

LANKA MINERAL SANDS LIMITED

**ANNUAL REPORT – 2002**

**Chairman's Report**

Year 2002 heralded a turning point for the company. After 20 years of civil strike which effected all activities of the company to a very great extent, return to normalcy proceeded steadily but slowly.

With the terrorist attacks on ships loading ilmenite at Pulmoddai in 1996 and 1997 bulk sales from Pulmoddai came to a halt. Production had to be stopped in 1998 as the godowns were full of finished product awaiting shipment. Worldwide tenders were called during the latter part of the year to dispose the total stock of ilmenite and part of the stock of Crude Zircon. The tender will close in January, 2003,

Due to blasting of the fresh water in take at Yan-Oya in 1983 the processing of crude zircon to zircon came to a standstill resulting in the stock piling of crude zircon. As an alternative a location at Warakapola was partially developed in the latter part of 2001 to establish a zircon plant. With the improvement in the security situation the work on the project was abandoned and action was initiated to re-establish the water intake site at Yan-Oya. Once the water supply is established processing of zircon can start at Pulmoddai.

The Company's tugs and barges required for shipping from Pulmoddai are located at Cod Bay, Trincomalee. With the expectation of doing shipments as early as possible repairs to tugs and barges was expedited.

The market for crude zircon discovered in 2000 progressively expanded. A small parcel tender for crude zircon was floated pending the finalisation of the bulk tender.

The highest sales for the last six years was recorded by earning sales revenue to the value of Rs. 247 million. Sales consisted of:

<b><u>Sales Quantity</u></b>	<b><u>Sales Revenue</u></b> <b><u>Rs.'000 s</u></b>
20,624 M.T. of Crude Zircon	216,240
897 M.T. of Rutile	31,110
5 M.T. of Ilmenite	<u>62</u>
	247,412
	=====

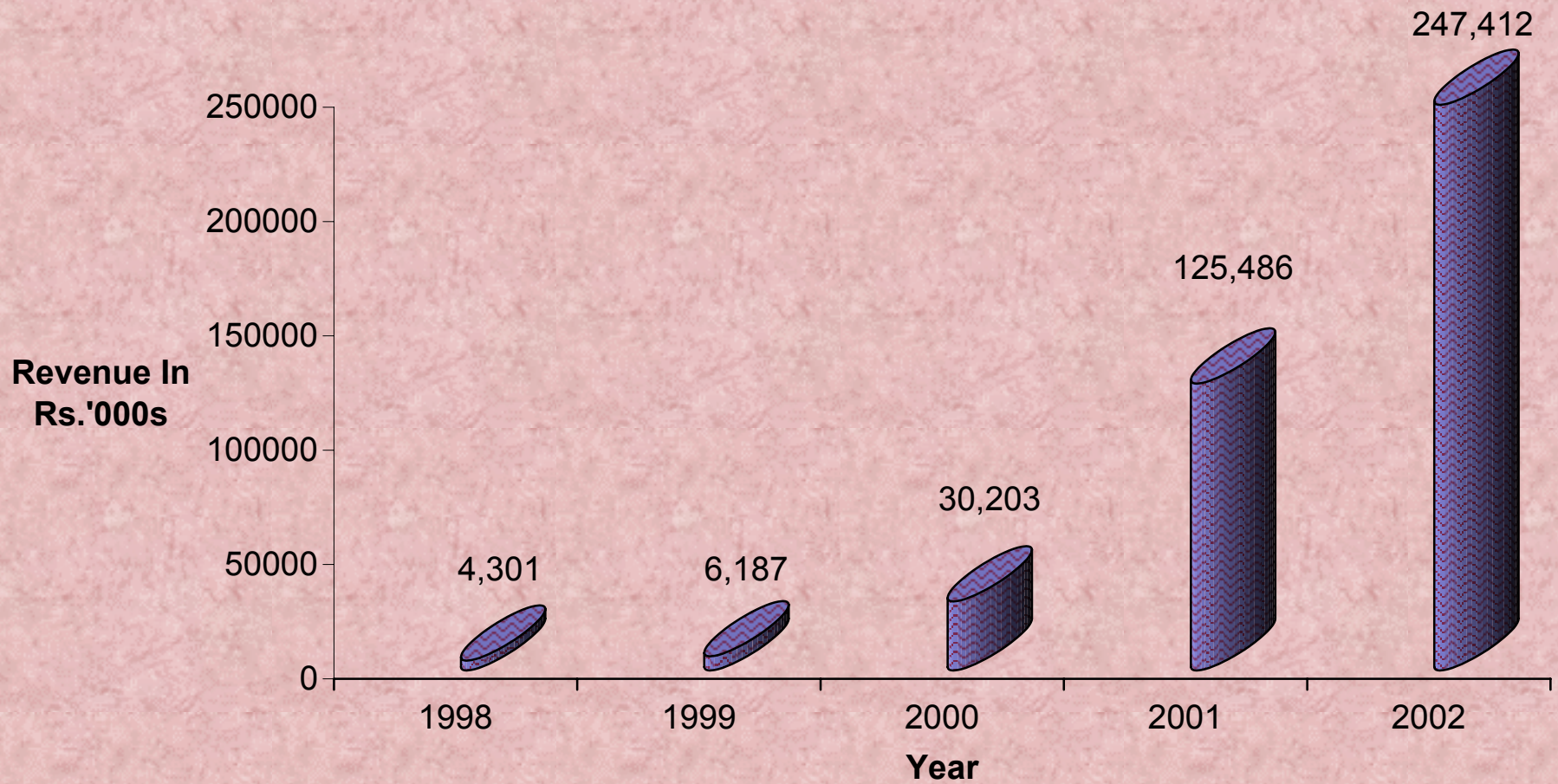
When there is production major portion of the plant expenditure is charged to production. Balance portion of the plant overheads and total overheads of the Floating Craft Section are charged to sales. When both activities do not take place the expenditure of both

cost centres are charged to the unabsorbed overheads. The unabsorbed overheads during the year under review has increased due to increased expenditure on maintenance and expenditure or re-establishment of water intake. As a result of the increased expenditure loss for the year increased from Rs. 14.7 million in 2001 to Rs. 34.1 million in 2002.

The approved cadre for the year was 786. The actual strength was only 527. During the past no action was taken to replace the lower grade employees who left the services of the company due to the low activity levels of the Company. No new recruitments were made during the year under review in accordance with Government Policy.

The lack of a quoram to hold Board Meetings to take decisions was a major managerial problem during the year under review. However, the Ministry of Eastern Development and Muslim Religious Affairs came to the assistance of the Company whenever possible.

### Lanka Mineral Sands Limited Sales Revenue From 1998 To 2002



Value

**LANKA MINERAL SANDS LIMITED**  
**NO : 167, SRI VIPULASENA MAWATHA, COLOMBO 10.**  
**BALANCE SHEET AS AT 31 ST DECEMBER**

<u>ASSETS</u>	NOTE	<u>2001</u> RS: CTS	<u>2002</u> RS: CTS
<u>Non - Current Assets</u>			
Property, Plant & Equipment	4	34,684,318.60	28,092,881.15
		34,684,318.60	28,092,881.15
<u>Current Assets</u>			
Inventories	5	490,613,253.19	450,567,814.23
Trade Debtors	6	15,334,987.97	28,733,832.79
Short term Investments	7	176,853,022.34	191,381,233.32
Deposits & Prepayments	8	7,861,816.33	7,261,167.65
Other Current Assets	9	133,130,050.26	126,386,417.72
Cash & Cash Equivalants	10	1,986,331.40	2,843,144.13
		825,779,461.49	807,173,609.84
<b>TOTAL ASSETS</b>		<b>860,463,780.09</b>	<b>835,266,490.99</b>
<u>EQUITY AND LIABILITIES</u>			
<u>Capital &amp; Reserves</u>			
Share Capital	11	800,000,000.00	800,000,000.00
Reserves	12	299,501,174.01	300,642,230.49
Accumulated Profits / ( Losses)	13	(367,978,059.68)	(401,203,885.24)
Shareholders' Fund		731,523,114.33	699,438,345.25
<u>Non - Current Liabilities</u>			
Provision for Gratuity	14	32,270,543.00	38,017,369.00
Interest in Suspense	15	79,278,234.70	79,278,234.70
		111,548,777.70	117,295,603.70
<u>Current Liabilities</u>			
Trade & Other Creditors	16	17,391,888.06	18,532,542.04
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>860,463,780.09</b>	<b>835,266,490.99</b>

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**LANKA MINERAL SANDS LIMITED**  
**STATEMENT OF SALES , COST OF SALES AND GROSS PROFIT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2002**

	<b>Sales</b>	<b>Cost of sales</b>	<b>Gross Profit</b>
	<b><u>Rs.cts</u></b>	<b><u>Rs.cts</u></b>	<b><u>Rs.cts</u></b>
<b>RUTILE</b>	31,110,056.27	7,163,860.29	23,946,195.98
<b>ILMENITE</b>	62,491.00	282,868.18	(220,377.18)
<b>CRUDE ZIRCON</b>	216,240,624.13	121,913,243.52	94,327,380.61
<b>TOTAL</b>	<b><u>247,413,171.40</u></b>	<b><u>129,359,971.99</u></b>	<b><u>118,053,199.41</u></b>