



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

2010 / 2011



CSCCL ANNUAL REPORT & ACCOUNTS

2010 & 2011

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CSCCL ANNUAL REPORT & ACCOUNTS 2010 & 2011

Letter of Transmittal

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

Dear Sir,

In accordance with the provisions of the conversion of Public Corporation 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 01.04.2010 to 31.03.2011.

Yours faithfully



Chairman
Ceylon Shipping Corporation Ltd

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

Date: 13.06.2012

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Board of Directors

Y.L.S. Hameed Esq.
Chairman
From 11.09.2007 to 07.05.2010

Prasad Galhena Esq.
Chairman
From 31.05.2010 to 05.01.2012

A.T.K. Chandradasa Esq.
Executive Director
From 31/05/2010 to 23.03.2011

Aasiri Iddamalgoda Esq.
Director
From 19.07.2007 to date

Ariyaseela Wickramanayake Esq.
Director
From 19.07.2007 to date

M.S.D. Ranasiri Esq.
Director/Treasury Representative
From 25.07.2007 to date

J.R.U. De Silva Esq.
Director
From 26.01.2010 to 07.05.2010

Chandana Gamage Esq.
Director
From 31.05.2010 to date

Ajith Abeysekara Esq.
Director
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

Seven (07) Board Meetings were held during the year under review

CSCCL ANNUAL REPORT & ACCOUNTS 2010 & 2011

Management Team

General Manager

Mrs. K.M. De Silva
FICS, Diploma in Shipping (OSLO)

Deputy General Manager (Project & Operation)

Sunil Obadage Esq.
Bachelor's Degree
Diploma in Shipping MICS (OSLO)

Deputy General Manager (Commercial & Operations)

S.M.D.N. Dharmapriya Esq.
Bsc, Msc, in Maritime Studies, UK, MCIT

Legal & Insurance Manager

Mrs. E.M.S. Perera
Attorney-At- Law
Diploma in Port Management and Shipping – Netherlands

Finance Manager

G.M. Vikum Pradeepa Esq.
B.Com. (Special) Hons.,LICA
Msc. in Shipping Management (Malmo)

Snr. Manager (Logistics)

W.P.K. Weerawardena Esq.
Bsc, Diploma in Shipping (OSLO)
MICS

Internal Auditor

Y. Ponnampereuma Esq.
LICA, SAT, Diploma in Shipping (OSLO)

Snr. Manager (Business Development)

B.L.N. Ananda Esq.
Diploma in Shipping MICS (OSLO)

Manager (Terminal Operations)

P.D.P. Wijegoonawardena Esq.
NDT, Diploma in Shipping (OSLO)

Sales Promotion & Marketing Manager

Mrs. C. Jayasinghe
FICS, MCIT,
Msc, in International Shipping UK
Diploma in Shipping (OSLO)

Manager (Fleet Management)
S.L. Rajapakse Esq.
Chartered Engineer

Manager (Liner Documentation)
Ms. M.M.J. Indraneela
Diploma in Shipping (OSLO)

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

Head of Human Resources
P. Samaranayaka Esq.
Attorney-At-Law
Bsc. (Special)

Head of Administration
H.K. Gunasena Esq.
Diploma in Shipping (OSLO)

CSCCL ANNUAL REPORT & ACCOUNTS 2010 & 2011

Chairman's Review for the year 2010/2011

During the year under review, the shipping industry was continuing to suffer from the adverse impact of the financial crisis and economic recession that swept the world towards the latter part of the year 2008. New tonnage already ordered continued to flow in to the market creating an oversupply as against the plummeted demand for shipping services. The freight rates and charter hires of ships remained low, barely sufficient to cover the daily operating costs of the ships.

Under the above circumstances, it was a challenging task for CSCCL to deploy the two ships namely Lanka Mahapola and Lanka Muditha in an economically viable manner. Old age of the CSCCL ships and consequent high operational costs and trading restrictions made this task extremely difficult.

However it should be noted that during the year under review CSCCL was successful in giving both the ships on bareboat charter earning an overall gross profit of Rs. 73 million compared to the overall loss of Rs. 26.9 million incurred in the previous year.

CSCCL commenced transporting thermal coal for the Lak Wijaya Power Plant of the Ceylon Electricity Board, at Puttalam earning a net commission of Rs. 12 million during the period under review. Recorded increase of Agency fee to Rs. 17 million compared to that of Rs. 6.6 million in the previous year is due to the added income from the coal operation.

Another significant improvement is the reduction of the bank overdraft to Rs. 5 million in the year under review compared to that of Rs. 102 million in the previous year.

It should be noted that during the year under review CSCCL was able to earn a profit of Rs. 13.38 million after tax as against the previous year's profit of Rs. 22.8 million which included a capital gain of Rs. 85 million.

During the period CSCCL management, in addition to exerting all efforts to improve the exiting business segments, continuously tried to diversify in to new business areas such as the container feeder service operation, agency and ground handling services of the

passenger ferry operations between Sri Lanka and India. Action was also taken to enter in to an agreement with a freight networking company in order to strengthen the global market reach of CSCL for general cargo import and export operations.

In accordance with the customary practice, CSCL continued to look after its employees by contributing to their welfare activities and empowering them with updated knowledge and skills by sponsoring them for training programs and professional study courses.

When looking ahead for the coming year, CSCL would undoubtedly be able to capitalize on the enormous business opportunities being generated in the economy consequent to the end of the decade long conflict suffered by the country. It is anticipated that substantial infrastructure and other development projects being undertaken by the Government would generate substantial volumes of project and project related cargo imports to the country. It is also of utmost importance for CSCL to arrange the disposal of the two ships which are rapidly becoming impossible to operate in a commercially viable manner due to its age of 30 years and resultant uneconomical operational and trading restrictions. CSCL should also continue to diversify its activities in to the other segments of maritime and logistics businesses.

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

CSCL ANNUAL REPORT & ACCOUNTS 2010 & 2011

Director Report for the Annual Report 2010/2011

The two owned vessels namely Lanka Muditha & Lanka Mahapola were chartered out to Sri Lankan companies on bareboat basis earning the charter hire as a net profit to CSCL.

CSCL continued to serve its business on the liner sector on NVOCC basis arranging the sea passage mainly for government import cargoes under the existing Public Finance Circular No: FIN 415 to and from the locations 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 LCL and break bulk tonnage which shows a better improvement in its volumes as against previous year whereas volume of Pure Car Carrier service and exports volumes have shown a substantial reduction as against the previous year.

CSCL's NVOCC operation was able to serve import cargo requirements from the ports in USA, Canada, UK and all European/Scandinavian countries, Russia, Brazil, Mexico, South Africa, Bulgaria, Ukraine, Mediterranean, Arabian Gulf, Far East, East Asia, Australia, New Zealand & Indian Sub Continental ports. During the period under review break bulk and LCL volumes have been increased more than almost 3 fold compared to the previous year. However, container movements in TEUs have decreased by 22% compared to the previous year.

It is important to note that CSCL was able to secure a volume of 8,546 CBM which was almost negative for CSCL in the previous year.

As decided by the Cabinet of Ministers, transportation of thermal coal required for the first phase of the Lak Wijaya Power Plant of Ceylon Electricity Board, at Puttalam, was entrusted to CSC for a period of 04 years until March 2014. Accordingly, as per the agreement signed between CEB's subsidiary Lanka Coal Company (Pvt) Ltd. for this purpose, the first ship carrying coal arrived Puttalam port anchorage on 14/11/2010. Until 31/03/2011, CSC delivered 157,242 MT of coal at the Jetty of the Plant carried in 03 Ships for CSC. The income from this business is limited only about 06 months of the year excluding South West monsoon period. The annual coal requirement for the first phase of the Plant is about 750,000 MT. When the second phase is completed, the coal requirement would be about 2.2 million MT. In keeping with the policy of the Government to import coal on FOB terms, CSC can expect a steady income from coal transportation not only for the Lak Wijaya Plant in Puttalam, but also for the second coal fired power plant to be built in Sampur in Trincoamlee.

CSCCL ANNUAL REPORT & ACCOUNTS 2010 & 2011

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.
- The Internal Control System.
- Need for a better Revenue Receipt System
- Corporate Plan
- Committee decisions which were not implemented
- Banking of Salaries
- Expenditure Reports

Conclusion:

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

On behalf of the Committee

Ajith Abeysekara
Chairman Audit Committee.

CSCCL ANNUAL REPORT & ACCOUNTS 2010 & 2011

ACKNOWLEDGEMENT

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

The Corporation has also to thank the officials in the Ministry of Ports & Highways 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.



T & D ASSOCIATES

CHARTERED ACCOUNTANTS

COLOMBO OFFICE

No. 154, Prof. Nandadasa Kodagoda Mw.
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MATARA OFFICE

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E-mail. tdmalara@yahoo.com

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 ("Company") which comprise the Balance Sheet as at 31 March 2011, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended and a summary of Significant accounting policies and other explanatory notes as set out on pages 07 to 23.

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. Except for the matters discussed in opinion paragraph below, 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.

Except for the matters discussed in opinion paragraph below, 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

Approximately 100 containers transferred to third parties during the period of 1998 to 2006 were not supported with adequate documentation to enable us to verify the existence.

In our opinion, so far as appears from our examination, except for the effect of such adjustments if any, as might have been determined to be necessary, had we been able to satisfy ourselves as to 100 containers transferred to third parties, the company maintained proper accounting records for the year ended 31 March 2011 and the financial statements give a true and fair view of the company's state of affairs as at 31 March 2011 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 have not been completed yet and have not operating.

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
16th March 2012.
Colombo.

Ceylon Shipping Corporation Limited

BALANCE SHEET

As at 31 March

	Note	2011 Rs.	2010 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	54,439,722	54,259,347
Investment in Related Companies	4	35,100,000	35,302,000
Other Investments	5	5,544,905	4,308,583
		<u>95,084,627</u>	<u>93,869,930</u>
Current Assets			
Inventories	6	806,119	17,429,736
Trade and Other Receivables	7	366,705,249	375,874,417
Deferred Tax Assets	18.4	25,024,118	4,863,024
Tax Recoverable		18,318,503	-
Short Term Investments	5	545,893,837	252,253,300
Cash and Cash Equivalents	8.1	244,578,496	22,074,945
		<u>1,201,326,322</u>	<u>672,495,422</u>
Total Assets		<u>1,296,410,949</u>	<u>766,365,351</u>
EQUITY AND LIABILITIES			
Equity			
Stated Capital	9	50,000,000	50,000,000
Contribution against Equity Capital		515,541,087	542,860,214
Capital Reserves		880,754,608	880,754,608
Retained Earnings /(Loss)		(1,147,110,046)	(1,160,491,118)
Total Equity		<u>299,185,649</u>	<u>313,123,704</u>
Non-Current Liabilities			
Non-Interest Bearing Loans and Borrowings	10	-	50,000,000
Retirement Benefit Liability	11	26,525,799	22,521,062
Provision for Cargo Claims	12	48,936,144	43,936,144
		<u>75,461,943</u>	<u>116,457,206</u>
Current Liabilities			
Trade and Other Payables	13	909,087,720	227,712,576
Income Tax Liabilities		7,492,658	6,368,524
Bank Overdraft	8.2	5,182,979	102,703,341
		<u>921,763,357</u>	<u>336,784,441</u>
Total Equity and Liabilities		<u>1,296,410,949</u>	<u>766,365,351</u>

Figures in brackets indicate the deductions.

The accounting policies and notes on pages 7 through 23 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

16th March 2012.

Ceylon Shipping Corporation Limited

INCOME STATEMENT

For the year ended 31 March 2011

	Note	2011 Rs.	2010 Rs.
Revenue	14	243,609,806	484,914,420
Cost of Sales		<u>(144,669,135)</u>	<u>(423,611,675)</u>
Gross Profit		98,940,671	61,302,745
Other Income	15	61,505,731	119,990,634
Administrative Expenses		(138,894,033)	(140,599,785)
Finance Cost	16	<u>(4,610,214)</u>	<u>(12,294,533)</u>
Profit Before Tax	17	16,942,155	28,399,061
Income Tax Expense	18	(3,561,083)	(5,528,496)
Profit for the year		<u><u>13,381,072</u></u>	<u><u>22,870,565</u></u>
Earnings Per Share	19	2.68	4.57

Figures in brackets indicate deductions.

The accounting policies and notes on pages 7 through 23 form an integral part of these Financial Statements.

Ceylon Shipping Corporation Limited
STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 March 2011

	Stated Capital Rs.	Contribution Against Equity Capital Rs.	Capital Reserves Rs.	Retained Earnings / (Loss) Rs.	Total Rs.
As at 1 April 2009	50,000,000	542,860,214	880,754,608	(1,183,361,683)	290,253,139
Net Profit for the year	-	-	-	22,870,565	22,870,565
As at 31 March 2010	50,000,000	542,860,214	880,754,608	(1,160,491,118)	313,123,704
Receivables Written off (Note 7.2)	-	(77,319,127)	-	-	(77,319,127)
Sri Lanka Ports Authority	-	50,000,000	-	-	50,000,000
Net Profit for the year	-	-	-	13,381,072	13,381,072
As at 31 March 2011	<u>50,000,000</u>	<u>515,541,087</u>	<u>880,754,608</u>	<u>(1,147,110,046)</u>	<u>299,185,649</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 7 through 23 form an integral part of these Financial Statements.

Ceylon Shipping Corporation Limited

CASH FLOW STATEMENTS

For the year ended 31 March 2011

	Note	2011 Rs.	2010 Rs.
Profit/(loss) before tax from continuing operations		16,942,155	28,399,061
Adjustments for			
Depreciation	3	1,041,056	6,856,080
Income from Investments	15	(32,451,897)	(17,326,702)
Dividend Received	15	(1,651,210)	(397,103)
(Profit)/Loss on sales of Property, Plant and Equipment		(707,602)	85,470
Finance Costs	16	4,610,214	12,294,533
Provision for Claims	12	5,000,000	5,000,000
Provision for Gratuity	11	8,186,353	4,845,689
Operating Profit/(Loss) before Working Capital Changes		969,069	39,757,028
(Increase)/ Decrease in Inventories		16,623,617	(15,830,685)
(Increase)/ Decrease in Trade and Other Receivables		(68,149,959)	9,470,938
Increase/ (Decrease) in Trade and Other Payables		681,375,144	(100,154,631)
Cash Generated from Operations		630,817,870	(66,757,350)
Finance Cost paid	16	(4,610,214)	(12,294,533)
Defined Benefit Plan Costs paid	11	(4,181,616)	(5,484,203)
Income Tax Paid		(40,916,546)	-
Net Cash From/(Used in) Operating Activities		581,109,494	(84,536,086)
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	3	(1,273,932)	(70,565)
Proceeds from Sale of Property, Plant and Equipment		760,102	19,225
Acquisition of Investments	5	(294,674,859)	(98,930,178)
proceeds from sale of investments	5	-	74,000,000
Interest Received	15	32,451,897	17,326,702
Dividend Received	15	1,651,210	397,103
Net Cash Flows from/(Used in) Investing Activities		(261,085,582)	(7,257,713)
Net Increase/(Decrease) in Cash and Cash Equivalents		320,023,913	(91,793,799)
Cash and Cash Equivalents at the beginning of the year	8.1	(80,628,396)	11,165,403
Cash and Cash Equivalents at the end of the year	8.1	239,395,517	(80,628,396)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 7 through 23 form an integral part of these Financial Statements.

Ceylon Shipping Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

1. CORPORATE INFORMATION

1.1 General

Ceylon Shipping Corporation Limited is a Limited Company incorporated in 1992 and domiciled in Sri Lanka as the successor to the Ceylon Shipping Corporation (CSC), which was established under the Ceylon Shipping Corporation Act No. 11 of 1971. The registered office and the principal place of business of the company is situated at No. 27, MICH Building, Sir Razik Fareed Mawatha, Colombo 01.

1.2 Principal Activities and Nature of Operations

During the year, principal activities of the Ceylon Shipping Corporation Limited were as follows:

- Ship Owner and Ship Operator
- Vessels handling and documentation
- Clearing and Forwarding
- Transhipment
- Marketing
- Chartering and Agency Functions
- Non-Vessel Operating Common Carrier (NVOCC) activities

1.3 Parent Undertaking

The Company's parent undertaking and controlling party is the General Treasury.

1.4 Date of Authorization for Issue

The Financial Statements of Ceylon Shipping Corporation Limited for the year ended 31 March 2011 were authorized for issuance by the Board of Directors in accordance with the resolution passed by the board of Directors on 16th March 2012.

Ceylon Shipping Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SUMMARY OF ACCOUNTING POLICIES

2.1 GENERAL POLICIES

2.1.1 Basis of Preparation

The Financial Statements have been prepared on a historical cost basis; The Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the Company's financial currency. No adjustments are made for inflationary factors in the financial statements. The preparation and presentation of these Financial Statements are in compliance with the Companies Act. No. 07 of 2007.

2.1.2 Statement of Compliance

Financial Statements of the Ceylon Shipping Corporation Limited as at 31 March 2011 for the year then ended have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) laid down by the Institute of Chartered Accountants of Sri Lanka.

2.1.3 Going Concern

The Directors have assessed the company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.4 Comparative Information

The accounting policies adopted by the Ceylon Shipping Corporation Limited are unless otherwise stated consistent with those used in the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRINCIPLES

2.2.1 Foreign Currency Transactions

Transactions in foreign currencies, other than the entity's functional currency are initially recorded at the functional currency using the exchange rates prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.2.2 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Ceylon Shipping Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and subsequent amendments thereto. The relevant details are disclosed in Note 18 to the Financial Statements.

The profits earned in foreign currency by providing services outside Sri Lanka are exempt from income tax under Section 13(B) of the Inland Revenue Act No. 10 of 2006.

Under the provisions of the Inland Revenue Act No 10 of 2006 and amendments there to, the company is **liable for income tax at 28%**.

b) Deferred Taxation

Deferred income tax is recognized, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

c) Economic Service Charge (ESC)

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provision in the Act. **Company is exempt from the year of 2011/12.**

d) Social Responsibility Levy (SRL)

As per the provision of the Finance Act No. 5 of 2005 and subsequent amendments thereto, SRL is payable at the rate of 1% up to 31.12.2008 on all taxes and levies and 1.5% thereafter on all taxes and levies (except PAYE).

e) Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of Value Added Tax except where the Value Added Tax incurred on a purchase of assets or service not recoverable from the taxation authorities in which case the Value Added Tax is recognized as a part of the cost of the assets or part of the cost the assets or part of the expenses items as applicable and receivable and payable that are stated with the amount of Value Added Tax included. The amount of Value Added Tax recoverable and payable in respect of taxation authorities is include as a part of receivable and payable in the balance sheet.

2.2.3 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Consumables - At purchase cost on First in First out basis (FIFO)

Main categories under the consumables are:

- Stationery
- Bonded Stores
- Victuals (Food Items)
- Bunker

Net realizable Value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.2.4 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognised at cost less allowances for bad and doubtful receivables.

2.2.5 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

Ceylon Shipping Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2.2.6 Property, Plant and Equipment

a) Cost

Property, plant and equipment is stated at cost valuation, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

b) Depreciation

Depreciation is calculated on a straight line basis over the useful life of the assets. The principal annual rates used by the Ceylon Shipping Corporation Limited are as follows.

Assets	Rates
Vessels	- 10% Straight-line method on valuation less residual value
Containers	- 10% Straight-line method on valuation less residual value
Building	- 05%
Motor Vehicles	- 25%
Garage	- 10%
Computers	- 20%
Furniture and Equipment	- 10%
Spreaders	- 20%

Land is not depreciated as it is deemed to have an indefinite life.

c) De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised (gains are not classified as revenue).

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

2.2.7 Investments

a) Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The company distinguishes and presents current and non-current investment in the balance sheet.

b) Measurement

Current Investment:

Current investments are carried at the lower of cost and market value, determined on individual investment.

Unrealized losses arising from reduction to market value and reversals of such reduction required to state current investments at lower of cost and market value are included in income statement.

Long Term Investments

Long Term Investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

c) Disposal of Investment

On disposal of an investment, the different between net disposals and proceed and the carrying amounts is recognised as income or expense.

2.2.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.2.9 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date using the projected unit credit method. (Appendix E of Revised SLAS 16). However, according to the provisions of the Gratuity Act No 12 of 1983, the liability for gratuity payment to an employee arises only after tax completion of 5 years of continued service.

b) Defined Contribution Plans – Employees’ Provident Fund & Employees’ Trust Fund

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 15 % and 3% of gross emoluments of employees to Employees’ Provident Fund and Employees’ Trust Fund respectively.

2.2.10 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) Freight Income

Income from voyage charter is recognized when a voyage is completed based on the complete discharge of cargo at the last port of call whilst income from the time charter is recognized over the period of time charter agreement on an accrual basis. Any losses arising from voyage or time charters are provided for in full as soon as they are anticipated.

b) Rendering of Services

Revenue from the rendering of services is recognized in the accounting period in which the services are rendered or performed.

c) Interest

Revenue is recognised on a time proportion basis that takes in to accounts the effective interest rate on asset.

d) Dividends

Dividend Income is recognised when the shareholders' right to receive the payment is established.

e) Others

Other income is recognised on an accrual basis.

2.2.11 Expenditure Recognition

Expenses are recognized in the income and expenditure statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income and expenditure statement in arriving at deficit of income over expenditure for the year.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2011

3. PROPERTY, PLANT AND EQUIPMENT

3.1 At Cost or Valuation	Balance as at	Additions	Disposals	Balance as
	01.04.2010			at 31.03.2011
	Rs.	Rs.	Rs.	Rs.
Vessels	330,000,000	-	-	330,000,000
Containers	7,048,348	-	-	7,048,348
Spreaders	1,828,962	-	-	1,828,962
Land and Housing Project	5,286,340	-	-	5,286,340
Buildings	43,390	-	-	43,390
Motor Vehicles	29,141,271	-	(699,500) /	28,441,771
Furniture and Fittings	10,032,898	535,523	(105,000)	10,463,421
Office Equipment and Computers	16,353,457	643,793	-	16,997,250
Total Value of Depreciable Assets	399,734,666	1,179,316	(804,500)	400,109,482

3.2 Work in Progress

Building	-	94,616	-	94,616
	-	94,616	-	94,616

3.3 Accumulated Depreciation

	Balance as at	Charge for	Disposals	Balance as
	01.04.2010			the year
	Rs.	Rs.	Rs.	Rs.
Vessels	282,866,788	-	-	282,866,788
Containers	7,048,348	-	-	7,048,348
Spreaders	1,828,962	-	-	1,828,962
Land and Housing Project	1,048,581	64,320	-	1,112,901
Building	43,390	-	-	43,390
Motor Vehicles	29,141,271	-	(699,500)	28,441,771
Furniture and Fittings	8,216,581	338,572	(52,500)	8,502,653
Office Equipment and Computers	15,281,399	638,164	-	15,919,563
Total Depreciation	345,475,320	1,041,056	(752,000)	345,764,376

3.4 Net Book Value

	2011	2010
	Rs.	Rs.
Vessels	47,133,212	47,133,212
Land and Housing Project	4,173,439	4,237,759
Furniture and Fittings	1,960,768	1,816,317
Office Equipment and Computers	1,077,687	1,072,059
Building Work in Progress	94,616	-
Total Carrying Amount of Property, Plant and Equipment	54,439,722	54,259,347

3.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.1,273,932/- (2010- Rs. 70,565/-) Cash payments amounting to Rs. 1, 273,932/- (2010 - Rs. 70,565/-) were made during the year for purchase of Property, Plant & Equipment.

Ceylon Shipping Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2011

4. INVESTMENT IN RELATED COMPANIES

	Relationship	No. Shares Owned	Holding %	2011 Rs.	2010 Rs.
Ceylon Shipping Agency (Private) Limited	Subsidiary	9,999	100	100,000	100,000
Ceylon Shipping Lines (Private) Limited	Associate	156,942	39	35,100,000	35,100,000
Amalgamated Lines Limited	Associate	510	-	-	102,000
Less: Provision for Diminishing in Value				(100,000)	-
				<u>35,100,000</u>	<u>35,302,000</u>

4.1 Ceylon Shipping Agency (Private) Limited (CSA)

This is a fully own subsidiary of Ceylon Shipping Corporation Ltd (CSCL). During the last year CSCL has proposed to wind up CSA due to heavy losses incurred over many years.

4.2 Ceylon Shipping Lines (Private) Limited (CSL) - 156,942 shares valued of Rs.35.1 Mn.

CSL was a fully owned subsidiary of CSCL until December 1992. In accordance with a Cabinet decision, 39% was retained by CSCL as at the balance sheet date and the balance was sold.

4.3 Amalgamated Lines Limited - 510 shares valued at 0.1 Mn.

This is an associate company of CSCL and presently not in activate operation.

5. OTHER INVESTMENTS

Non Current

Investments in Equity Securities (5.1)	5,544,905	4,308,583
Total Carrying Value of Other Investments	<u>5,544,905</u>	<u>4,308,583</u>

Current

Investments in Fixed Deposits (5.2)	393,282,949	152,253,300
Investments in Government Securities (5.3)	152,610,888	100,000,000
Total Carrying Value of Other Investments	<u>545,893,837</u>	<u>252,253,300</u>

5.1 Investments in Equity Securities

5.1.1 Quoted Investments

	No of Shares		2011	2010
	2011	2010		
Mercantile Shipping PLC	238,506	208,954	21,607,005	20,572,683
Carrying value as at 31 March			<u>21,607,005</u>	<u>20,572,683</u>
Market Value as at 31 March			<u>45,316,140</u>	<u>43,880,340</u>

5.1.2 Non-Quoted Investments

	No of Shares		2011	2010
	2011	2010		
Ceylon Shipping Agency (Pvt) Ltd - Singapore	24,500	24,500	4,900,000	4,900,000
Associate News Papers of Ceylon Limited	31,206	31,206	4,680,900	4,680,900
Ceylon Port Services Limited	5,000	5,000	2,090,000	2,090,000
Sri Lanka Port Management and Consultancy Limited	1,500	1,500	15,000	15,000
International Tea Blenders and Exporters Limited	5,000	5,000	-	50,000
Lanka Coal Company Private Limited	200,000	200,000	2,000,000	2,000,000
			13,685,900	13,735,900
Less : Provision for Diminishing in Value			(29,748,000)	(30,000,000)
Carrying value as at 31 March			<u>(16,062,100)</u>	<u>(16,264,100)</u>
Total Carrying Value of Equity Securities			<u>5,544,905</u>	<u>4,308,583</u>

Ceylon Shipping Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2011

5.1 OTHER INVESTMENTS (Cont..)

5.1.3 Mercantile Shipping PLC - 238,506 Shares valued at Rs.21.6 Mn.

CSCL re-valued these shares on 1st April 1993 at Rs. 98.65 each as valued by the Chief Valuer on 20th July 1994. The market value on 31 March 2011 was Rs.190/- per share.

5.1.4 Ceylon Shipping Agency (Private) Limited, Singapore – 24,500 shares valued at Rs.4.9 Mn.

CSCL paid Rs.143,622/- on 31st January 1977 for 24,500 shares being 49% of the issued share capital. CSCL re-valued these shares at Rs.200/- each by the Chief valuer on 20th July 1994.

5.1.5 Associated Newspapers of Ceylon Limited (ANCL) - 31,206 shares valued at Rs.4.7 Mn.

CSCL paid Rs.239,060/- for these shares and re-valued these shares at Rs.150/- each as valued by the Chief valuer on 20th July 1994.

5.1.6 Ceylon Port Services Limited (CPS) - 5,000 shares valued of Rs.2.09 Mn.

Ceylon Shipping Corporation Ltd, nominated Directors to the Ceylon Port Services (CPS) Board as per the articles of the Company.

5.1.7 Sri Lanka Port Management & Consultancy Limited - 1,500 shares valued 15,000/-

These shares were purchased on 24th June 1985.

5.1.8 International Tea Blenders & Exporters Limited - 5,000 shares valued Rs.50,000/-

This is an investee company and presently not in activate operation.

5.2 Investments in Fixed Deposits	2011 Rs.	2010 Rs.
Peoples Bank - Fixed Deposits	368,887,554	128,320,540
Peoples Bank - Security on Housing Loan	-	1,000,000
Peoples Bank - Special Deposit	1,310,700	1,310,700
Commercial Bank- Fixed Deposits	35,000	35,000
Commercial Bank - Security and Housing Loan	272,350	1,319,988
State Mortgage and Investment Bank	22,777,345	20,267,072
	<u>393,282,949</u>	<u>152,253,300</u>
5.3. Investments in Government Securities		
Treasury Bills	<u>152,610,888</u>	<u>100,000,000</u>
	<u>152,610,888</u>	<u>100,000,000</u>

Ceylon Shipping Corporation Limited

NOTES TO THE FINANCIAL STATEMENT

As at 31 March

	2011 Rs.	2010 Rs.
6. INVENTORIES		
Consumables Stationery	845,359	766,793
Less :- Provision for Slow Moving Stock	(39,240)	(39,240)
	<u>806,119</u>	<u>727,553</u>
Bonded Stores	-	173,338
Victuals Stock	-	500,174
Bunker Stock	-	16,028,671
	<u>806,119</u>	<u>17,429,736</u>
7. TRADE AND OTHER RECEIVABLES		
Trade Debtors (7.1)	231,707,574	111,240,531
Amount Due From Related Parties (7.2)	-	77,319,027
Deposits, Advances and Prepayments	7,073,567	6,080,883
Staff Loans (7.3)	22,905,422	20,047,011
Others	105,018,686	161,186,965
	<u>366,705,249</u>	<u>375,874,417</u>
7.1 Trade Debtors		
Total Debtors	370,321,882	249,854,839
Less: Provision for Doubtful Debts	(138,614,308)	(138,614,308)
	<u>231,707,574</u>	<u>111,240,531</u>
7.2. Amount Due from Related Parties	Relationship	
General Treasury	Ultimate Parent	-
Ceylon Port Services Limited	Affiliate Company	77,319,027
Ceylon Shipping Lines Limited	Associate Company	823,344
Less: Provision for Doubtful Receivables		4,046,077
		<u>(4,869,421)</u>
		<u>-</u>
7.3. Staff Loans		
Balance at the beginning of the year	20,047,011	20,711,600
Loans granted during the year	9,685,731	6,657,487
Less: Repayments made during the year	(6,827,320)	(7,322,076)
Balance at the end of the year	<u>22,905,422</u>	<u>20,047,011</u>
8. CASH AND CASH EQUIVALENTS		
8.1 Favourable balances		
Cash and Bank Balances		
- Internal Account Balance	240,010,850	15,453,451
- External Account Balance	4,142,306	6,257,089
Cash in hand	425,340	364,405
	<u>244,578,496</u>	<u>22,074,945</u>
8.2 Unfavourable balance		
Bank Overdraft	(5,182,979)	(102,703,341)
For the purpose of Cash Flow Statement	<u>239,395,517</u>	<u>(80,628,396)</u>

Ceylon Shipping Corporation Limited
NOTES TO THE FINANCIAL STATEMENT

As at 31 March

	2011	2010
	Rs.	Rs.
09. STATED CAPITAL		
5,000,000 Ordinary Shares	50,000,000	50,000,000
10. NON INTEREST BEARING BORROWING		
Sri Lanka Port Authority	-	50,000,000
	-	50,000,000
11. RETIREMENT BENEFIT LIABILITY		
Balance at the beginning of the year	22,521,062	23,159,576
Charge for the year	8,186,353	4,845,689
	30,707,415	28,005,265
Payments made during the year	(4,181,616)	(5,484,203)
Balance at the end of the year	26,525,799	22,521,062
11.1 The Key Assumptions		
The company has applied formula method and used the following key assumptions in arriving at the retirement benefit liability under Projected Unit Credit (PUC) method.		
Rate of Interest (Net of Tax)	10%	10%
Staff Turnover Factor	2%	6%
Retiring Age	57 years	57 years
The Company will continue as a going concern.		
12. PROVISION FOR CARGO CLAIMS		
As at 1 April	43,936,144	38,936,144
Provision made during the year	5,000,000	5,000,000
As at 31 March	48,936,144	43,936,144
12.1 As per the Board Paper the company has resolved to make provision of Rs.5 million on annual basis upto a cumulative total of Rs.50 million.		
13. TRADE AND OTHER PAYABLES		
Trade Payables	802,197,865	111,022,359
Other Payables	94,794,260	94,172,826
Accrued Expenses	7,953,289	16,260,303
Sundry Creditors	4,142,306	6,257,088
	909,087,720	227,712,576

Ceylon Shipping Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

	2011 Rs.	2010 Rs.
14. REVENUE		
Voyage Income	163,551,855	281,235,513
Charter Hire Income	80,057,951	203,678,907
	<u>243,609,806</u>	<u>484,914,420</u>
15. OTHER INCOME		
Agency Fees	17,294,826	6,655,117
Commission Income	538,718	-
Dividend Income	1,651,210	397,103
Forwarding and Clearing Income	7,445,225	5,329,103
Sundry Income	2,123,855	4,701,838
Income from Sale of Investment	-	85,580,771
Interest on Fixed Deposits & Treasury Bills	32,451,897	17,326,702
	<u>61,505,731</u>	<u>119,990,634</u>
16. FINANCE COST		
Interest Expense on Overdrafts	4,610,214	12,294,533
17. PROFIT BEFORE TAX		
Is stated after Charging /(Crediting) all the expenses including the following:		
Included in Cost of Sales		
Provision for Contingent Claims	5,000,000	5,000,000
Included in Administrative Expenses		
Staff Cost including the following:		
Salaries and Wages	53,549,274	57,115,773
Defined Benefit Plan Costs - Retirement Benefit	8,186,353	4,845,689
Defined Contribution Plan Costs - EPF	7,959,801	7,981,718
- ETF	1,525,372	1,596,118
Directors' Emoluments	2,334,373	779,955
Depreciation	1,041,056	6,856,080
Exchange (Gain) /Loss	(4,799,897)	5,535,752
(Income) / loss from Coal Project Transactions	15,031,085	-
Profit/(Loss) on Disposal of Property, Plant and Equipment	707,602	85,470
Auditor's Fees	753,500	685,000
Entertainment	761,470	760,932
Advertisement	374,876	696,280
Professional and Legal Fees	204,659	1,999,547
Donations	81,600	47,348
18. INCOME TAX		
The major components of income tax expense for the years ended 31 March are as follows :		
Current Income Tax Expense on Ordinary Activities for the Year (18.2)	7,492,658	10,391,520
Under / (Over) Provision in respect to previous year (18.3)	16,229,519	-
Deferred Taxation Charge/(Reversal) (18.4)	(20,161,094)	(4,863,024)
Income tax expense reported in the Income Statement	<u>3,561,083</u>	<u>5,528,496</u>

18.1 Current Income Tax

In terms of the Inland Revenue Act No 10 of 2006 and subsequent amendments there to, the company is liable for income tax at 35% on Business income & other Income. The profits earned in foreign currency by providing services outside Sri Lanka is exempted.

18.2 Reconciliation between taxable profit and accounting profit

	2011 Rs.	2010 Rs.
Accounting Profit/(Loss) before tax	16,942,155	28,399,061
Aggregate Disallowable Items	17,211,309	17,943,659
Aggregate Allowable Items	(6,367,274)	(9,012,281)
(Income)/Loss Not Subject to Tax	(88,690,254)	(9,746,101)
Total Statutory Income from Business	<u>(60,904,064)</u>	<u>27,584,338</u>
Interest Income	32,448,040	17,417,646
Total Other Sources of Income Liabale for Tax	<u>32,448,040</u>	<u>45,001,984</u>
Total Assessable Income	32,448,040	45,001,984
Tax Losses brought forward and utilized (18.2.1)	(11,356,814)	(15,750,695)
Taxable Income	<u>21,091,226</u>	<u>29,251,289</u>
Tax @ 35%	7,381,929	10,237,951
Social Responsibility Levy @ 1.5%	110,729	153,569
Current Tax Expense for the Year	<u>7,492,658</u>	<u>10,391,520</u>

18.2.1 Tax Losses

Balance brought forward	17,244,905	32,995,600
Losses Incurred during the year	60,904,064	-
Loss utilized during the year	(11,356,814)	(15,750,695)
Tax Losses carried forward	<u>66,792,155</u>	<u>17,244,905</u>

18.3 The Inland Revenue has made the assessment for the year of 2010 and as a result of that the company has paid Rs.16,229,519/- as additional tax payment.

18.4 Deferred Taxation

Balance at the beginning of the year	4,863,024	-
Charges/(Reversal) for the year	20,161,094	4,863,024
Balance at the end of the year	<u>25,024,118</u>	<u>4,863,024</u>

18.4.1 Deferred tax is provided using the Balance Sheet Liability Method providing for temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Temporary differences associated with the company for which a deferred tax assets and liabilities are disclosed as follows;

	2011 Rs.		2010 Rs.	
	Temporary Difference	Tax effect on Temporary Difference	Temporary Difference	Tax effect on Temporary Difference
On Property, Plant & Equipment	52,882,247	14,807,029	52,562,853	18,396,999
On Retirement Benefit	26,525,799	(7,427,224)	22,521,062	(7,882,373)
On Cargo Loss Provision	48,936,144	(13,702,120)	43,936,144	(15,377,650)
On Tax Losses	66,792,155	(18,701,803)	-	-
		<u>(25,024,118)</u>		<u>(4,863,024)</u>

Applicable tax rate used for deferred tax computation is 28% (2010- 35%).

Ceylon Shipping Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2011

19 EARNINGS PER SHARE

19.1 The Earnings Per Share is calculated on the net profit for the year attributable to Ordinary Shareholders divided by the weighted average number of ordinary shares issued as at the Balance sheet date.

19.2 The following reflects the income and share data used in the Basic Earnings Per Share computation.

	2011	2010
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share (Rs.)	13,381,072	22,870,565
Weighted average number of ordinary shares issued as at the year end	5,000,000	5,000,000
Earning Per Share (Rs.)	<u>2.68</u>	<u>4.57</u>

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

20.1 CSCL has established an Irrevocable documentary credit for the supply of 46000MT +/- 10% deaf coal CIFFO at the Jetty of Norachchole, Sri Lanka on behalf of the Lanka Coal Company (Pvt) Ltd / CEB in favour of M/S Mining Resources Pte Ltd - Singapore with people's Bank amounting to US \$ 3,334,672.02 was enhanced to Rs. 296.6 Mn by securing the fixed deposits with said bank. This LC has matured on 04th May 2011.

20.2 Lanka Mahapola Vessel has been bare boat chartered to Triple "S" Shipping (Pvt) Ltd (TSSL) on the charter hire of US \$ 1,000 per day net to owners for a period of 5 years, with effect from 21st June 2011. Charterer has made Rs. 10,000,000 cash deposit to CSCL for due performance of Bare Boat Charter in respect of Lanka Mahapola for one year's period. Charterer shall arrange a performance security deposit of US \$ 125,000 in a form of Bank Guarantee valid for the entire charter period of five years plus three months by a reputed bank operating in Sri Lanka and submitted to CSCL, within one year after the delivery of the vessel. The cash deposit of LKR 10,000,000 will be released to TSSL on submission of the said bank guarantee.

20.3 CSCL has joint venture agreement between exemplar worldwide Shipping Solutions (Pvt) Ltd (MARG) for shipping businesses which are not handled by CSCL in Sri Lanka and India such as container feeder service and Ferry service. Both CSCL and MARG formed a BOI company by the name MARG CSCL international (Pvt) Ltd in which CSCL was given 20% share without any monetary payments or investments. CSCL was held 200, 20% of issued share capital from MARG CSCL international (Pvt) Ltd as at 20th May 2011. The Board of Directors comprise 7 members out of which 2 members from CSCL and 5 from MARG.

21. COMMITMENTS AND CONTINGENCIES

There were no significant commitments or contingent liabilities as at the Balance sheet date except following:

21.1.1 Capital Expenditure Commitments**21.1.2 Contingent Liabilities - Legal Claims**

The following legal cases have been pending for judgments as at the balance sheet date.

- a). A case HC/Civil/129/2011 relating to SRK bank guarantee matter which is a value of Rs.5.7 Mn.
- b). Liability for Labour matters (TEU/A/6/2009,TEU/A/10/2009) which is in favour of the company filed by ex-employees has a value of Rs.4.8 Mn.
- c). D C case no.4365/MR relation to Mr. Saman Rupasinghe's case which is a value of Rs.1.1 Mn.

22. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying amount of the assets pledged		Included under
		2011 Rs.	2010 Rs.	
Fixed Deposit	Overdraft facility of Rs. 100 M	<u>140.3 Million</u>	<u>84.2 Million</u>	Other Investments

23. External Ship Owners Account

Rs.4,142,306/- lying in shipping external account in favour of external ship owners has been shown under both current assets and current liabilities.

24. RELATED PARTY DISCLOSURES

24.1 During the period under review, there were no related party transactions.

24.2 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 30 (Revised 2005) 'Related Party Disclosures', Key

a) Key Management Personnel Compensation

	2011 Rs.	2010 Rs.
Fees	25,500	-
Short-term employee benefits	1,693,820	779,955
Non cash benefits	615,053	-
Other long term benefits	-	-
Termination benefit	-	-
	<u>2,334,373</u>	<u>779,955</u>

There were no related party transactions other than that have been disclosed above.

25. GUARANTEES GIVEN

During the period under review guaranties were issued to the University of Peradeniya for Rs.50,000/- from Commercial Bank of Ceylon PLC which has expired on 28th February 2011 , to the Director General of Merchant Shipping for Rs. 500,000/- from Commercial Bank of Ceylon PLC which has expired on 31st December 2011 and to the Director Medical Supplier for Rs. 50,000 from the commercial Bank of Ceylon PLC - Foreign Branch.

CEYLON SHIPPING CORPORATION LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

Ceylon Shipping Corporation Limited

DETAILED INCOME STATEMENT

For the year ended 31 March 2011

STATEMENT I	Statement	2011 Rs.	2010 Rs.
Revenue			
Voyage Income		163,551,855	281,235,513
Charter Hire Income		80,057,951	203,678,907
		<u>243,609,806</u>	<u>484,914,420</u>
Less: Cost of Sales			
Voyage Expenses	II	137,955,129	194,681,600
Fixed Operating Expenses	III	6,714,006	228,930,075
		<u>144,669,135</u>	<u>423,611,675</u>
Gross Profit		<u>98,940,671</u>	<u>61,302,745</u>
Add: Other Income			
Other Income		61,505,731	119,990,634
Less: Expenses			
Administrative Expenses	IV	138,894,033	140,599,785
Finance Cost	V	4,610,214	12,294,533
Operating Profit		<u>16,942,155</u>	<u>28,399,061</u>

Ceylon Shipping Corporation Limited

DETAILED INCOME STATEMENT

For the year ended 31 March 2011

STATEMENT II	2011	2010
	Rs.	Rs.
Voyage Expenses		
Recovery of Voyage Expenses	(8,233,931)	(22,703,010)
Voyage Expenses	56,370,279	93,905,681
Port Handling Expenses	3,041,304	10,526,233
Commission and Brokerage	2,897,303	6,480,346
Container Handling Chargers	78,880,174	101,472,350
Provision for Cargo claims	5,000,000	5,000,000
	<u>137,955,129</u>	<u>194,681,600</u>

STATEMENT III

Fixed Operating Expenses

Crew Expenses	1,970,925	111,878,405
Insurance	(6,741,240)	37,479,574
Deck Expenses	11,195,287	37,072,565
Engine Expenses	(1,975,416)	23,801,147
Victual and Pantry Expenses	540,020	9,423,886
Survey and Dry - Docking	1,280,572	4,089,937
Sundry Vessel Expenses	356,653	1,251,715
Communication Expenses	87,205	3,932,846
	<u>6,714,006</u>	<u>228,930,075</u>

STATEMENT IV

Administrative Expenses

Staff Training	425,782	375,965
Staff Recruitment	-	16,877
Contribution to Employee Provident Fund	7,959,801	7,981,718
Executive Staff Salaries	29,635,182	32,468,401
Clerical and Allied Staff Salaries	23,914,092	24,647,372
Temporary and Casual Employee Wages	2,107,549	1,133,551
Overtime	8,104,499	7,392,296
Bonus	974,450	140,160
Contribution to Medical Fund	1,027,000	51,865
Contribution to Employee Trust Fund	1,525,372	1,596,118
Medical Leave Pay	2,347,744	2,729,132
Books for Library	-	1,900
Office Rent	8,773,250	8,814,160
Printing and Stationery	1,077,717	1,292,799
Membership and Subscription	36,000	60,340
Newspapers and Periodicals	395,190	221,485
Insurance	3,880,490	6,910,761
Maintenances of Office premises	1,624,769	1,399,166
Electricity Charges	1,795,295	1,794,418
Staff Welfare	3,343,319	3,147,264
Security Charges	1,430,026	1,187,149
Computer Expenses	870,586	486,362
Telephone Charges	2,344,396	2,761,189
Postage and Telegrams	42,500	(1,017,904)
	<u>103,635,009</u>	<u>105,592,544</u>

Ceylon Shipping Corporation Limited

DETAILED INCOME STATEMENT

For year ended 31 March 2011

STATEMENT IV	2011	2010
	Rs.	Rs.
Administrative Expenses (cont.)		
Very High Frequency Radio Charges	-	6,000
Internet Charges/E Mail Charges	822,839	828,900
Foreign Travel Expenses	700,917	132,802
Audit Fees	753,500	685,000
Local Travelling	482,959	745,428
Fuel Expenses	-	5,477,459
Motor Vehicle Repairs	-	1,666,090
Motor Vehicle Service Charge and Parking Fees	7,691,613	1,646,288
Entertainment	761,470	760,932
Advertisement	374,876	696,280
Director Fees	779,950	779,955
Professional and Legal Fees	204,659	1,999,547
Miscellaneous Expense	1,217,133	664,640
Donations	81,600	47,348
Depreciation	1,052,231	6,856,080
(Profit)/Loss on Sale of Fixed Assets	(748)	85,470
Bank Charges	698,371	764,471
Stamp Duty Expenses	30,500	31,825
Debit Tax	709,164	414,785
Exchange (Gain)/Loss	(4,799,897)	5,535,752
(Income) / loss from Coal Project Transactions	15,031,085	-
Gratuity	8,186,353	4,845,689
Compliments & Presentation	480,450	336,500
	<u>138,894,033</u>	<u>140,599,785</u>
STATEMENT V	2011	2010
	Rs.	Rs.
Finance Cost		
Overdraft Interest	<u>4,610,214</u>	<u>12,294,533</u>
	<u>4,610,214</u>	<u>12,294,533</u>