

**AUDITED**

**LANKA SUGAR COMPANY (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**31ST DECEMBER 2018**

Lanka Sugar Company (Private) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 Rs.	2017 Rs.
Revenue	4	6,242,954,355	7,616,939,721
Cost of Sales		(5,025,819,435)	(6,102,695,984)
<b>Gross Profit</b>		<u>1,217,134,920</u>	<u>1,514,243,737</u>
Other Income and Gains	5	69,689,588	47,857,289
Administrative Expenses		(1,261,139,692)	(1,259,377,613)
Finance Cost	6	(152,670,574)	(120,545,127)
Finance Income	6	271,328,127	220,524,878
<b>Profit/(Loss) before tax</b>	7	<u>144,342,369</u>	<u>402,703,163</u>
Income Tax Expense	8	(307,729,392)	(275,043,322)
<b>Profit/(Loss) for the year</b>		<u>(163,387,022)</u>	<u>127,659,841</u>
<b>Other Comprehensive Income for the period, net of tax</b>		83,725,670	29,830,638
<b>Total Comprehensive Income/ (Expense) for the period, net of tax</b>		<u>(79,661,352)</u>	<u>157,490,479</u>
Earnings/(Loss) Per Share	9	(1,633,870)	1,276,598

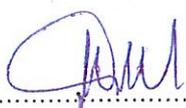
The Accounting Policies and Notes on pages 8 to 33 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited

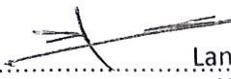
STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

ASSETS	Note	2018 Rs.	2017 Rs.
<b>Non-Current Assets</b>			
Property, Plant and Equipment	10	1,980,452,307	2,203,255,444
		<u>1,980,452,307</u>	<u>2,203,255,444</u>
<b>Current Assets</b>			
Inventories	11	3,282,576,901	1,889,639,351
Biological Assets	12	568,762,078	577,842,993
Trade and Other Receivables	13	297,054,164	121,239,226
Advances and Prepayments		32,898,652	47,689,488
Loans Due from Farmers	14	685,880,265	834,376,028
Amounts due from Related Parties	25.1	19,498,293	19,168,293
Investments	15	1,541,789,178	1,461,238,692
Cash and Cash Equivalents	21	55,793,285	250,426,762
		<u>6,484,252,815</u>	<u>5,201,620,834</u>
<b>Total Assets</b>		<u><b>8,464,705,122</b></u>	<u><b>7,404,876,277</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	16	1,000	1,000
Government Grant	17	4,047,990,194	4,047,942,334
Accumulated Profits		917,567,758	997,473,795
<b>Total Equity</b>		<u><b>4,965,558,952</b></u>	<u><b>5,045,417,129</b></u>
<b>Non-Current Liabilities</b>			
Deferred Tax Liability	8	365,539,736	128,557,251
Retirement Benefit Liability	19	381,093,042	425,505,136
Interest Bearing Loans and Borrowings	18	66,513,088	102,671,934
		<u>813,145,866</u>	<u>656,734,321</u>
<b>Current Liabilities</b>			
Interest Bearing Loans and Borrowings	18	1,253,463,373	252,814,946
Trade and Other Payables	20	1,202,378,569	1,288,549,102
Income Tax Payable		230,158,361	161,360,779
		<u>2,686,000,303</u>	<u>1,702,724,826</u>
<b>Total Equity and Liabilities</b>		<u><b>8,464,705,122</b></u>	<u><b>7,404,876,277</b></u>

  
 .....  
 Deputy General Manager - Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by:

  
 .....  
 Director  
**Rajiv Seneviratne**  
 Chairman  
 Lanka Sugar Company (Pvt) Ltd.  
 No. 27, Melbourne Avenue,  
 Colombo - 04.

  
 .....  
 Director  
**Lanka Sugar Company (Pvt) Ltd.**  
**No: 27, Melbourne Avenue,**  
**Colombo 04.**

The Accounting Policies and Notes on pages 8 to 33 form an integral part of these financial statements.

DATE  
 Colombo

Lanka Sugar Company (Private) Limited  
STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Stated Capital Rs.	Government Grant Rs.	Accumulated Profits Rs.	Total Rs.
As at 1 January 2017	1,000	4,047,990,194	839,738,633	4,887,729,827
Repayment of Government Grant	-	-	-	-
Revaluation of Plant and Machinery	-	-	-	-
Adjustment Entry in Opening Balance Sheet	-	-	-	-
Dividends Paid	-	-	-	-
Profit/(Loss) for the year	-	-	127,659,841	127,659,841
Other Comprehensive Income	-	-	29,830,638	29,830,638
Total comprehensive income	-	-	157,490,479	157,490,479
As at 31 December 2017	1,000	4,047,990,194	997,229,112	5,045,220,306
Repayment of Government Grant	-	-	-	-
Adjustment Entry in Pelwate Balance Sheet/ Income Tax Reversal	-	-	-	-
Paid by Company on behalf of previous owner	-	-	-	-
Profit for the year	-	-	(163,387,022)	(163,387,022)
Other Comprehensive Income	-	-	83,725,670	83,725,670
Total comprehensive income	-	-	(79,661,352)	(79,661,352)
As at 31 December 2018	1,000	4,047,990,194	917,567,760	4,965,558,954

The Accounting Policies and Notes on pages 8 to 33 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

Cash flows From / (Used in) Operating Activities	Note	2018 Rs.	2017 Rs.
Profit/(Loss) before Taxation		144,342,369	402,703,163
Adjustments for,			
Depreciation	10	348,266,476	352,440,192
Loss on sale of property, plant and equipment		45,144	40,323
Finance Income	6	(271,328,127)	(220,524,878)
Finance Cost	6	152,670,574	120,545,127
Provision for Retirement Benefit Liability	19	68,682,140	71,127,492
Provision for farmer loans	11	(42,765,210)	-
Bad Debts		-	-
Write Back of Liabilities		-	-
Operating Profit before Working Capital Changes		<u>399,913,366</u>	<u>726,331,418</u>
(Increase)/Decrease in Inventories		(1,392,937,550)	418,696,177
Increase in Trade and Other Receivables		(161,354,101)	23,674,591
Decrease in Loans Due from Farmers		148,495,763	14,884,015
Increase/(Decrease) in Trade and Other Payables		(86,170,532)	(214,042,552)
Net Cash From Operating Activities		<u>(1,092,053,054)</u>	<u>969,543,649</u>
Income Tax Paid		-	(108,207,480)
Retirement Benefit Liability Paid	19	(29,368,561)	(44,131,131)
Net Cash Flows From Operating Activities.		<u>(1,121,421,614)</u>	<u>817,205,039</u>
<b>Cash Flows From/(Used in) Investing Activities</b>			
Acquisition of Property, Plant and Equipment		(125,508,483)	(130,086,876)
Net (increase)/decrease in investments in Fixed Deposits		(80,550,486)	(133,773,746)
Investment in Biological Assets		9,080,916	(94,704,838)
Proceeds from the sale of Property, Plant and Equipment		-	-
Finance Income Received	6	271,328,127	220,524,878
Net Cash Flows Used in Investing Activities		<u>74,350,074</u>	<u>(138,040,583)</u>
<b>Cash Flows From / (Used in) Financing Activities</b>			
Loans/Finance Leases obtained		588,950,000	65,950,000
Loans settlements	18	(13,796,004)	(21,174,192)
Payments made on behalf previous owner		-	-
Repayment of government grant	17	-	-
Principle payments under finance lease obligation	18	(45,971,258)	(41,954,449)
Interest paid	6	(152,670,574)	(120,545,127)
Dividends paid		-	-
Net Cash Flows Used in Financing Activities		<u>376,512,165</u>	<u>(117,723,767)</u>
Adjustment to Head Office Reserves		-	(474,906)
Net Increase/(Decrease) in Cash and Cash Equivalents		(670,559,375)	560,965,783
Cash and Cash Equivalents at the beginning of the year	21	60,957,716	(500,008,067)
Cash and Cash Equivalents at the end of the year	21	<u>(609,601,659)</u>	<u>60,957,716</u>

The Accounting Policies and Notes on pages 8 to 33 form an integral part of these financial statements.

**1. CORPORATE INFORMATION**

**1.1 General**

Lanka Sugar Company (Private) Limited is an entity incorporated and domiciled in Sri Lanka. The Company was established as a private limited company after being vested by the government. The Registered Office of Lanka Sugar Company (Private) Limited is located at No. 27, Melbourne Avenue, Colombo 04 and the principal place of business is situated in Embilipitiya and Buttala.

After being incorporated as a private limited company, the assets and liabilities of Pelwatte Sugar Industries and Sevanagala Sugar Industries were transferred to Lanka Sugar Company (Private) Limited on 01st October 2012.

**1.2 Principal Activities and Nature of Operations**

During the financial period, principal activities of the entity were cultivating of sugar cane, manufacturing of and marketing of sugar and ethanol.

**1.3 Date of Authorization for Issue**

The financial statements of Lanka Sugar Company (Private) Limited for the year ended 31st December 2018 were authorized for issue, in accordance with a resolution of the Board of Directors on 31st October 2019.

AUDITED

## 2. GENERAL POLICIES

### 2.1 BASIS OF PREPARATION

The financial statements of the company comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement together with the Accounting Policies and Notes to the Financial Statements.

The financial statements of the Company have been prepared on a historical cost basis, unless stated otherwise.

The financial statements are presented in Sri Lankan Rupees (Rs).

#### 2.1.1 Statement of Compliance

The Financial Statements of Lanka Sugar Company (Private) Limited have been prepared in accordance with Sri Lanka Accounting Standards. The preparation and presentation of these financial statements is in compliance with the companies Act No.07 of 2007.

#### 2.1.2. Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not intend either to liquidate or to cease trading.

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

#### 2.2.1 Functional and Presentation Currency

The financial statements are presented in Sri Lanka Rupees (LKR) as commercial transactions are primarily carried out in by the company in LKR and such would better reflect the economic substance of underlying events and circumstances relevant to the enterprise.

Transactions in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lanka Rupees using the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the Statement of Profit and Loss.

All differences are taken to the statement of profit or loss.

Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively)

### 2.2.2 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

#### *Sale of Goods*

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, with the Entity retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods of sold.

#### *Interest income*

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

#### *Gains and losses on Disposal of Assets*

Gains and losses on disposal of Assets are determined by comparing the net sales proceeds with the carrying amounts of the Assets and are recognised net within "other operating income" in the Statement of Profit or Loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

### 2.2.3 Taxation

#### *Current Taxes*

Income tax expense comprises current income tax, Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

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

#### *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### *Deferred tax*

Deferred tax is provided using the balance sheet liability method, providing for tax effect of temporary difference between the carrying amount of assets and liabilities for financial reporting purpose and the amounts used for taxation purpose.

#### 2.2.4 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the period.

Repairs and renewals are charged to profit or loss in the period in which the expenditure is incurred

##### 2.2.4.1 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

##### 2.2.4.2 Finance Cost

Financial costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### 2.2.5 Property, Plant and Equipment

##### Owned Assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

##### Leased Assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

#### Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized in accordance with the de-recognition policy given below.

The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Profit and Loss as incurred.

#### De-recognition

The carrying amount of an item of property, plant & equipment is de-recognized on disposal; or when no future economic benefits are expected from its use. Gains and losses on de-recognition are recognized in the Statement of Profit or Loss and gains are not classified as revenue.

#### Depreciation

Depreciation is recognised in the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the company will have ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

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

#### 2.2.6 Inventories

Inventories are valued at the lower of cost or 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 of completion and 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 formula:-

Produce Stock	At direct cost including other overheads incurred thereon, up to the reporting date
Standing Cane	At direct cost including nursery cost and part of overheads incurred thereon, up to the reporting date
Other Stocks	At actual cost
Goods in Transit	At actual cost

## 2.2.7 Financial Instruments – initial recognition and subsequent measurement

### Financial assets

#### Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

The company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss.

#### De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) The company has transferred substantially all the risks and rewards of the asset, or
  - (b) The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

### **Impairment of financial assets**

The company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, 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 expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is reflected in the statement of profit or loss.

### **Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as described below:

### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

### De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### 2.2.8 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand and demand deposits that are 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.

#### 2.2.9 Impairment of non- financial assets

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

#### 2.2.10 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date whereas non-current liabilities fall due for payment later than one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

### 2.2.10.1 Employee Benefits

#### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognized as an expense in the profit or loss as incurred.

The company contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 19.1. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Actuarial gains and losses for the defined benefit obligation is recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with Sri Lanka Accounting Standards. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### 2.2.10.2 Government Grant

Government Grant reflected in the balance sheet consist of the net assets acquired with the effect of Revival of Underperforming Enterprises and Underutilised Assets Act No. 43 of 2011 and the subsequent working capital contributed to carry out the entity's operations.

### 2.2.10.3 Provisions

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

### 2.2.11 Changes in Accounting Policies

The accounting policies adopted are consistent with prior year.

### 2.3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period and any future periods.

In the process of applying the company's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### **Depreciation of Property, Plant and Equipment**

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of these assets. Subsequent changes in circumstances such as technological advances or utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management reviews annually the residual values and useful lives of major items of property, plant and equipment.

#### **Impairment of Receivables**

Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the statement of profit and loss. Management uses judgment in estimating such allowance considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

#### *SLFRS 9 – Financial Instruments*

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### *SLFRS 15 – Revenue from Contracts with Customers*

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38)
- Equity Method in Separate Financial Statements (Amendments to LKAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- Annual Improvements to SLFRSs 2012–2014 Cycle – various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28)
- Disclosure Initiative (Amendments to LKAS 1)

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<b>4. REVENUE</b>				<b>2018</b>	<b>2017</b>
				<b>Rs.</b>	<b>Rs.</b>
<b>4.1 Summary</b>					
Sales of Goods				6,242,954,355	7,616,939,721
				<u>6,242,954,355</u>	<u>7,616,939,721</u>
<b>4.2 Revenue is derived from the following:</b>					
Sugar				3,148,514,900	4,637,042,513
Molasses				672,750	987,750
ENA				3,093,766,705	2,978,909,458
				<u>6,242,954,355</u>	<u>7,616,939,721</u>
<b>4.3 Segment Information</b>					
	<b>Head Office</b>	<b>Pelwatte Division</b>	<b>Sevanagala Division</b>	<b>Elimination</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Segment Revenue</b>	34,800,000	3,669,838,737	2,573,115,619	(34,800,000)	6,242,954,355
<b>Segment Results</b>					
Gross Profit /(Loss)	34,800,000	370,009,344	847,125,576	(34,800,000)	1,217,134,920
<b>Other</b>					
Capital Expenditure	888,638	73,013,076	51,606,768	-	125,508,483
Depreciation	2,871,072	230,125,232	115,270,172	-	348,266,476
<b>Segment Assets</b>					
Non Current Assets	5,090,137	1,568,560,932	406,801,239	-	1,980,452,308
Current Assets	29,163,387	4,104,140,601	2,816,258,397	(465,309,571)	6,484,252,815
<b>Segment Liabilities</b>					
Non Current Liabilities	-	638,455,477	174,690,389	-	813,145,867
Current Liabilities	45,142,621	2,380,809,032	725,358,220	(465,309,571)	2,686,000,303
<b>5. OTHER INCOME AND GAINS</b>				<b>2018</b>	<b>2017</b>
				<b>Rs.</b>	<b>Rs.</b>
Other Service Income				43,889,267	16,004,000
Sundry Income				25,800,321	31,853,289
				-	-
				<u>69,689,588</u>	<u>47,857,289</u>
<b>6. FINANCE COST AND INCOME</b>				<b>2018</b>	<b>2017</b>
				<b>Rs.</b>	<b>Rs.</b>
<b>6.1 Finance Cost</b>					
Interest Expenses on Bank Loans				55,461,980	32,358,024
Interest Expenses on Bank Overdrafts				92,825,700	80,584,514
Finance Charges on Lease Liabilities				4,337,750	7,562,267
Loss on Disposal of Fixed Assets				45,144	40,323
				<u>152,670,574</u>	<u>120,545,127</u>
<b>6.2 Finance Income</b>					
Interest Income on Loans Due from Farmers				57,176,197	57,319,129
Interest Income on Fixed Deposits				214,151,930	163,205,749
Other Interest Income				-	-
				<u>271,328,127</u>	<u>220,524,878</u>

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<b>7. PROFIT BEFORE TAX</b>				
Stated after Charging			<b>2018</b>	<b>2017</b>
			<b>Rs.</b>	<b>Rs.</b>
<b>Included in Cost of Sales</b>				
Employee Benefits including the following				
- Defined Contribution Plan Costs - EPF and ETF			170,853,138	178,685,022
Depreciation			286,928,164	292,408,578
<b>Included in Administrative Expenses</b>				
Employee Benefits including the following				
- Defined Benefit Plan Costs - Gratuity			69,966,070	71,127,491
- Defined Contribution Plan Costs - EPF and ETF			50,936,193	50,087,154
Depreciation			61,338,312	59,634,601
Audit Fees			850,000	850,000
Bad Debts on Farmers Loans			24,133,855	62,228,740
<b>8. INCOME TAX EXPENSE/(REVERSAL)</b>			<b>2018</b>	<b>2017</b>
			<b>Rs.</b>	<b>Rs.</b>
Current Income Tax			70,746,907	54,319,043
Deferred Tax Charge/ (Reversal) (Note 8.2)			236,982,485	220,724,279
			<u>307,729,392</u>	<u>275,043,322</u>
<b>8.1 Reconciliation between Current Tax Expense/(Income) and the product of Accounting Profit/(Loss)</b>				
Accounting profit /(loss) before tax			144,342,369	402,703,163
Adjustment for prior year profits			-	-
Adjusted accounting profit/(loss) before tax			<u>144,342,369</u>	<u>402,703,163</u>
Aggregate disallowed items			435,883,005	982,978,297
Aggregate allowed items			(462,834,234)	(988,289,084)
Adjustment for previous year profit			-	-
Business profit/(Loss) for tax purpose			<u>117,391,140</u>	<u>397,392,376</u>
<b>Other Sources of Income Liable to Tax</b>				
Interest Income			271,328,127	220,524,878
<b>Total Assessable Income</b>			<u>388,719,267</u>	<u>617,917,254</u>
Tax losses utilized during the year			(136,051,744)	(216,271,039)
<b>Taxable Income</b>			<u>252,667,524</u>	<u>401,646,215</u>
Income Tax at @ 28%			<u>70,746,907</u>	<u>48,197,546</u>
Tax losses brought forward			642,208,957	858,479,996
Tax losses incurred during the year			-	-
Tax losses utilized during the year			(136,051,744)	(216,271,039)
Tax losses carried forward			<u>506,157,214</u>	<u>642,208,957</u>
<b>8.2 Deferred Tax Assets</b>				
	<b>Statement of Financial Position</b>		<b>Statement of Profit and Loss</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Deferred Tax Liability</b>				
On Property, Plant & Equipment	(658,821,775)	(311,909,307)	(346,912,468)	(274,869,119)
	<u>(658,821,775)</u>	<u>(311,909,307)</u>	<u>(346,912,468)</u>	<u>(274,869,119)</u>
<b>Deferred Tax Asset</b>				
On Property, Plant & Equipment	-	-	-	-
On Retirement Benefit Obligation	106,706,052	183,352,056	(76,646,004)	54,144,840
On Tax Loss /Provisions	186,575,987	-	186,575,987	-
	<u>293,282,039</u>	<u>183,352,056</u>	<u>109,929,983</u>	<u>54,144,840</u>
			<u>(236,982,485)</u>	<u>(220,724,279)</u>
Deferred Income Tax reversal	-	-	-	-
<b>Net Deferred Tax Asset/(Liability)</b>	<u>(365,539,736)</u>	<u>(128,557,251)</u>		
<b>9. EARNINGS/(LOSS) PER SHARE</b>				
9.1 Basic Earnings/(Loss) Per Share is calculated by dividing the net profit/(Loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.				
			<b>2018</b>	<b>2017</b>
			<b>Rs.</b>	<b>Rs.</b>
9.2 Amounts Used as Numerator:				
Net Profit/(Loss) Attributable to Ordinary Shareholders for Earnings Per Share			<u>(163,387,022)</u>	<u>127,659,841</u>
Numbers of Ordinary Shares Used as Denominator:			<b>2018</b>	<b>2017</b>
Weighted average Number of Ordinary Shares Applicable to Basic Earnings/(Loss) Per Share			<b>Number</b>	<b>Number</b>
			<u>100</u>	<u>100</u>

Lanka Sugar Company (Private) Limited  
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10. PROPERTY, PLANT AND EQUIPMENT

10.1	Gross Carrying Amounts	Balance As at 01.01.2018 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2018 Rs.
	Land	44,149,728	-	-	44,149,728
	Land Development	165,206,052	-	-	165,206,052
	Factory Buildings	244,364,780	-	-	244,364,780
	Buildings Others	229,159,601	-	-	229,159,601
	Field Machinery and Equipment	424,910,845	-	-	424,910,845
	Irrigation and Miscellaneous Equipment	207,205,543	-	-	207,205,543
	Factory Plant and Equipment	2,779,940,005	45,212,072	-	2,825,152,077
	Other Plant and Machinery	153,158,403	-	-	153,158,403
	Storage Tank	63,398,475	-	-	63,398,475
	Roads and Bridges	111,179,516	-	-	111,179,516
	Laboratory Equipment	49,291,526	-	-	49,291,526
	Motor Vehicles	162,126,356	25,380,000	-	187,506,356
	Furniture, Fittings and Equipment	183,419,344	11,556,325	(104,179)	194,871,490
	Settler Zone Infrastructure	73,193,739	-	-	73,193,739
		<u>4,890,703,912</u>	<u>82,148,397</u>	<u>(104,179)</u>	<u>4,972,748,130</u>
	<b>Assets on Finance Leases</b>				
	Motor Vehicles	58,013,750	-	-	58,013,750
	New Holland Tractor	30,524,000	-	-	30,524,000
	Field Machinery and Equipment	68,728,920	-	-	68,728,920
		<u>157,266,670</u>	<u>-</u>	<u>-</u>	<u>157,266,670</u>
	<b>In the Course of Construction</b>				
	Land Development	19,794,226	4,020,796	-	23,815,022
	Building - Others	4,259,866	-	-	4,259,866
	Roads and Bridges	-	-	-	-
	Factory Plant and Equipment	2,254,850	33,225,432	-	35,480,282
	Hotel Project	37,410,797	-	-	37,410,797
	Compost Plant	571,362	-	-	571,362
	Irrigation Project / Tube Well	1,175,818	6,113,858	-	7,289,676
	Power Generation Project	2,008,690	-	-	2,008,690
	Water Treatment Plant	27,067,811	-	-	27,067,811
		<u>94,543,421</u>	<u>43,360,086</u>	<u>-</u>	<u>137,903,507</u>
	<b>In the Course of Construction - On Finance Leases</b>				
	Factory Plant and Equipment	120,750,000	-	-	120,750,000
		<u>120,750,000</u>	<u>-</u>	<u>-</u>	<u>120,750,000</u>
	<b>Total Gross Carrying Amount</b>	<u>5,263,264,003</u>	<u>125,508,483</u>	<u>(104,179)</u>	<u>5,388,668,307</u>
10.2	<b>Depreciation</b>	<b>Balance As at 01.01.2018 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Disposals Rs.</b>	<b>Balance As at 31.12.2018 Rs.</b>
	Land Development	67,571,740	3,471,804	-	71,043,544
	Factory Buildings	146,868,129	5,476,710	-	152,344,839
	Buildings Others	122,250,902	4,873,918	-	127,124,820
	Field Machinery and Equipment	412,248,756	13,275,946	-	425,524,703
	Irrigation and Miscellaneous Equipment	151,010,441	9,970,370	-	160,980,811
	Factory Plant and Equipment	1,479,687,929	236,143,194	-	1,715,831,123
	Other Plant and Machinery	63,099,697	6,518,437	-	69,618,134
	Storage Tank	25,742,715	2,967,660	-	28,710,375
	Roads and Bridges	102,536,473	1,571,862	-	104,108,336
	Laboratory Equipment	39,291,440	4,455,558	-	43,746,998
	Motor Vehicles	148,715,217	16,709,623	-	165,424,839
	Furniture, Fittings and Equipment	159,675,303	13,110,988	(59,035)	172,727,255
	Settler Zone Infrastructure	69,020,739	823,072	-	69,843,812
		<u>2,987,719,480</u>	<u>319,369,142</u>	<u>(59,035)</u>	<u>3,307,029,588</u>
	<b>Assets on Finance Leases</b>				
	Motor Vehicles	25,697,750	11,602,750	-	37,300,500
	New Holland Tractor	-	-	-	-
	Field Machinery and Equipment	46,591,334	17,294,584	-	63,885,918
		<u>72,289,084</u>	<u>28,897,334</u>	<u>-</u>	<u>101,186,418</u>
	<b>Total Depreciation</b>	<u>3,060,008,564</u>	<u>348,266,476</u>	<u>(59,035)</u>	<u>3,408,216,005</u>

Lanka Sugar Company (Private) Limited  
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Year ended 31 December 2018

**10. PROPERTY, PLANT AND EQUIPMENT (Contd....)**

10.3 Net Book Values	2018 Rs.	2017 Rs.
Land	44,149,728	44,149,728
Land Development	94,162,508	97,634,312
Factory Buildings	92,019,941	97,496,651
Buildings Others	102,034,781	106,908,699
Field Machinery and Equipment	(613,857)	12,662,089
Irrigation and Miscellaneous Equipment	46,224,732	56,195,102
Factory Plant and Equipment	1,109,320,955	1,300,252,076
Other Plant and Machinery	83,540,269	90,058,707
Storage Tank	34,688,100	37,655,760
Roads and Bridges	7,071,180	8,643,042
Laboratory Equipment	5,544,528	10,000,086
Motor Vehicles	22,081,517	13,411,140
Furniture, Fittings and Equipment	22,144,235	23,744,042
Settler Zone Infrastructure	3,349,927	4,172,999
	<u>1,665,718,543</u>	<u>1,902,984,432</u>
<b>Assets on Finance Lease</b>		
Motor Vehicles	20,713,250	32,316,000
New Holland Tractor	30,524,000	30,524,000
Field Machinery and Equipment	4,843,002	22,137,586
	<u>56,080,252</u>	<u>84,977,586</u>
<b>In the Course of Construction</b>		
Land Development	23,815,022	19,794,226
Building - Others	4,259,866	4,259,866
Roads and Bridges	-	-
Factory Plant and Equipment	35,480,282	2,254,850
Hotel Project	37,410,797	37,410,797
Compost Plant	571,362	571,362
Irrigation Project	7,289,676	1,175,818
Power Generation Project	2,008,690	2,008,690
Water Treatment Plant	27,067,811	27,067,811
	<u>137,903,507</u>	<u>94,543,421</u>
<b>In the Course of Construction - On Finance Leases</b>		
Factory Plant and Equipment	120,750,000	120,750,000
	<u>120,750,000</u>	<u>120,750,000</u>
<b>Total carrying amount of Property, Plant and Equipment</b>	<u>1,980,452,301</u>	<u>2,203,255,439</u>

10.4 During the financial period, the company acquired Property, Plant and Equipment to the aggregate value of Rs.125,508,482/- (2017 - Rs.130,086,876/- ) for cash.

10.5 The useful lives of the assets is estimated as follows;

	2018	2017
Land Development	50 Years	50 Years
Factory Buildings	50 Years	50 Years
Buildings Others	50 Years	50 Years
Field Machinery and Equipment	5 - 6.67 Years	5 - 6.67 Years
Irrigation and Miscellaneous Equipment	16.67 Years	16.67 Years
Factory Plant and Equipment	10-20 Years	10-20 Years
Other Plant and Machinery	5 - 20 Years	5 - 20 Years
Roads and Bridges	20 Years	20 Years
Motor Vehicles	2 - 5 Years	2 - 5 Years
Furniture, Fittings and Equipment	4 - 5 Years	4 - 5 Years
Settler Zone Infrastructure	3 - 50 Years	3 - 50 Years

Lanka Sugar Company (Private) Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 December 2018

**10 PROPERTY, PLANT AND EQUIPMENT (Contd....)**

- 10.6 Reference to the letters from the Department of Valuation dated 07 May 2013 and 26 May 2014, Pelwatte and Sevanagala Divisions did receive valuation reports for its buildings, plant and machinery, agri equipment and motor vehicles. However only the value relating to Plant and Machinery of Sevanagala Division has been incorporated into these financial statements due to several inconsistencies identified by the management in the information contained in such reports.

Whilst the provisions of the Revival of Underperforming Enterprises or Underutilised Assets Act No.43 of 2011 relate only to the transfer of immovable assets to the respective divisions, Pelwatte and Sevanagala Divisions in substance continues to use the assets transferred from the previous owners. However, in accounting for the assets acquired prior to the Act, the Property, Plant and Equipment of Pelwatte Division includes the continuing book balances of previous owners to their books on which depreciation rates have applied, whilst the Property, Plant and Equipment of Sevanagala Division only contains the value of Plant and Machinery based on the valuations carried out.

The value of those revalued amounts which have not been incorporated to these financial statements are as follows.

	Pelwatte Division Rs.	Sevanagala Division Rs.
Buildings	7,110,000,000	3,757,500,000
Plant and Machinery	766,250,000	769,500,000
Motor Vehicles	1,399,000,000	-
Agri Equipment	390,600,000	330,700,000
	72,000,000	-
<b>11. INVENTORIES</b>	<b>2018</b>	<b>2017</b>
	Rs.	Rs.
Produced Inventory (11.1)	2,281,632,725	1,111,341,731
Other Inventory (11.2)	1,000,944,171	778,297,613
	<u>3,282,576,896</u>	<u>1,889,639,344</u>
<b>11.1 Produced Inventory</b>		
Sugar	1,772,165,915	777,386,584
Molasses	149,684,200	236,465,300
ENA	359,782,610	97,489,847
	<u>2,281,632,725</u>	<u>1,111,341,731</u>
<b>11.2 Other Inventory</b>		
Fuel and Lubricants	45,713,161	43,532,411
Factory Chemicals	8,740,672	6,827,933
Production Items Distillery	1,955,212	1,105,793
Bags and Liners	3,770,703	4,907,330
Fertilizers	135,110,025	71,121,693
General	30,610,576	56,323,145
Agriculture Spares	195,140,265	182,811,996
Stationery	2,140,488	3,318,777
Factory Spares	186,958,053	249,540,715
Other Inventory	243,911,408	135,197,791
Tires and Tubes	74,483,887	8,657,655
	<u>928,534,451</u>	<u>763,345,240</u>
Less: Provision for Obsolete Stocks	(9,251,437)	(9,251,437)
	<u>919,283,014</u>	<u>754,093,803</u>
Goods-in-Transit	81,661,157	24,203,810
	<u>1,000,944,171</u>	<u>778,297,613</u>
<b>12. BIOLOGICAL ASSETS</b>	<b>2018</b>	<b>2017</b>
	Rs.	Rs.
Standing Cane	568,762,078	577,842,993
	<u>568,762,078</u>	<u>577,842,993</u>
<b>13. TRADE AND OTHER RECEIVABLES</b>	<b>2018</b>	<b>2017</b>
	Rs.	Rs.
Trade Receivables	719,165	276,920
Other Receivables	264,953,534	101,242,870
Staff Loans (13.1)	31,381,465	19,719,436
	<u>297,054,164</u>	<u>121,239,226</u>
<b>13.1 Staff Loans</b>		
Balance at the beginning of the year	19,719,435	8,937,428
Loans granted during the year	79,709,665	65,128,502
Repayments made during the year	(68,047,634)	(54,346,494)
Balance at the end of the year	<u>31,381,465</u>	<u>19,719,436</u>

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14. LOANS DUE FROM FARMERS		2018 Rs.	2017 Rs.
Balance at the beginning of the year	611,184,178	1,289,834,030	1,242,489,304
Loans granted during the year	1,111,744,949	706,715,952	1,054,471,408
Loans recovered during the year	(320,052,615)	(831,077,867)	(1,007,126,682)
Identified loans relating to previous management		-	-
Loans written off		-	-
Total Loans Granted	522,876,512	1,165,472,115	1,289,834,030
Less: Provision for Doubtful Recoveries	(479,591,857)	(479,591,857)	(455,458,002)
Balance at the end of the year	521,627,641	685,880,258	834,376,028

15. INVESTMENTS		2018 Rs.	2017 Rs.
<b>Current</b>			
Fixed Deposits		1,541,789,178	1,327,464,946
		1,541,789,178	1,327,464,946

16. STATED CAPITAL	2018 Number	2018 Rs.	2017 Number	2017 Rs.
Fully Paid Ordinary Shares	100	1,000	100	1,000

17. GOVERNMENT GRANT		2018 Rs.	2017 Rs.
As at beginning of the period		4,047,943,334	4,047,943,334
Revaluation of Plant and Machinery		-	-
Repayments		-	-
		4,047,943,334	4,047,943,334

Government acquired the company's land (including any building and fixtures or fittings which are part of such building and any building belonging to and appurtenant thereto or treated as part and parcel thereof) by the revival of Underperforming Enterprises or Underutilized Assets Act, No. 43 of 2011 on 11/11/2011 and appointed a competent Authority to govern the company. Competent authority has governed the company from 11/11/2011 to 30/09/2012. Effective from 01 October 2012 all the assets and liabilities which were vested with the Competent Authority, was transferred to Lanka Sugar Company (Private) Limited.

18. INTEREST BEARING LOANS AND BORROWINGS	2018			2017		
	Amounts Repayable Within 1 Year Rs.	Amounts Repayable After 1 year Rs.	Total Rs.	Amounts Repayable Within 1 Year Rs.	Amounts Repayable After 1 year Rs.	Total Rs.
Bank Loans (18.1)	565,763,915	39,891,942	605,655,857	16,221,615	8,454,439	24,676,054
Bank Overdrafts (21.2)	665,484,944	-	665,484,944	529,528,543	-	529,528,543
Finance Leases (18.2)	22,214,514	26,621,146	48,835,660	44,200,493	94,319,929	138,520,422
	1,253,463,373	66,513,088	1,319,976,461	589,950,651	102,774,368	692,725,019

18.1 Bank Loan		As at 01.01.2018 Rs.	New Loans Obtained Rs.	Repayments Rs.	As at 31.12.2018 Rs.
Bank of Ceylon	(545,242,234)	26,673,071	550,000,000	4,157,766	572,515,305
Sampath Bank		8,765,365	-	3,273,758	5,491,607
NDB Bank		34,013,425	38,950,000	6,364,480	66,598,945
	(550,000,000)	69,451,861	588,950,000	13,796,004	644,605,857

18.2 Finance Leases		As at 01.01.2018 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.12.2018 Rs.
Vallibal Finance PLC		-	-	-	-
Bank of Ceylon	86,672,333	111,742,949	-	55,070,616	56,672,333
Gross Liability		111,742,949	-	55,070,616	56,672,333
Finance Charges Allocated to Future Periods		(15,176,975)	-	-	(6,077,617)
Net Liability		96,565,974	-	-	50,594,716

Lanka Sugar Company (Private) Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 December 2018

19. RETIREMENT BENEFIT LIABILITY	2018 Rs.	2017 Rs.
As at the beginning of the period	425,505,134	428,339,411
Interest Cost	44,678,039	44,975,638
Liability established for Sevanagala Division	-	-
Current service cost	24,004,102	26,151,854
Benefit Paid	(29,368,561)	(44,131,131)
Actuarial (Gain)/Loss	(83,725,670)	(29,830,638)
As at the end of the period	<u>381,093,042</u>	<u>425,505,134</u>

19.1 Messers Actuarial and Management Consultation (Private) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 December 2018. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

The key assumptions used in determining the cost of employee benefits were:

	2018	2017
<b>Pelawatte Division</b>		
Discount Rate	11.00%	10.50%
Rate of Salary Increase	1.50%	1.50%
Retirement Age	60 Years	55 Years
<b>Sevanagala Division</b>		
Discount Rate	10.50%	10.50%
Rate of Salary Increase	Fixed amount	Fixed amount
Retirement Age	60 Years	55 Years

20. TRADE AND OTHER PAYABLES	2018 Rs.	2017 Rs.
Trade Payables (20.1)	284,036,550	286,567,372
Advances Received from customers	129,857,024	219,584,790
Other Payables (20.2)	131,969,324	160,296,573
Sundry Creditors including Accrued Expenses (20.3)	480,866,624	537,493,209
Incentive Provision for the Employees & Farmers	88,893,163	
Distilleries Company of Sri Lanka PLC	24,784,659	24,784,659
Recovered from Farmers	59,822,499	59,822,499
	<u>1,200,229,843</u>	<u>1,288,549,102</u>
<b>20.1 Trade Payables</b>		
Trade Creditors	<u>284,036,550</u>	<u>286,567,372</u>
	<u>284,036,550</u>	<u>286,567,372</u>
<b>20.2 Other Payables</b>		
VAT Payable	37,445,578	47,502,082
NBT Payable	94,523,746	112,794,491
	<u>131,969,324</u>	<u>160,296,573</u>
<b>20.3 Sundry Creditors including Accrued Expenses</b>		
Sundry Creditors	229,254,967	186,796,026
Accrued Expenditure	251,611,656	350,697,182
	<u>480,866,624</u>	<u>537,493,209</u>

21. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	2018	2017
Components of Cash and Cash Equivalents	Rs.	Rs.
<b>21.1 Favorable Cash and Cash Equivalents Balances</b>		
Cash and Bank Balances	55,793,285	250,426,762
<b>21.2 Unfavorable Cash and Cash Equivalent Balances</b>		
Bank Overdrafts	(665,484,944)	(189,469,045)
<b>Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement</b>	<u>(609,691,659)</u>	<u>60,957,716</u>

Lanka Sugar Company (Private) Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 December 2018

**22. COMMITMENTS AND CONTINGENCIES**

**Capital Expenditure Commitments**

As per the provisions of the Act of Revival of Underperforming Enterprises and Underutilized Assets No.43 of 2011. Government has acquired the immovable assets of Sevanagala Sugar Industries as at 11 November 2011. Previous Management has filed a case against this acquisition. Reference to above stated act, the liabilities should be settled through Labor Tribunal.

**23. ASSETS PLEDGED**

Nature of Assets	Nature of Liability	Carrying Value Rs.	Included under
Fixed Deposits	Overdraft facility of A/C No 73947899 Bank Of Ceylon	378,692,000	Investment
Fixed Deposits	Overdraft facility of A/C No 75751012 Bank Of Ceylon	288,305,394	Investment
Fixed Deposits	Lease facility for overhead Crane	30,000,000	Investment
Fixed Deposits	Bank Loan facility (from Sampath bank Buttala)	21,466,406	Investment
Fixed Deposits	Security for Bank Guarantee - Sri Lanka Customs	22,101,452	Investment
Fixed Deposits	Term Loan - Bank of Ceylon	45,000,000	Investment
Fixed Deposits	Permanent Overdraft - Peoples Bank	200,000,000	Investment
Fixed Deposits	Vehicle Loan facility from NDB Bank	55,000,000	Investment

**24. EVENTS OCCURRING AFTER THE REPORTING DATE**

There have been no material events occurring after the reporting date that require adjustments or disclosure in the Financial Statements.

**25. RELATED PARTY DISCLOSURES**

**25.1 Amounts due from Related Parties**

	2018 Rs.	2017 Rs.
Ministry of Plantation Industries	1,102,344	1,102,344
Receivable from Kanthale Sugar Industries	6,831,204	6,831,204
Receivable from Hingurana Sugar Industries	1,445,789	1,115,789
Ministry Of Sugar Industry Receivable	3,453,231	3,453,231
SSP Project - Badulla	6,665,725	6,665,725
	<u>19,498,293</u>	<u>19,168,293</u>

**25.2 Transactions with Key Management Personnel of the Company**

The key management personnel of the Company are the members of its Board of Directors.

Key Management Personnel Compensation	2018 Rs.	2017 Rs.
Directors Fee	<u>1,007,500</u>	<u>2,791,500</u>

**26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's principal financial liabilities comprise interest bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The Company has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's management oversees the management of these risks. The Company's management determine on financial risks and the appropriate financial risk governance framework for the Company. The financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk. Financial instruments affected by market risk include loans and borrowings, deposits.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term deposits carrying floating interest rates. The Company manages its risk against fluctuating interest by borrowing on fixed interest rate and maintaining investment in floating interest bearing deposits at a insignificant level.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

**Trade receivables**

Customer credit risk is managed in accordance with the Company's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The amount of trade receivables were insignificant since most of the trading is done after receiving an advance from the customers. However the requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The Company does not hold collateral as security. The company evaluates the concentration of risk with respect to trade receivables as low, as its customers are largely unrelated.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables and deposits with banks and are disclosed in Note 13 and Note 15 respectively.

**Liquidity risk**

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	665,484,944		587,978,429	66,513,088
Trade and other payables	1,200,229,843			
	<u>1,865,714,787</u>	<u>-</u>	<u>587,978,429</u>	<u>66,513,088</u>

**Capital management**

Capital includes equity attributable to the equity holders of the company. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2014.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

Interest Bearing Borrowings	1,319,976,461
Trade and Other Payables	1,200,229,843
Less: Cash and Cash Equivalents	<u>(55,793,285)</u>
Net Debt	2,464,413,020
Equity	<u>4,965,558,952</u>
<b>Total Capital</b>	<u><u>4,965,558,952</u></u>
Gearing ratio	33.17%

27. FAIR VALUE MEASUREMENT

Financial instruments of the Company reflected at amortised cost in these financial statements included cash, cash equivalents, trade receivables, other receivables, trade and other payables and interest bearing loans and borrowings.

The management assess that the fair value all financial instruments approximate their carrying amount largely due to the short term maturities and market based interest rates of these instruments

**Lanka Sugar Company (Private) Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**28. EVENTS AFTER THE REPORTING PERIOD**

No any circumstances have arisen since the reporting date, which would require adjustments to or disclosure in the Financial Statements.

**29 RELATED PARTY DISCLOSURE**

Related Parties of Lanka Sugar Company (Private) Limited are Ministry of Plantation Industries, General Treasury of Sri Lanka and the Board of Directors. There are no transactions with aforesaid related parties in the reporting financial year, except for the directors' emoluments and fee which already have been declared in the note 25 to this Financial Statements

**29 Transactions with Key Management Personnel**

**29.1. Loans to Directors**

No loans have been given to the Directors of the Company.

**29.1. Other Transactions With Key Management Personnel**

There are no other transactions with the related parties during the reporting financial period.

**30. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities and assets reported during the financial year ended 31.12.2018

**31. AGRICULTURE**

Biological Assets are stated at fair value and shown under current-assets since they realize within a period of one year and is given in the note 12 to this Financial Statements.

Lanka Sugar Company (Private) Limited

DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 December 2018

<b>COST OF SALES</b>		<b>2018</b>	<b>2017</b>
		<b>Rs.</b>	<b>Rs.</b>
Nucleus Estate Cost	I	477,407,964	475,844,489
Research and Extension	II	194,655,869	112,617,637
Settler Expenditure	III	881,910,823	866,079,544
Out grower Expenditure	IV	971,478,206	1,043,604,805
ISFO Expenditure	V	160,070,347	161,659,052
Factory Cost	VI	620,783,657	635,076,643
Distilleries Cost	VII	555,781,408	313,764,178
Golf Project		6,232,597	6,050,466
Agriculture Services	VIII	384,856,843	414,014,723
Loss on sale of Molasses		-	-
B.M.E.D. Project		-	-
		<u>4,253,177,714</u>	<u>4,028,711,537</u>
<b>Stock Movements</b>			
(Increase) / Decrease in Sugar Stock		(867,127,357)	316,822,765
(Increase) / Decrease in Molasses Stock		94,315,200	(99,153,300)
Decrease in ENA Stock		(180,536,165)	87,152,295
		<u>3,299,829,392</u>	<u>4,333,533,297</u>
Cost of Sales - Sevanagala	IX	<u>1,725,990,043</u>	<u>1,769,162,687</u>
Total Cost of Sales		<u><u>5,025,819,435</u></u>	<u><u>6,102,695,984</u></u>

AUDITED

## DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 December 2018

STATEMENT I	2018 Rs.	2017 Rs.
Cost of Cane Harvested - Commercial	238,682,908	246,925,714
Cost of Cane Harvested - Seed	2,371,115	6,151,062
Cost of False Ratoon	-	-
Cane Cutting, Loading & Transport	120,252,454	117,929,577
Estate Supporting Operation	4,620,513	3,296,670
Estate Protection	28,532,613	26,451,250
Agriculture Engineering	2,726,553	1,889,982
Administration and Other Overheads	82,841,170	84,839,113
Valuation Adjustment	(317,612)	(583,769)
	<u>479,709,714</u>	<u>486,899,599</u>
Seed Cane Recoveries	<u>(2,301,750)</u>	<u>(11,055,110)</u>
	<u>477,407,964</u>	<u>475,844,489</u>
<b>STATEMENT II</b>	<b>2018 Rs.</b>	<b>2017 Rs.</b>
<b>RESEARCH AND EXTENSION COST</b>		
Cost of Seed Cane Harvested - Seed	165,244,428	138,759,408
Cost of Seed Cane Harvested - Commercial	29,294,183	14,544,869
Cane Cutting, Loading and Transportation	29,853,309	41,773,291
Agronomy Administration & Other Overheads	28,900,391	23,119,822
Agronomy Research	1,717,325	3,825,602
Estate Protection	3,377,514	3,325,414
Engineering Maintenance	470,273	526,045
Valuation Adjustment	(72,324)	(126,421)
	<u>258,785,099</u>	<u>225,748,030</u>
Seed Cane Recoveries	<u>(64,129,230)</u>	<u>(113,130,393)</u>
	<u>194,655,869</u>	<u>112,617,637</u>
<b>STATEMENT III</b>	<b>2018 Rs.</b>	<b>2017 Rs.</b>
<b>SETTLER EXPENDITURE</b>		
Cane Purchases	715,288,815	675,283,982
Settler Development Cost	7,774,511	18,069,044
Administration and Other Overheads	125,586,970	132,456,238
Settler Welfare Services	-	-
Settler Engineering Maintenance	6,871,783	6,110,519
Land Preparation Amortization	1,240,893	4,726,587
Cost of cane Nurseries	36,894,547	26,763,570
Cane Cutting, Loading & Transport - Nurseries	3,342,223	3,442,035
Valuation Adjustment	(1,007,269)	47,219
Settler write off cost	-	-
Seed Cane Recoveries	<u>(14,081,650)</u>	<u>(819,650)</u>
	<u>881,910,823</u>	<u>866,079,544</u>
<b>STATEMENT IV</b>	<b>2018 Rs.</b>	<b>2017 Rs.</b>
<b>OUT GROWER EXPENDITURE</b>		
Cane Purchases	802,204,598	845,938,146
Out grower Development Cost	22,962,743	51,079,193
Out grower Administration & Other Overheads	102,135,250	103,189,825
Buying Station Cost	31,630,812	27,814,146
Out grower Engineering Cost	2,605,658	3,285,426
Higurana Seed Cane Cost	-	-
Land Preparation Amortization	4,732,414	7,967,471
Sevenagala Seed Cane Cost	-	-
Cost of cane Nurseries & PSIL Plots	10,255,960	6,064,218
Cane Cutting, Loading & Transport - Nurseries & PSIL Plots	4,219,793	3,245,120
Outgrower Write off of Cost	-	-
Valuation Adjustment	(1,476,402)	333,160
	<u>979,270,826</u>	<u>1,048,916,705</u>
Seed Cane Recoveries	<u>(7,792,620)</u>	<u>(5,311,900)</u>
	<u>971,478,206</u>	<u>1,043,604,805</u>

## DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 December 2018

STATEMENT V	2018 Rs.	2017 Rs.
<b>ISFO EXPENDITURE</b>		
Cane Purchases	151,498,671	153,132,717
Administration Cost	7,781,256	8,347,659
ISFO Development Cost	737,052	(506,724)
Land Preparation Amortization	317,597	614,467
ISFO write off cost	-	-
Valuation Adjustment	(264,229)	70,933
	<u>160,070,347</u>	<u>161,659,052</u>
STATEMENT VI	2018 Rs.	2017 Rs.
<b>FACTORY COST</b>		
Process and Packing Cost	179,199,485	170,170,811
Administration and Other Overheads	52,606,387	50,055,058
Engineering Operations	128,030,693	129,051,855
Engineering Maintenance	198,338,747	191,441,371
Depreciation	137,473,217	135,642,919
Valuation Adjustment	(202,430)	(975,111)
Recovery (Engineering Maintenance)	(6,924,962)	(5,906,260)
Steam Cost Recoveries	(67,737,480)	(34,404,000)
	<u>620,783,657</u>	<u>635,076,643</u>
STATEMENT VII	2018 Rs.	2017 Rs.
<b>DISTILLERIES COST</b>		
Administration costs	29,761,416	27,571,011
Engineering operations	39,519,848	37,277,791
Production operations	235,476,557	204,868,024
Depreciation	46,293,477	45,552,790
Valuation adjustment	(1,253,310)	(1,093,658)
Molasses Tax	206,288,400	-
Recoveries	(304,980)	(411,780)
	<u>555,781,408</u>	<u>313,764,178</u>
STATEMENT VIII	2018 Rs.	2017 Rs.
<b>AGRICULTURE SERVICES EXPENDITURE</b>		
Agriculture Administration	60,976,267	57,639,504
HLT Administration	29,547,908	31,848,897
Elephant Drive	5,643,995	7,090,881
Agriculture Engineering	40,315,567	51,405,359
Agriculture Workshop	55,119,686	52,428,738
Fuel distribution	-	-
Under / (Over) Recoveries - Fleet	60,427,605	76,773,950
Estate Protection Administration	66,907,519	64,730,921
Fire Unit	29,322,703	29,140,147
Social Mobilization	-	-
Buying Station	66,982,503	72,575,018
Valuation Adjustment	(282,288)	(490,986)
Recoveries	(30,104,622)	(29,127,706)
	<u>384,856,843</u>	<u>414,014,723</u>

## DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 December 2018

## STATEMENT IX

## COST OF SALES - SEVANAGALA

	2018 Rs.	2018 Rs.	2017 Rs.	2017 Rs.
<b>Raw Material</b>				
Cane Purchase - Allottees	1,146,277,259		1,030,502,420	
Cane Purchase - Private	34,924,759		4,840,485	
Molasses Purchases	-		-	
Seed Cane Expenses	1,060,191		-	
Packing Materials	12,475,087	1,194,737,297	13,634,090	1,048,976,995
Raw Material Consumed		1,194,737,297		1,048,976,995
<b>Direct Labor</b>				
Salary and Wages	165,444,108		156,118,382	
Overtime	48,040,370		40,614,307	
E.P.F.	12,742,276		12,266,988	
E.T.F.	2,893,629		2,771,540	
Bonus	-		-	
Holiday Payment	-		-	
Incentive	-	229,120,382	-	211,771,217
Prime Cost		1,423,857,679		1,260,748,212
<b>Factory Overheads</b>				
Repair & Maintenance - Plant and Machinery	49110.75			
Customs Duty on Raw Materials	134,460,000		13,850,000	
Depreciation	63,308,080		66,744,399	
Process Chemicals	9,921,746		9,290,365	
Electricity	26,737,767		24,679,228	
Lubricants	13,767,415		5,931,253	
Spares and Maintenance	59,276,301		92,259,948	
General and Hardware	37,124,822		22,452,026	
Loading and Unloading Charges	47,776		28,320	
Firewood	1,072,838		9,727,989	
Furnace Oil	172,099,538		133,697,126	
Water - Rates	-		-	
Consumable Stores	2,687,668	520,553,062	5,527,477	384,188,133
Total Production Cost		1,944,410,741		1,644,936,345
<b>Stock Movements</b>				
Opening Inventory	447,340,382		571,566,724	
Closing Inventory	665,761,080		447,340,382	
Increase in Finished Goods Stock		(218,420,698)		124,226,342
		<u>1,725,990,043</u>		<u>1,769,162,687</u>

**Lanka Sugar Company (Private) Limited**  
**DETAILED COST AND EXPENDITURE STATEMENT**  
Year ended 31 December 2018

**STATEMENT X**

	<b>2018</b>	<b>2017</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>ADMINISTRATIVE EXPENSES - PELWATTE</b>		
Administration	37,846,485	27,212,462
Financial Accounting Division	9,653,324	9,112,028
Management Accounting Division	1,231,612	1,370,942
Stores and Purchase Division	28,056,731	27,431,304
System Accounting Division	12,186,397	9,601,241
Out grower Accounting Division	2,177,325	2,252,104
Colombo Office	4,029,882	4,360,934
Internal Audit	4,876,516	6,632,675
Depreciation	451,091	528,404
Bank Charges and Debit Taxes	3,466,404	3,980,099
Audit Fees and Expenses	-	-
Settler Accounting Division	2,580,852	2,583,334
Other Expenses	-	-
Valuation Adjustment	(549,229)	(342,795)
CEO Expenses	-	-
Sugar Packeting & Marketing	38,150,301	36,017,620
Penalty on VAT	-	-
Social Services	2,572,360	1,378,084
Write off of long outstanding supplier advances	-	-
NBT Expense on Revenue	-	-
Unrecoverable VAT	-	-
Lanka sugar - special projects	-	-
GM (COO) Expenses	3,250,537	5,284,117
Operation Department - Admin cost	9,162,282	9,514,788
Cess on Sugar production	2,806,130	2,764,260
Employee and farmer incentives	105,652,500	80,848,088
Expenditure of sugar ministry	-	-
	<u>267,601,500</u>	<u>230,529,689</u>
<b>PERSONNEL AND TRAINING COST - PELWATTE</b>		
Administration, Recruitment and Other Overheads	85,342,435	96,799,582
Medical and Community Health	24,159,891	23,426,223
Training	3,618,316	4,609,465
Personal Services	-	8,576,791
Township Expenses	35,630,247	25,707,620
Security	62,055,414	59,099,524
Staff Welfare Facilities	29,315,791	19,954,922
Chairman Bungalow Expenses	2,472,651	2,564,051
Transport and Maintenance	49,257,645	47,145,007
Valuation Adjustment	(136,302)	(452,347)
Recoveries	(11,748,281)	(11,876,915)
VRS Cost	-	-
Cost of Investigation Officer	1,207,189	1,100,877
Legal Division Expenses	1,443,968	2,196,998
Road Maintenance	-	-
	<u>282,618,964</u>	<u>278,851,798</u>
<b>ADMINISTRATIVE EXPENSES - SEVANAGALA</b>	654,310,675	698,974,944
<b>ADMINISTRATIVE EXPENSES - HEAD OFFICE</b>	56,608,553	51,021,182
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u><u>1,261,139,692</u></u>	<u><u>1,259,377,613</u></u>

Lanka Sugar Company (Private) Limited  
**DETAILED COST AND EXPENDITURE STATEMENT**  
Year ended 31 December 2018

STATEMENT X (Contd....)

	2018 Rs.	2017 Rs.
<b>ADMINISTRATIVE EXPENSES - SEVANAGALA</b>		
Land Preparation	1,552,278	537,024
Planting	4,154,897	1,796,501
Salary & Wages	222,169,878	210,195,040
Overtime	61,630,874	57,444,528
E.P.F.	16,368,498	15,629,802
E.T.F.	3,840,450	3,644,697
Bonus	7,523,508	6,622,066
Farmers Incentives	6,702,884	97,586,500
Cashier Allowance	136,500	186,650
Traveling & Subsistence	2,741,873	2,377,959
Holiday Payment	3,695,414	3,686,532
Petrol , Diesel & Lubricants	36,910,190	49,444,664
Tyres & Tubes	3,020,512	5,058,906
Stationery	3,240,259	2,876,127
License	1,968,783	642,344
Postage & Courier Charges	444,990	434,584
Telephone Charges	2,671,787	3,321,178
Books & Periodicals	1,097,578	51,450
Guest House Expenses	136,028	-
Bank Charges	109,390	109,390
Legal Expenses	997,000	881,500
Repairs to Office Equipment	206,754	208,869
Education & Training	267,980	353,079
Medical Facilities	10,943,070	10,900,532
Staff Incentives	88,871,286	69,104,139
Welfare & Sports	8,127,548	8,193,642
Repair & Maintenance - Plant and Machinery	-	-
Repair & Maintenance - Motor Vehicles	5,878,428	4,840,318
Repair & Maintenance - Buildings	296,422	-
Other Spares & Maintenance	25,443,503	31,922,786
Electricity	11,751,774	9,868,573
Other Allowances	4,968,244	5,672,276
Meal Expenses	941,272	1,074,190
Computer Expenses	251,022	344,138
Donations	422,391	629,600
Transport & Hiring Charges	1,212,891	1,421,019
Water Rates	4,527,667	4,029,786
Audit Fees	850,000	850,000
Depreciation	51,962,092	50,180,773
Other Expenses	2,827,241	2,310,924
Accident Leave	6,889	-
Gratuity	8,952,391	8,862,136
Security Charges	13,500	45,000
Rent & Rates	10,000	10,000
Insurance	7,816,386	4,553,294
Verification Expenses	490,600	724,673
Deyata Kirula Expenses	-	-
Cess Tax	1,470,900	1,519,830
Penalties and Surcharges	257,713	-
Colombo Office Expenses	-	1,737,646
Stamp Duty	-	-
Co Generation Project Expenses	-	-
Web Site Development Cost	-	-
Irrecoverable Land Preparation Costs	-	-
Road Renovation Expenses	13,725,161	8,817,654
Ceremonial Expenses	4,689	263,888
Consultancy Charges	239,800	1,332,889
Drought Relief Subsidy	-	-
Farmers Welfare	-	21,450
Disallowable Taxes	9,766,008	-
Boiler Inspection Fee	-	-
Vehicle & Fuel Allowance	3,287,028	3,760,000
Excise Duty	-	-
Compensation	351,597	69,500
Bad debts	519,633	61,651
Crop Protection Expenses	4,235,725	-
Yield Target Allowance	2,299,500	2,763,250
	<u>654,310,675</u>	<u>698,974,944</u>