoted equity investments, investments 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.

1. Credit Risk

Credit risk is the risk of financial loss to the company if 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 2013.

Risk Exposure to Financial Assets	**2013**	**2012**
Cash and Cash Equivalents	72,953,233	63,055,350
Term Deposits with Banks	205,054,559	179,708,322
Trade Receivables	1,254,241,780	830,806,563
Other Receivables	47,429,376	36,054,146
	1,579,678,948	**1,109,624,381**

1.1 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:

Ageing of the Trade Receivable	**2012**	**2011**
Up to One Year	945,431,108	585,151,193
1 to 4 Years	94,285,924	32,398,364
More than Four Years	214,524,748	46,453,636
	1,254,241,780	**664,003,193**

The company establishes policy for provision for impairment (Refer note 2.11 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 19.1 to the financial statements relating to trade receivables and provision for impairment losses.

1.2 Other Financial Assets

Credit risk arising from other financial assets of the company comprises deposits held with banks, cash and cash equivalents. The company's exposure to credit risk arises from default in meeting contractual obligations of 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

38 Financial Risk Management Contd…

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 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 2013 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Assets and Liabilities	Carrying Amount	6 Months or Less	6-12 Months	More than 1 Year
Financial Assets				
AFS Financial Assets	37,827,808	-	-	37,827,808
Held to Maturity Investments	131,700,530	-	131,700,530	-
Short-Term Investments	205,054,559	-	205,054,559	-
Trade Receivables	1,254,241,780	1,254,241,780	-	-
Other Receivables	47,429,376	5,704,423	41,724,953	-
Cash and Cash Equivalents	72,953,233	72,953,233	-	-
	1,749,207,286	**1,332,899,436**	**378,480,042**	**37,827,808**
Financial Liabilities				
Trade Payables	866,269,208	866,269,208	-	-
Other Payables	8,423,203	8,323,841	99,362	-
	874,692,411	**874,593,049**	**99,362**	**-**

3. Market Risk

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

3.1 Currency Risk

The company's exposure to currency risk arising from fluctuations in the value of US Dollar (USD) and other foreign currencies against the Sri Lankan Rupee after Central Bank of Sri Lanka allowed the Sri Lanka Rupees to freely float against US Dollar during the reporting period. The company's functional currency in respect of certain services rendered is USD and other foreign currencies. Certain trade receivables & payables are denominated in foreign currencies.

The company has reported foreign exchange gains included in the operating results for the reporting period 2013 is Rs.45,252,357.

Please refer note 19.1 to the financial statements relating to trade receivables denominated in foreign currencies.

3.2 Interest Risk

The company's exposure to interest risk is the changes in market interest rates relate to shor-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 monitors interest rate risk by actively monitoring interest rate movements.

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

38 Financial Risk Management Contd…

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 2013 and 2012.

Class of Capital	**2013**	**2012**
Total Borrowings	-	5,345,649
Total Equity	983,172,644	773,338,355
Gearing Ratio (x)	Nil	Nil

Figures in Brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

39 EXPLANATION OF TRANSITION TO SLFRSs

39.1 Reconciliation of Comprehensive Income for the Year Ended 31 March

	Note	2012 Under SLAS	Reclassification	Remeasurement	2012 Under SLFRS
Revenue		262,938,602	76,152,609	-	339,091,211
Direct Operational Expenses	**V,IX**	(174,895,080)	(154,391)	4,980,228	(170,069,243)
Gross Profit		**88,043,522**	**75,998,218**	**4,980,228**	**169,021,968**
Other Income	**II,VI**	122,222,812	(66,347,592)	(27,934,903)	27,940,317
Administrative Expenses	**I,IV,XII**	(132,330,596)	(9,384,269)	(2,062,753)	(143,777,618)
Profit from Operation		**77,935,738**	**266,357**	**(25,017,428)**	**53,184,667**
Net Finance Income		21,828,956	(266,357)	-	21,562,599
Share of Profit of Associates Net of Tax	**VI**	-	-	18,954,260	18,954,260
Profit Before Taxation		**99,764,694**	**-**	**(6,063,168)**	**93,701,526**
Income Tax Expenses	**XI**	(11,633,910)	-	2,140,932	(9,492,978)
Profit for the Year		**88,130,784**	**-**	**(3,922,236)**	**84,208,548**
Other Comprehensive Income					
Net Gain / (Loss) on Available-for-Sale Financial Assets	**III**	-	-	**(4,531,614)**	(4,531,614)
Total Other Comprehensive Income		**-**	**-**	**(4,531,614)**	**(4,531,614)**
Total Comprehensive Income for the Year		**88,130,784**	**-**	**(8,453,850)**	**79,676,934**

Figures in brackets indicate deductions

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

39 Explanation of Transition to SLFRSs Contd…

39.2 Reconciliation of Equity

Reconciliation of Equity	Note	2012 Under SLAS	Reclassification	Remeasurement	2012 Under SLFRS	01 April 2011 Under SLAS	Reclassification	Remeasurement	01 April 2011 Under SLFRS
ASSETS									
Non - Current Assets									
Property, Plant & Equipment	**I**	65,548,334	-	1,550,008	67,098,342	54,439,722	-	2,325,004	56,764,726
Intangible Assets		-	-	-	-	-	-	-	-
Investment in Related Companies		40,000,000	(40,000,000)	-	-	40,000,000	(40,000,000)	-	-
Investment in Subsidiary		-	-	-	-	-	-	-	-
Investment in Associates	**VI**	-	1,713,042	195,199,289	196,912,331	-	1,713,042	176,574,609	178,287,651
Available-for-Sale Financial Assets	**II,III**	-	5,480,193	38,715,726	44,195,918	-	5,480,192	43,247,340	48,727,532
Other Investments	**II**	28,250,227	32,806,765	(61,056,993)	-	644,905	32,806,766	(33,451,671)	-
Deferred Tax Assets	**XI**	-	21,268,407	(3,392,804)	17,875,603	-	25,024,118	(5,533,735)	19,490,383
Total Non-Current Assets		**133,798,561**	**21,268,407**	**171,015,226**	**326,082,194**	**95,084,627**	**25,024,118**	**183,161,547**	**303,270,292**
Current Assets									
Inventories		519,008	1,625,015	-	2,144,023	806,119	39,240	-	845,359
Trade and Other Receivables	**VII**	683,294,851	78,366,854	8,285,268	769,946,972	366,872,681	(9,013,787)	9,238,444	367,097,338
Deferred Tax Assets		21,268,407	(21,268,407)	-	-	25,024,118	(25,024,118)	-	-
Tax Recoverable		13,111,839	(13,111,839)	-	-	18,318,503	(18,318,503)	-	-
Statutory Receivables		-	34,660,965	-	34,660,965	-	48,387,267	-	48,387,267
Held to Maturity Investments		-	93,430,380	-	93,430,380	-	154,204,954	-	154,204,954
Short-Term Investments		267,935,405	(88,227,083)	-	179,708,322	545,893,837	(148,695,856)	-	397,197,981
Cash and Cash Equivalents		63,498,493	-	-	63,498,493	244,578,496	(14,662)	-	244,563,834
Total Current Assets		**1,049,628,003**	**85,475,886**	**8,285,268**	**1,143,389,157**	**1,201,493,754**	**1,564,535**	**9,238,444**	**1,212,296,733**
Assets Classified as Held for Sale		13,912,575	(1,585,775)		12,326,800		-	-	-
Total Assets		**1,197,339,139**	**105,158,518**	**179,300,494**	**1,481,798,151**	**1,296,578,381**	**26,588,653**	**192,399,991**	**1,515,567,025**
EQUITY AND LIABILITIES									
Equity									
Stated Capital		50,000,000	-	-	50,000,000	50,000,000	-	-	50,000,000
Contribution Against Equity Capital		575,541,087	-	-	575,541,087	515,541,087	-	-	515,541,087
AFS Reserve	**III**	-	-	38,715,726	38,715,726	-	-	43,247,340	43,247,340
Capital Reserves	**I,II**	880,754,608	(26,106,022)	(87,618,820)	767,029,765	880,754,608	(26,106,022)	(87,618,820)	767,029,765
Revaluation Reserve	**XI**	-	26,106,022	(7,309,686)	18,796,336	-	26,106,022	(7,309,686)	18,796,336
Retained Earnings *(at debit)*		(1,058,979,263)	-	382,234,703	(676,744,559)	(1,147,110,046)	-	386,156,939	(760,953,107)
Total Equity		**447,316,432**	**-**	**326,021,924**	**773,338,355**	**299,185,649**	**-**	**334,475,773**	**633,661,421**
Non-Current Liabilities									
Retirement Benefits Obligation	**IV**	24,508,801	-	(2,566,933)	21,941,868	26,525,799	-	(2,901,514)	23,624,285
Provision For Cargo Claims	**V**	53,936,144	-	(53,936,144)	-	48,936,144	-	(48,936,144)	-
Total Non-Current Liabilities		**78,444,945**	**-**	**(56,503,077)**	**21,941,868**	**75,461,943**	**-**	**(51,837,658)**	**23,624,285**
Current Liabilities									
Trade and Other Payables	**VIII**	658,095,526	77,939,169	(93,258,244)	642,776,451	909,087,720	26,065,260	(93,258,244)	841,894,736
Amounts due to Related Parties	**IX**	147,661	-	(147,661)	-	167,432	-	(167,432)	-
Income Tax Liabilities		7,988,927	(7,988,927)	-	-	7,492,658	(7,492,658)	-	-
Statutory Payables		-	35,220,888	-	35,220,888	-	7,491,152	-	7,491,152
Accrued Expenses	**X**	-	(12,615)	3,187,553	3,174,938	-	539,564	3,187,553	3,727,117
Bank Overdrafts		5,345,648	-	-	5,345,649	5,182,979	(14,665)	-	5,168,314
Total Current Liabilities		**671,577,762**	**105,158,515**	**(90,218,352)**	**686,517,926**	**921,930,789**	**26,588,653**	**(90,238,123)**	**858,281,319**
TOTAL EQUITY AND LIABILITIES		**1,197,339,139**	**105,158,515**	**179,300,494**	**1,481,798,148**	**1,296,578,381**	**26,588,653**	**192,399,991**	**1,515,567,025**

Figures in brackets indicate deductions.

NOTES TO THE RECONCILIATIONS

I Property, Plant and Equipment

a) Previously the company has not transferred revaluation surplus to retained earnings when revalued assets were derecognized. Due to the application of SLFRSs, revaluation surplus of the assets derecognized has been transferred to retained earnings.

b) Due to the application of SLFRSs, revaluation loss of Vessel - Lanka Muditha recognized in capital reserve has been transferred to retained earnings

c) Due to the application of SLFRSs, Motor Car transferred from Lanka Tankers Ltd recognized as PPE as economic benefits are being accrued to the company and corresponding adjustment accounted to retained earnings as no documentary evidences made available at the time of transfer. And the motor car has been depreciated for estimated useful live of four years from the reporting period 2011.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects		**to Equity**		**to Comprehensive Income for the**
	Reclassification	**As At 31 March 2012**	**As At 01 April 2011**	**Year Ended 31 March 2012**
Transferring Revaluation Surplus of Assets derecognized	29,369,326	-	-	-
Transferring Revaluation Loss of Vessel - Lanka Muditha	(4,950,187)	-	-	-
Recognition of Motor Car Transferred from Lanka Tankers Ltd	-	3,100,000	3,100,000	
Provision of Depreciation of Motor Vehicles	-	(1,549,992)	(774,996)	(774,996)
	24,419,139	**1,550,008**	**2,325,004**	**(774,996)**

II Other Investments / Available-for-Sale Financial Assets

a) Quoted and unquoted investments were recognized as long-term investments under previous SLAS was designated as financial assets available-for-sale under SLFRS.

b) Under SLAS, an impairment provision was made for long-term equity investments without assessing indications for impairment and measuring recoverable amount of investments. Under SLFRS, the investments are reviewed for impairment at end of each financial reporting period. As a result of non existence of impairment indications previously recognized impairment provision has been reversed.

c) Under SLAS, long-term equity investments were stated at at fair value based on the valuation carried out on 20 July 1994. Since the fair value estimates of unquoted investments cannot be reasonably assessed, the company has elected to measure unquoted investments at cost. As a result previous gains or losses on fair value measurement accounted under capital reserve has been reversed.

The impact arising from the above changes are summarized below:

	Nature of the SLFRS Adjustments / Effects	**to Equity**		**to Comprehensive Income for the**
		As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
a)	Reversal of Impairment Provision	29,748,010	29,748,010	
	Adjustment to Subsequant Reversal Recognized in the Comprehensive Income	(27,605,322)		(27,605,322)
		2,142,688	**29,748,010**	**(27,605,322)**
b)	Reversal of Previous Gains or Losses on Fair Value Measurement	(63,199,681)	(63,199,681)	
		(63,199,681)	**(63,199,681)**	**-**

III Available-for-Sale Financial Assets - Quoted Investments

Long term quoted investments in Mercantile Shipping PLC which have been accounted at fair value based on the valuation carried out on 20 July 1994 under previous SLAS was designated as financial assets available-for-sale under SLFRS and the standard requires such investments to be measured at fair value based on market quoted prices. As a result, the difference between the fair value and the carrying amount as reported earlier have been recognized as "Available-For-Sale Reserve".

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	**to Equity**		**to Comprehensive Income for the**
	As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Recognising of Gain / (Loss) on Fair Values Changes	38,715,726	43,247,340	(4,531,614)
	38,715,726	**43,247,340**	**(4,531,614)**

Figures in brackets indicates deductions.

NOTES TO THE RECONCILIATIONS

IV Retirement Benefits Obligation

Under SLAS, the company has determined retirement benefits obligation without considering final monthly salary drawn by an employee and salary increment rate. In compliance with SLFRSs the company has re-measured its retirement obligation using final monthly salary and required reasonable assumptions. As a result of re-measuring the obligation, the adjustments have been made retrospectively in the reporting periods 2010 and 2011.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	**to Equity**		**to Comprehensive Income for the**
	As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Adjustment on Re-measurement of Obligation	2,566,933	2,901,514	(334,581)
	2,566,933	**2,901,514**	**(334,581)**

V Provision For Cargo Claims

Under SLAS, the company had made a provision of Rs.5Mn for pending litigations and cargo claims at each reporting year end as decided by the Board. However the provision of 5Mn is not met the recognition criteria of a provision under SLFRS. As a result, the provision has been reversed and transferred to retained earnings.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	**to Equity**		**to Comprehensive Income for the**
	As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Reversal of Provision at the Date of Transition	48,936,144	48,936,144	-
Reversals of Provision Recognized in the Comprehensive Income	5,000,000	-	5,000,000
	53,936,144	**48,936,144**	**5,000,000**

VI Investment in Associates

Under SLAS investments in associates were not accounted by using equity method and are stated at fair value based on the valuation carried out on 20 July 1994. In compliance with SLFRSs the company has accounted its investments in associates using equity method by recognizing investor's share of changes in the investee's equity after the date of acquisition. As a result, investor's share of profit or loss and changes in investee's other comprehensive income up to the date of transition has been adjusted to retained earnings and investor's share of profit or loss for the reporting period 2012 has been recognized in statement of comprehensive income. Dividend received from investee previously recognised as other income has bee reduced from the carrying amount of the investments in compliance with SLFRSs.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	**to Equity**		**to Comprehensive Income for the**
	As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Recognition of Investor's Share of Changes in the Investee's Equity up to the Date of Transition	176,574,609	176,574,609	-
Investor's Share of Profit or Loss for the Reporting Period 2012 Recognized in the Comprehensive Income	18,954,260	-	18,954,260
Adjustment on Dividend Received From Investee	(329,580)	-	(329,580)
	195,199,289	**176,574,609**	**18,624,680**

VII Trade and Other Receivables

a) As a result of changing the impairment model and basis, impairment provision for trade receivables recognized under SLAS has been re-measured in compliance with SLFRSs and adjusted to retained earning at the date of transition.

b) Due to the application of SLFRSs impairment provision has been made for certain long dues of other receivables and deposits and advances and adjusted to retained earnings at the date of transition.

Figures in brackets indicates deductions.

NOTES TO THE RECONCILIATIONS

c) Due to the application of SLFRSs certain long dues of other receivables have been written off and adjusted to retained earnings at the date of transition.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects		to Equity		to Comprehensive Income for the
		As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Reversal of Impairment Provision Previously Recognized		138,614,309	138,614,309	-
Recognition of Impairment Provision	Trade Receivables	(96,913,738)	(96,913,738)	-
	Other Receivables	(23,730,211)	(23,730,211)	-
	Deposits and Advances	(8,328,910)	(8,328,910)	-
Written off - Other Receivables		(403,006)	(403,006)	-
		9,238,444	**9,238,444**	-

VIII Trade and Other Payables

Due to the application of SLFRSs certain long dues of trade and other payables have been written back and adjusted to retained earnings at the date of transition.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects		to Equity		to Comprehensive Income for the
		As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Written Back	Trade Payables	6,184,818	6,184,818	-
	Other Payables	87,073,426	87,073,426	-
		93,258,244	**93,258,244**	-

IX Amounts due to Related Parties

Due to the application of SLFRSs certain long dues of Amounts due to Related Parties have been written back and adjusted to retained earnings at the date of transition.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	to Equity		to Comprehensive Income for the
	As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Written Back - Amounts due to Related Parties	167,432	167,432	-
Adjustment on Erroneous Accounting Treatment	(19,771)		(19,771)
	147,661	**167,432**	**(19,771)**

X Accrued Expenses

Due to the application of SLFRSs certain long dues of accrued expenses have been written back and adjusted to retained earnings at the date of transition.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	to Equity		to Comprehensive Income for the
	As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Written Back - Accrued Expenses	(3,187,553)	(3,187,553)	-
	(3,187,553)	**(3,187,553)**	-

Figures in brackets indicates deductions.

NOTES TO THE RECONCILIATIONS

XI Deferred Tax Assets

Due to the changes in the basis of measurement of retirement benefit obligation and impairment provision of other receivables , the carrying values reported under previous SLAS were restated. As a result, the deferred tax assets arising on the retirement benefit obligation and accounting provision has been re-estimated and adjusted to retained earnings at the date of transition to SLFRSs.

Temporary differences arising from revaluation surplus not recognized under previous SLAS have been recognized in compliance with SLFRSs and adjusted revaluation reserve at the date of transition.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	**to Equity**		**to Comprehensive Income for the**
	As At 31 March 2012	**As At 01 April 2011**	**Year Ended 31 March 2012**
Recognition of Temporary Differences Arising From Revaluation Surplus	(7,309,686)	(7,309,686)	-
Adjustment due to Remeasurment of Retirement Benefit Obligation and Impairment Provision	3,916,882	1,775,951	2,140,931
	(3,392,804)	**(5,533,735)**	**2,140,931**

XII Deferred Expenditure - Cost of of Sale of Vessels

Under SLAS, the expenditure incurred on sale of vessels was recognized as deferred expenditure and classified under other receivables. Under SLFRS,the expenditure incurred on sale of vessels has been recognized immediately in the profit or loss.

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	**to Comprehensive Income for the Year Ended 31 March 2012**
Recognition as Expenses	(953,176)
	(953,176)

XIII Others

Other than those mentioned above are relating to reclassification of balances to be in compliance with SLFRSs.

Figures in brackets indicates deductions.