

ජාතික විගණන කාර්යාලය

මගේ අංකය : පිටිල්ලි වී එල්එස්සී 01 17 06

විවේ අංකය.

දිනය 2019 ඔක්තෝබර් 18 දින

සහායනි,

සීමාසහිත ලංකා සීනි (පෞද්ගලික) සමාගම

සීමාසහිත ලංකා සීනි (පෞද්ගලික) සමාගමේ 2017 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ
මූල්‍ය ප්‍රකාශ පිළිබඳව විගණකාධිපති වාර්තාව

සීමාසහිත ලංකා සීන් (පෞද්ගලික) සමාගමේ 2017 දෙසැම්බර් 31 දිනට මූල්‍ය තත්ත්ව ප්‍රකාශය සහ පිළිගෙන් අවසන් වර්ෂය සඳහා වූ ලාභ හෝ අලාභ සහ අනෙකුත් විස්තීර්ණ ආදායම් ප්‍රකාශය, නිමිකම් වෙනස්වීමේ ප්‍රකාශය සහ මුදල් ප්‍රවාහ ප්‍රකාශය හා වැදගත් ගිණුම්කරණ ප්‍රතිපත්ති සහ අනෙකුත් පැහැදිලි කිරීමේ තොරතුරුවල සාරාංශයකින් සමන්විත 2017 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශ ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ 154 (1) ව්‍යවස්ථාවේ ඇතුළත් විධිවිධාන ප්‍රකාර මාගේ විධානය යටතේ විගණනය කරන ලදී.

මූල්‍ය ප්‍රකාශ සම්බන්ධයෙන් අධ්‍යක්ෂ මණ්ඩලයේ වගකීම

මෙම මූල්‍ය ප්‍රකාශ ශ්‍රී ලංකා ගිණුම්කරණ ප්‍රමිතිවලට අනුකූලව පිළියෙල කිරීම හා සාධාරණ ලෙස ඉදිරිපත් කිරීම සහ වංචා හෝ වැරදි හේතුවෙන් ඇතිවිය හැකි ප්‍රමාණාත්මක සාවද්‍ය ප්‍රකාශයන්ගෙන් තොරවූ මූල්‍ය ප්‍රකාශ පිළියෙල කිරීමට හැකි වනු පිණිස අවශ්‍යවන අභ්‍යන්තර පාලනය තීරණය කිරීම අධ්‍යක්ෂ මණ්ඩලයේ වගකීම වේ.

විගණකයේ වගකීම

මාගේ විගණනය මත පදනම්ව මෙම මූල්‍ය ප්‍රකාශ පිළිබඳව මතයක් ප්‍රකාශ කිරීම මාගේ වගකීම වේ. ආචාර ධර්මවල අවශ්‍යතාවන්ට මම අනුකූල වන බවට සහ මූල්‍ය ප්‍රකාශ ප්‍රමාණාත්මක සාද්‍ය ප්‍රකාශයන්ගෙන් තොර වන්නේද යන්න පිළිබඳ සාධාරණ තහවුරුවක් ලබාගැනීම පිණිස විගණන සැලසුම්කර ක්‍රියාත්මක කරන බවට මෙම ප්‍රවේශ අපේක්ෂා කරයි.

මූල්‍ය ප්‍රකාශවල දැක්වෙන අගයන් සහ හෙළිදරව් කිරීම්වලට උපකාරීවන විගණන සාක්ෂි ලබාගැනීම පිණිස පරිපාටි ක්‍රියාත්මක කිරීම විගණනයට ඇතුළත් වේ. තෝරාගත් පරිපාටීන්, වංචා හෝ වැරදි තක්සේරු කිරීම් මූල්‍ය ප්‍රකාශවල ඇතිවිය හැකි ප්‍රමාණාත්මක සාවද්‍ය ප්‍රකාශයන්ගෙන් අවදානම් අවස්ථාවෝචිතව උචිත විගණන පරිපාටි සැලසුම් කිරීම පිණිස සමාගමේ මූල්‍ය ප්‍රකාශ පිළියෙල කිරීමට සහ සාධාරණ ලෙස ඉදිරිපත් කිරීමට අදාළ වන්නාවූ අභ්‍යන්තර පාලනය විගණන සැලකිල්ලට ගන්නා නමුත් සමාගමේ අභ්‍යන්තර පාලනයේ සඵලදායීත්වය පිළිබඳව මතයක් ප්‍රකාශ

කිරීමට අදහස් නොකරයි. අධ්‍යක්ෂ මණ්ඩලය විසින් අනුගමනය කරන ලද ගිණුම්කරණ ප්‍රතිපත්තිවල උචිතභාවය හා යොදාගන්නා ලද ගිණුම්කරණ ඇස්තමේන්තුවල සාධාරණත්වය ඇගයීම මෙන්ම මූල්‍ය ප්‍රකාශවල සමස්ථ ඉදිරිපත් කිරීම පිළිබඳ ඇගයීමද විගණනයට ඇතුළත් වේ.

මාගේ විගණන මතය සඳහා පදනමක් සැපයීම උදෙසා මා විසින් ලබාගෙන ඇති විගණන සාක්ෂි ප්‍රමාණවත් සහ උචිත බව මාගේ විශ්වාසයයි.

තත්ත්වාගණනය කළ මතය සඳහා පදනම

(අ) සමාගම විසින් රු. 1, 425, 160, 007 ක් වටිනා සම්පූර්ණයෙන් ක්ෂය කරන ලද දේපල, පිරියත සහ උපකරණ එම වත්කම්වල ඵලදායී ආර්ථික ආයු කාලය ප්‍රත්‍යාගණනය කිරීමෙන් තොරව අඛණ්ඩව භාවිතා කරනු ලබමින් සිටින අතර ඒ අනුව, අවශ්‍ය ගැලපීම් සිදු කිරීම.

(ආ) 2017 අංක 24 දරන දේශීය ආදායම් පනතට අනුව, විලම්බිත බදු වත්කම්/ වගකීම් ගණනය කිරීමේදී, සමාගම විසින් ශ්‍රී ලංකා ගිණුම්කරණ ප්‍රමිති අංක 12හි 46 සහ 47 වන ඡේදයන්හි විස්තර කර ඇති පරිදි ගිණුම්කරණ කාල පරිච්ඡේදය අවසානයේදී පනවා ඇති බදු අනුපාතය යොදාගත යුතුය. එහෙත්, සමාගම විසින් අදාළ සියයට 28ක බදු අනුපාතය යොදා ගැනීම වෙනුවට සියයට 12ක බදු අනුපාතයක් යොදාගෙන ඇත. එහි ප්‍රතිඵලයක් ලෙස, සමාලෝචිත වර්ෂය සඳහා විලම්බිත බදු වියදම රු.295,600,375 කින් අඩුවෙන් දක්වා තිබුණි.

(ඇ) රු.1,184,931 ක් වන වෙළඳ හා අනෙකුත් ලැබිය යුතු දෑ 2014 වර්ෂයේ සිට අය කරගෙන නොතිබුණි. එහෙත්, ඒවා අය කරගැනීමට සමාගම විසින් නිසි ක්‍රියාමාර්ගයන් ගෙන නොතිබුණි.

(ඈ) පිළිවෙළින් රු.3,379,359 සහ රු.1,037,081ක් වන සමාගම විසින් සැපයුම්කරුවන්ට සහ සේවා සපයන්නන්ට ගෙවන ලද අත්තිකාරම් 2013 වර්ෂයේ සිට අය කරගෙන නොතිබුණි. එහෙත්, ඒවා අය කරගැනීමට සමාගම විසින් නිසි ක්‍රියාමාර්ගයන් ගෙන නොතිබුණි.

(ඉ) රු.13,658,977 ක් වන සේවක අර්ථසාධක අරමුදල සහ සේවක භාරකාර අරමුදලට අදාළව ගෙවිය යුතු අධිභාරය 2011 වර්ෂයේ සිට නොගෙවා තිබුණි.

(ඊ) පැල්වත්ත සීනි කර්මාන්තායතනය විසින් ගොවීන්ට ලබාදෙන ලද රු.592,468,478 ක ණය 1987 වර්ෂයේ සිට අය කරගෙන නොතිබුණි. එහෙත්, එම ශේෂයන් අය කරගැනීමට සමාගම විසින් ක්‍රියාමාර්ග ගෙන නොතිබුණි.

(උ) සෙවනගල සීනි කර්මාන්තායතනය විසින් ගොවීන්ට ලබාදෙන ලද රු.45,689,091 ක ණය වසර 02 සිට වසර 06 දක්වා අය කරගෙන නොතිබුණි. එහෙත්, එම ශේෂයන් අය කරගැනීමට සමාගම විසින් පසු විපරම් කටයුතු සිදුකර නොතිබුණි.

තත්ත්වාගණනය කළ මතය

තත්ත්වාගණනය කළ මතය සඳහා පදනම ඡේදයේ විස්තර කර ඇති කරුණු වලින් වන බලපෑම හැර, සමාගමේ 2017 දෙසැම්බර් 31 දිනට මූල්‍ය තත්ත්වය සහ එදිනෙන් අවසන් වර්ෂය සඳහා එහි මූල්‍ය ක්‍රියාකාරිත්වය හා මුදල් ප්‍රවාහ ශ්‍රී ලංකා ගිණුම්කරණ ප්‍රමිතිවලට අනුකූලව සත්‍ය හා සාධාරණ තත්ත්වයක් පිළිබිඹු කරන බව මා දරන්නා වූ මතය වේ.

Government Audit Branch

01 JUL 2019

Coconut Cultivation Board

AUDITED

LANKA SUGAR COMPANY (PRIVATE) LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2017

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 2017 were authorized for issue, in accordance with a resolution of the Board of Directors on 21st June 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 assets'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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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

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ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

18 October 2019

The Chairman,
Lanka Sugar Company (Private) Limited.

Report of the Auditor General on the Financial Statements of the Lanka Sugar Company (Private) Limited for the year ended 31 December 2017

The audit of financial statements of the Lanka Sugar Company (Private) Limited for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Board's Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

- (a) The fully depreciated property, plant and equipment valued at cost of Rs.1,425,160,007 are being continuously utilized by the Company, without revaluing the useful economic life time of such assets and make necessary adjustment accordingly.
- (b) According to the Inland Revenue Act, No.24 of 2017, when computing the deferred tax assets/ liabilities, the Company should use the tax rate imposed at the end of the accounting period as described in paragraphs 46 and 47 of the Sri Lanka Accounting Standard No.12. However, the Company had applied 12 per cent tax rate instead of being use the applicable tax rate of 28 per cent. As a result, the deferred tax expense for the year under review had been understated by Rs.295,600,375.
- (c) Trade and other receivable amounting to Rs.1,184,931 had remained without being recovered since year 2014. However, proper actions had not been taken by the Company to recover them.
- (d) The advances paid by the Company to suppliers and service providers amounting to Rs.3,379,359 and Rs.1,037,081 respectively had remained without being recovered since year 2013. However, proper actions had not been taken by the Company to recover them.

- (e) Surcharge payable in respect of Employees Provident Fund and Employees Trust Fund amounting to Rs. 13,658,977 had remained without being settled since year 2011.
- (f) The loans amounting to Rs.592,468,478 given by the Pelwatta Sugar Industry to farmers had remained without being recovered since year 1987. However, the Company had not taken action to recover such balances.
- (g) The loans amounting to Rs.45,689,091 given by the Sewanagala Sugar Industries to farmers had remained without being recovered from 02 to 06 years. However, no follow up actions had been taken by the Company to recover such balances.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

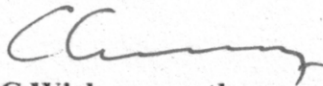
Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion:
- Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company
 - The financial statements of the Company comply with the requirement of Section 151 of the Companies Act No. 07 of 2007.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

**W.P.C Wickramarathna**

Auditor General

AUDITED

Lanka Sugar Company (Private) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 Rs.	2016 Rs.
Revenue	4	7,616,939,721	7,728,890,324
Cost of Sales		(6,102,695,984)	(5,547,832,698)
Gross Profit		1,514,243,737	2,181,057,626
Other Income and Gains	5	47,857,289	70,303,481
Administrative Expenses		(1,259,377,613)	(1,324,448,473)
Finance Cost	6	(120,545,127)	(72,092,275)
Finance Income	6	220,524,878	151,467,371
Profit/(Loss) before tax	7	402,703,163	1,006,287,730
Income Tax Expense	8	(275,043,322)	(177,050,274)
Profit/(Loss) for the year		127,659,841	829,237,456
Other Comprehensive Income for the period, net of tax		29,830,638	43,835,935
Total Comprehensive Income/ (Expense) for the period, net of tax		157,490,479	873,073,391
Earnings/(Loss) Per Share	9	1,276,598	8,292,375

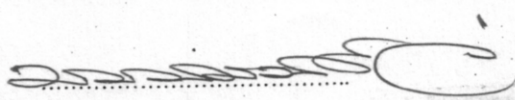
The Accounting Policies and Notes on pages 8 to 33 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

ASSETS	Note	2017 Rs.	2016 Rs.
Non-Current Assets			
Property, Plant and Equipment	10	2,203,255,444	2,425,649,078
Deferred Tax Asset	8	-	92,167,028
		<u>2,203,255,444</u>	<u>2,517,816,106</u>
Current Assets			
Inventories	11	1,889,639,351	2,308,335,528
Biological Assets	12	577,842,993	483,138,155
Trade and Other Receivables	13	121,239,226	137,274,446
Advances and Prepayments		47,689,488	55,328,859
Loans Due from Farmers	14	834,376,028	849,260,043
Amounts due from Related Parties	25.2	19,168,293	19,168,293
Investments	15	1,461,238,692	1,327,464,946
Cash and Cash Equivalents	21	250,426,762	29,520,476
		<u>5,201,620,834</u>	<u>5,209,490,746</u>
Total Assets		<u>7,404,876,277</u>	<u>7,727,306,852</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	1,000	1,000
Government Grant	17	4,047,515,288	4,047,943,334
Accumulated Profits		997,701,441	750,427,480
Total Equity		<u>5,045,217,729</u>	<u>4,798,371,814</u>
Non-Current Liabilities			
Deferred Tax Liability	8	128,557,251	-
Retirement Benefit Liability	19	425,505,136	428,339,414
Interest Bearing Loans and Borrowings	18	102,671,934	102,774,368
		<u>656,734,321</u>	<u>531,113,782</u>
Current Liabilities			
Interest Bearing Loans and Borrowings	18	252,814,946	589,950,651
Trade and Other Payables	20	1,288,549,102	1,502,591,653
Income Tax Payable		161,560,180	305,278,952
Amounts due to Related Parties		-	-
		<u>1,702,924,227</u>	<u>2,397,821,256</u>
Total Equity and Liabilities		<u>7,404,876,277</u>	<u>7,727,306,852</u>


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


Director

Prof. H W Cyril

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

Lanka Sugar Company (Private) Limited
No. 27, Melbourne Avenue,
Colombo - 04.


Director
Lanka Sugar Company (Private) Limited
No. 27, Melbourne Avenue,
Colombo - 04.

DATE 8/10/2018
Colombo



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

Year ended 31 December 2017

	Stated Capital Rs.	Government Grant Rs.	Accumulated Profits Rs.	Total Rs.
As at 1 January 2016	1,000	4,047,990,194	(122,645,911)	3,925,346,283
Repayment of Government Grant	-	-	-	-
Revaluation of Plant and Machinery	-	-	-	-
Adjustment Entry in Opening Balance Sheet	-	-	-	-
Dividends Paid	-	-	-	-
Profit/(Loss) for the year	-	-	829,237,456	829,237,456
Other Comprehensive Income	-	-	43,835,935	43,835,935
Total comprehensive income	-	-	873,073,391	873,073,391
As at 31 December 2016	1,000	4,047,990,194	750,427,480	4,798,419,674
Adjustment Entry Income Tax Reversal	-	-	89,783,484	89,783,484
Adjustment Entry in Pelwatte Balance Sheet/ Income Tax Reversal	-	(474,906)	-	(474,906)
Paid by Company on behalf of previous owner	-	-	-	-
Profit 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	4,047,515,288	997,701,443	5,045,218,731

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

4. REVENUE				2017	2016
				Rs.	Rs.
4.1 Summary					
Sales of Goods				7,616,939,721	7,728,890,324
				<u>7,616,939,721</u>	<u>7,728,890,324</u>
4.2 Revenue is derived from the following:					
Sugar				4,637,042,513	4,059,937,569
Molasses				987,750	738,750
ENA				2,978,909,458	3,668,214,005
				<u>7,616,939,721</u>	<u>7,728,890,324</u>
4.3 Segment Information					
	Head Office	Pelwatta Division	Sevanagala Division	Elimination	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Segment Revenue	58,811,953	4,706,938,137	2,910,001,583	(58,811,953)	7,616,939,721
Segment Results					
Gross Profit /(Loss)	58,811,953	373,404,840	1,140,838,897	(58,811,953)	1,514,243,737
Other					
Capital Expenditure	1,144,461	75,383,798	56,691,339	-	133,219,598
Depreciation	3,230,529	232,284,484	116,925,178	-	352,440,192
Segment Assets					
Non Current Assets	7,117,715	1,725,673,089	470,464,640	-	2,203,255,444
Current Assets	184,989,984	3,151,526,160	2,380,356,715	(515,252,025)	5,201,620,835
Segment Liabilities					
Non Current Liabilities	-	494,651,006	162,083,310	-	656,734,317
Current Liabilities	183,314,224	1,476,540,931	574,813,765	(515,252,025)	1,719,416,895
5. OTHER INCOME AND GAINS				2017	2016
				Rs.	Rs.
Other Service Income				16,004,000	40,274,918
Sundry Income				31,853,289	30,028,563
				<u>47,857,289</u>	<u>70,303,481</u>
6. FINANCE COST AND INCOME				2017	2016
				Rs.	Rs.
6.1 Finance Cost					
Interest Expenses on Bank Loans				32,358,024	13,955,202
Interest Expenses on Bank Overdrafts				80,584,514	49,837,683
Finance Charges on Lease Liabilities				7,562,267	8,199,309
Loss on Disposal of Fixed Assets				40,323	100,081
				<u>120,545,127</u>	<u>72,092,275</u>
6.2 Finance Income					
Interest Income on Loans Due from Farmers				57,319,129	61,600,660
Interest Income on Fixed Deposits				163,205,749	89,538,596
Other Interest Income				-	328,115
				<u>220,524,878</u>	<u>151,467,371</u>

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

7. PROFIT BEFORE TAX			
Stated after Charging		2017	2016
		Rs.	Rs.
Included in Cost of Sales			
Employee Benefits including the following		178,685,022	176,489,982
- Defined Contribution Plan Costs - EPF and ETF		292,408,578	270,717,322
Depreciation			
Included in Administrative Expenses			
Employee Benefits including the following		71,127,491	36,000,000
- Defined Benefit Plan Costs - Gratuity		50,087,154	47,455,070
- Defined Contribution Plan Costs - EPF and ETF		59,634,601	51,075,025
Depreciation		850,000	850,000
Audit Fees		62,228,740	33,425,595
Bad Debts on Farmers Loans			
8. INCOME TAX EXPENSE/(REVERSAL)		2017	2016
		Rs.	Rs.
Current Income Tax		54,319,043	183,699,514
Deferred Tax Charge/ (Reversal) (Note 8.2)		220,724,279	(6,649,239)
		<u>275,043,322</u>	<u>177,050,275</u>
8.1 Reconciliation between Current Tax Expense/(Income) and the product of Accounting Profit/(Loss)			
Accounting profit /(loss) before tax		402,703,163	1,006,287,730
Adjustment for prior year profits		-	-
Adjusted accounting profit/(loss) before tax		<u>402,703,163</u>	<u>1,006,287,730</u>
Aggregate disallowed items		436,847,073	404,493,267
Aggregate allowed items		(363,677,132)	(488,654,435)
Adjustment for previous year profit			(1,000)
Business profit/(Loss) for tax purpose		<u>475,873,104</u>	<u>922,125,562</u>
Other Sources of Income Liabale to Tax			
Interest Income		220,524,878	89,538,596
Total Assessable Income		696,397,982	1,011,664,158
Tax losses utilized during the year		(243,739,294)	(355,594,467)
Taxable Income		<u>452,658,688</u>	<u>656,069,692</u>
Income Tax at @ 12%		<u>54,319,043</u>	<u>183,699,514</u>
Tax losses brought forward		926,202,880	1,281,797,347
Tax losses incurred during the year		434,310,991	-
Tax losses utilized during the year		(400,106,947)	(355,594,467)
Tax losses carried forward		<u>960,406,925</u>	<u>926,202,880</u>
8.2 Deferred Tax Assets	Statement of Financial Position	Statement of Profit and Loss	
	2017	2016	2017
	Rs.	Rs.	Rs.
Deferred Tax Liability			
On Property, Plant & Equipment	(311,909,307)	(37,040,188)	(274,869,119)
	<u>(311,909,307)</u>	<u>(37,040,188)</u>	<u>(5,280,730)</u>
Deferred Tax Asset			
On Property, Plant & Equipment	183,352,056	129,207,216	54,144,840
On Retirement Benefit Obligation	183,352,056	129,207,216	11,929,969
	<u>183,352,056</u>	<u>129,207,216</u>	<u>54,144,840</u>
			<u>(220,724,279)</u>
Deferred Income Tax reversal	-	-	-
Net Deferred Tax Asset/(Liability)	<u>(128,557,251)</u>	<u>92,167,028</u>	
9. EARNINGS/(LOSS) PER SHARE			
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.			
		2017	2016
		Rs.	Rs.
9.2 Amounts Used as Numerator:			
Net Profit/(Loss) Attributable to Ordinary Shareholders for Earnings Per Share		<u>127,659,841</u>	<u>829,237,456</u>
Numbers of Ordinary Shares Used as Denominator:			
Weighted average Number of Ordinary Shares Applicable to Basic Earnings/(Loss) Per Share		<u>100</u>	<u>100</u>

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

	Balance As at 01.01.2017 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2017 Rs.
Land	44,149,728	-	-	44,149,728
Land Development	165,206,052	-	-	165,206,052
Factory Buildings	241,393,459	2,971,321	-	244,364,780
Buildings Others	229,159,601	-	-	229,159,601
Field Machinery and Equipment	415,045,105	9,865,741	-	424,910,845
Irrigation and Miscellaneous Equipment	195,178,649	12,026,894	-	207,205,543
Factory Plant and Equipment	2,728,688,860	51,251,145	-	2,779,940,005
Other Plant and Machinery	118,798,403	34,360,000	-	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	-	-	162,126,356
Furniture, Fittings and Equipment	170,605,732	12,918,800	(105,188)	183,419,344
Settler Zone Infrastructure	73,193,739	-	-	73,193,739
	<u>4,767,415,198</u>	<u>123,393,901</u>	<u>(105,188)</u>	<u>4,890,703,912</u>

Assets on Finance Leases

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>

In the Course of Construction

Land Development	13,430,469	6,363,758	-	19,794,226
Building - Others	4,945,067	2,286,120	(2,971,321)	4,259,866
Roads and Bridges	161,400	-	(161,400)	-
Factory Plant and Equipment	2,254,850	-	-	2,254,850
Hotel Project	37,410,797	-	-	37,410,797
Compost Plant	571,362	-	-	571,362
Irrigation Project / Tube Well	-	1,175,818	-	1,175,818
Power Generation Project	2,008,690	-	-	2,008,690
Water Treatment Plant	27,067,811	-	-	27,067,811
	<u>87,850,446</u>	<u>9,825,696</u>	<u>(3,132,721)</u>	<u>94,543,421</u>

In the Course of Construction - On Finance Leases

Factory Plant and Equipment	120,750,000	-	-	120,750,000
	<u>120,750,000</u>	<u>-</u>	<u>-</u>	<u>120,750,000</u>

Total Gross Carrying Amount

	<u>5,133,282,314</u>	<u>133,219,598</u>	<u>(3,237,909)</u>	<u>5,263,264,003</u>
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10.2 Depreciation

	Balance As at 01.01.2017 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2017 Rs.
Land Development	64,099,936	3,471,804	-	67,571,740
Factory Buildings	141,527,604	5,340,525	-	146,868,129
Buildings Others	117,376,984	4,873,918	-	122,250,902
Field Machinery and Equipment	394,212,382	18,036,374	-	412,248,756
Irrigation and Miscellaneous Equipment	144,879,583	6,130,858	-	151,010,441
Factory Plant and Equipment	1,251,828,220	227,859,709	-	1,479,687,929
Other Plant and Machinery	50,854,593	12,245,104	-	63,099,697
Storage Tank	22,775,055	2,967,660	-	25,742,715
Roads and Bridges	100,935,019	1,601,454	-	102,536,473
Laboratory Equipment	34,835,882	4,455,558	-	39,291,440
Motor Vehicles	126,814,177	21,901,039	-	148,715,217
Furniture, Fittings and Equipment	142,134,033	17,606,135	(64,865)	159,675,303
Settler Zone Infrastructure	68,197,667	823,072	-	69,020,739
	<u>2,660,471,135</u>	<u>327,313,211</u>	<u>(64,865)</u>	<u>2,987,719,480</u>

Assets on Finance Leases

Motor Vehicles	14,095,000	11,602,750	-	25,697,750
New Holland Tractor	-	-	-	-
Field Machinery and Equipment	33,067,103	13,524,231	-	46,591,334
	<u>47,162,103</u>	<u>25,126,981</u>	<u>-</u>	<u>72,289,084</u>

Total Depreciation

	<u>2,707,633,238</u>	<u>352,440,192</u>	<u>(64,865)</u>	<u>3,060,008,564</u>
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Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

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

10.3 Net Book Values

	2017 Rs.	2016 Rs.
Land	44,149,728	44,149,728
Land Development	97,634,312	101,106,116
Factory Buildings	97,496,651	100,149,706
Buildings Others	106,908,699	111,498,765
Field Machinery and Equipment	12,662,089	18,498,275
Irrigation and Miscellaneous Equipment	56,195,102	50,299,068
Factory Plant and Equipment	1,300,252,076	1,476,860,640
Other Plant and Machinery	90,058,707	67,943,811
Storage Tank	37,655,760	40,623,420
Roads and Bridges	8,643,042	10,244,497
Laboratory Equipment	10,000,086	14,455,644
Motor Vehicles	13,411,140	42,365,179
Furniture, Fittings and Equipment	23,744,042	28,471,699
Settler Zone Infrastructure	4,172,999	4,996,072
	<u>1,902,984,432</u>	<u>2,111,662,620</u>
Assets on Finance Lease		
Motor Vehicles	32,316,000	71,758,500
New Holland Tractor	30,524,000	-
Field Machinery and Equipment	22,137,586	37,996,264
	<u>84,977,586</u>	<u>109,754,764</u>
In the Course of Construction		
Land Development	19,794,226	13,751,376
Building - Others	4,259,866	-
Roads and Bridges	-	-
Factory Plant and Equipment	2,254,850	2,900,929
Hotel Project	37,410,797	37,410,797
Compost Plant	571,362	571,362
Irrigation Project	1,175,818	-
Power Generation Project	2,008,690	1,779,419
Water Treatment Plant	27,067,811	27,067,811
	<u>94,543,421</u>	<u>83,481,694</u>
In the Course of Construction - On Finance Leases		
Factory Plant and Equipment	120,750,000	120,750,000
	<u>120,750,000</u>	<u>120,750,000</u>
Total carrying amount of Property, Plant and Equipment	<u>2,203,255,439</u>	<u>2,425,649,078</u>

10.4 During the financial period, the company acquired Property, Plant and Equipment to the aggregate value of Rs.130,086,876/- (2016 - Rs.147,791,872/-) for cash.

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

	2017	2016
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 2017

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, Pelwatta 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, Pelwatta 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 Pelwatta 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.

	Pelwatta 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	-
11. INVENTORIES	2017	2016
	Rs.	Rs.
Produced Inventory (11.1)	1,111,341,731	1,541,499,600
Other Inventory (11.2)	778,297,613	766,835,928
	<u>1,889,639,344</u>	<u>2,308,335,528</u>
11.1 Produced Inventory		
Sugar	777,386,584	1,142,191,116
Molasses	236,465,300	162,713,574
ENA	97,489,847	236,594,910
	<u>1,111,341,731</u>	<u>1,541,499,600</u>
11.2 Other Inventory		
Fuel and Lubricants	43,532,411	45,494,914
Factory Chemicals	6,827,933	5,780,704
Production Items Distillery	1,105,793	896,136
Bags and Liners	4,907,330	5,374,975
Fertilizers	71,121,693	83,719,067
General	56,323,145	25,538,706
Agriculture Spares	182,811,996	166,528,800
Stationery	3,318,777	1,807,920
Factory Spares	249,540,715	354,751,732
Other Inventory	135,197,791	-
Tires and Tubes	8,657,655	6,168,753
	<u>763,345,240</u>	<u>696,061,708</u>
Less: Provision for Obsolete Stocks	<u>(9,251,437)</u>	<u>(9,251,437)</u>
	754,093,803	686,810,271
Goods-in-Transit	24,203,810	80,025,657
	<u>778,297,613</u>	<u>766,835,928</u>
12. BIOLOGICAL ASSETS	2017	2016
	Rs.	Rs.
Standing Cane	577,842,993	483,138,155
	<u>577,842,993</u>	<u>483,138,155</u>
13. TRADE AND OTHER RECEIVABLES	2017	2016
	Rs.	Rs.
Trade Receivables	276,920	760,705
Other Receivables	101,242,870	127,576,313
Staff Loans (13.1)	19,719,436	8,937,428
	<u>121,239,226</u>	<u>137,274,446</u>
13.1 Staff Loans		
Balance at the beginning of the year	8,937,428	9,674,811
Loans granted during the year	65,128,502	55,168,057
Repayments made during the year	<u>(54,346,494)</u>	<u>(55,905,440)</u>
Balance at the end of the year	<u>19,719,436</u>	<u>8,937,428</u>

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

14. LOANS DUE FROM FARMERS

	2017 Rs.	2016 Rs.
Balance at the beginning of the year	1,242,489,304	1,193,322,671
Loans granted during the year	667,655,009	1,121,357,797
Loans recovered during the year	(614,023,724)	(1,072,191,163)
Identified loans relating to previous management		
Loans written off		
Total Loans Granted	1,289,834,030	1,242,489,304
Less: Provision for Doubtful Recoveries	(455,458,002)	(393,229,262)
Balance at the end of the year	834,376,028	849,260,042

15. INVESTMENTS

	2017 Rs.	2016 Rs.
Current		
Fixed Deposits	1,461,238,692	1,327,464,946
	1,461,238,692	1,327,464,946

16. STATED CAPITAL

	2017 Number	2017 Rs.	2016 Number	2016 Rs.
Fully Paid Ordinary Shares	100	1,000	100	1,000

17. GOVERNMENT GRANT

	2017 Rs.	2016 Rs.
As at beginning of the period	4,047,943,334	4,047,990,194
Revaluation of Plant and Machinery		
Repayments	-	(46,860)
	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

	2017			2016		
	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)	13,744,242	84,019,030	97,763,272	16,221,615	8,454,439	24,676,054
Bank Overdrafts (21.2)	189,469,045	-	189,469,045	529,528,543	-	529,528,543
Finance Leases (18.2)	49,601,659	18,652,904	68,254,563	44,200,493	94,319,929	138,520,422
	252,814,946	102,671,934	355,486,880	589,950,651	102,774,368	692,725,019
18.1 Bank Loan						
	As at 01.01.2017 Rs.			New Loans Obtained Rs.	Repayments Rs.	As at 31.12.2017 Rs.
Bank of Ceylon	13,266,731			27,000,000	13,793,660	26,473,071
Sampath Bank	11,209,323			-	2,443,957	8,765,366
NDB Bank	-			38,950,000	4,936,575	34,013,425
	24,476,054			65,950,000	21,174,192	69,251,862
18.2 Finance Leases						
	As at 01.01.2017 Rs.			New Leases Obtained Rs.	Repayments Rs.	As at 31.12.2017 Rs.
Vallibal Finance PLC	-			-	-	-
Bank of Ceylon	166,252,493			-	54,509,544	111,742,949
Gross Liability	166,252,493			-	54,509,544	111,742,949
Finance Charges Allocated to Future Periods	(27,732,071)					(15,176,976)
Net Liability	138,520,422					96,565,973

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017



19. RETIREMENT BENEFIT LIABILITY

	2017 Rs.	2016 Rs.
As at the beginning of the period	428,339,411	428,560,861
Interest Cost	44,975,638	42,519,108
Liability established for Sevanagala Division	-	24,365,366
Current service cost	26,151,854	2,846,175
Benefit Paid	(44,131,131)	(27,123,616)
Actuarial (Gain)/Loss	(29,830,638)	(43,835,934)
As at the end of the period	<u>425,505,133</u>	<u>428,339,411</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 2016. 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:

	2017	2016
Pelawatte Division		
Discount Rate	10.50%	10.50%
Rate of Salary Increase	1.50%	1.50%
Retirement Age	55 Years	55 Years
Sevanagala Division		
Discount Rate	10.50%	10.50%
Rate of Salary Increase	Fixed amount	Fixed amount
Retirement Age	55 Years	55 Years

20. TRADE AND OTHER PAYABLES

	2017 Rs.	2016 Rs.
Trade Payables (20.1)	286,567,372	413,727,641
Advances Received from customers	219,584,790	344,788,760
Other Payables (20.2)	160,296,573	199,301,324
Sundry Creditors including Accrued Expenses (20.3)	537,493,209	460,166,770
Distilleries Company of Sri Lanka PLC	24,784,659	24,784,659
Recovered from Farmers	59,822,499	59,822,499
	<u>1,288,549,102</u>	<u>1,502,591,653</u>
20.1 Trade Payables		
Trade Creditors	<u>286,567,372</u>	<u>413,727,641</u>
20.2 Other Payables		
VAT Payable	47,502,082	51,119,095
NBT Payable	112,794,491	148,182,229
	<u>160,296,573</u>	<u>199,301,324</u>
20.3 Sundry Creditors including Accrued Expenses		
Sundry Creditors	186,796,026	160,351,440
Accrued Expenditure	350,697,182	299,815,330
	<u>537,493,209</u>	<u>460,166,770</u>

21. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT
Components of Cash and Cash Equivalents

	2017 Rs.	2016 Rs.
21.1 Favorable Cash and Cash Equivalents Balances		
Cash and Bank Balances	250,426,762	29,520,476
21.2 Unfavorable Cash and Cash Equivalent Balances		
Bank Overdrafts	(189,469,045)	(529,528,543)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	<u>60,957,716</u>	<u>(500,008,067)</u>

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	311,756,810	Investment
Fixed Deposits	Overdraft facility of A/C No 75751012 Bank Of Ceylon	243,408,656	Investment
Fixed Deposits	Lease facility for overhead Crane	30,000,000	Investment
Fixed Deposits	Bank Loan facility (from Sampath bank Buttala)	17,997,225	Investment
Fixed Deposits	Term Loan - Bank of Ceylon	45,000,000	Investment
Fixed Deposits	Permanent Overdraft - Peoples Bank	200,000,000	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**

	2017 Rs.	2016 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	1,115,789	1,115,789
Ministry Of Sugar Industry Receivable	3,453,231	3,453,231
SSP Project - Badulla	6,665,725	6,665,725
	<u>19,168,293</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

	2017 Rs.	2016 Rs.
Directors Fee	<u>2,791,500</u>	<u>3,650,000</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.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017



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	189,469,045		63,345,901	102,671,934
Trade and other payables	1,288,549,102			
	<u>1,478,018,147</u>	<u>-</u>	<u>63,345,901</u>	<u>102,671,934</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	355,486,880
Trade and Other Payables	1,288,549,102
Less: Cash and Cash Equivalents	<u>(250,426,762)</u>
Net Debt	1,393,609,220
Equity	5,028,720,001
Total Capital	<u><u>5,028,720,001</u></u>
Gearing ratio	21.70%

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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 Industry & Commerce, 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 31.12.2017

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 2017

COST OF SALES

		2017 Rs.	2016 Rs.
Nucleus Estate Cost	I	475,844,489	496,101,200
Research and Extension	II	112,617,637	319,854,769
Settler Expenditure	III	866,079,544	807,363,000
Out grower Expenditure	IV	1,043,604,805	1,257,226,791
ISFO Expenditure	V	161,659,052	115,897,326
Factory Cost	VI	635,076,643	564,593,116
Distilleries Cost	VII	313,764,178	557,701,487
Golf Project		6,050,466	4,851,033
Agriculture Services	VIII	414,014,723	360,612,151
Loss on sale of Molasses		-	-
B.M.E.D. Project		-	-
		<u>4,028,711,537</u>	<u>4,484,200,874</u>
Stock Movements			
(Increase) / Decrease in Sugar Stock		316,822,765	(703,148,525)
(Increase)/ Decrease in Molasses Stock		(99,153,300)	215,601,780
Decrease in ENA Stock		<u>87,152,295</u>	<u>(44,975,685)</u>
		4,333,533,297	3,951,678,444
Cost of Sales - Sevanagala	IX	<u>1,769,162,687</u>	<u>1,596,154,255</u>
Total Cost of Sales		<u><u>6,102,695,984</u></u>	<u><u>5,547,832,698</u></u>

AUDITED

Lanka Sugar Company (Private) Limited
DETAILED COST AND EXPENDITURE STATEMENT
Year ended 31 December 2017

STATEMENT I

	2017 Rs.	2016 Rs.
Cost of Cane Harvested - Commercial	246,925,714	231,045,742
Cost of Cane Harvested - Seed	6,151,062	19,198,343
Cost of False Ratoon	-	1,255
Cane Cutting, Loading & Transport	117,929,577	152,347,660
Estate Supporting Operation	3,296,670	3,261,383
Estate Protection	26,451,250	43,184,973
Agriculture Engineering	1,889,982	5,099,406
Administration and Other Overheads	84,839,113	65,055,512
Valuation Adjustment	(583,769)	(2,467,175)
	<u>486,899,599</u>	<u>516,727,099</u>
Seed Cane Recoveries	(11,055,110)	(20,625,899)
	<u>475,844,489</u>	<u>496,101,200</u>

STATEMENT II

RESEARCH AND EXTENSION COST

	2017 Rs.	2016 Rs.
Cost of Seed Cane Harvested - Seed	138,759,408	254,892,884
Cost of Seed Cane Harvested - Commercial	14,544,869	60,702,851
Cane Cutting, Loading and Transportation	41,773,291	55,317,464
Agronomy Administration & Other Overheads	23,119,822	21,694,847
Agronomy Research	3,825,602	4,333,027
Estate Protection	3,325,414	1,932,731
Engineering Maintenance	526,045	938,215
Valuation Adjustment	(126,421)	(763,227)
	<u>225,748,030</u>	<u>399,048,792</u>
Seed Cane Recoveries	(113,130,393)	(79,194,023)
	<u>112,617,637</u>	<u>319,854,769</u>

STATEMENT III

SETTLER EXPENDITURE

	2017 Rs.	2016 Rs.
Cane Purchases	675,283,982	569,702,009
Settler Development Cost	18,069,044	42,504,519
Administration and Other Overheads	132,456,238	127,791,073
Settler Welfare Services	-	-
Settler Engineering Maintenance	6,110,519	14,653,855
Land Preparation Amortization	4,726,587	5,825,336
Cost of cane Nurseries	26,763,570	54,141,210
Cane Cutting, Loading & Transport - Nurseries	3,442,035	7,549,970
Valuation Adjustment	47,219	(1,406,029)
Settler write off cost	-	-
Seed Cane Recoveries	(819,650)	(13,398,943)
	<u>866,079,544</u>	<u>807,363,000</u>

STATEMENT IV

OUT GROWER EXPENDITURE

	2017 Rs.	2016 Rs.
Cane Purchases	845,938,146	1,046,087,183
Out grower Development Cost	51,079,193	40,483,864
Out grower Administration & Other Overheads	103,189,825	108,217,241
Buying Station Cost	27,814,146	36,045,818
Out grower Engineering Cost	3,285,426	5,604,081
Higurana Seed Cane Cost	-	-
Land Preparation Amortization	7,967,471	13,097,595
Sevenagala Seed Cane Cost	-	-
Cost of cane Nurseries & PSIL Plots	6,064,218	12,931,705
Cane Cutting, Loading & Transport - Nurseries & PSIL Plots	3,245,120	2,904,002
Outgrower Write off of Cost	-	-
Valuation Adjustment	333,160	(3,256,680)
	<u>1,048,916,705</u>	<u>1,262,114,809</u>
Seed Cane Recoveries	(5,311,900)	(4,888,018)
	<u>1,043,604,805</u>	<u>1,257,226,791</u>

Lanka Sugar Company (Private) Limited

DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 December 2017

STATEMENT V

ISFO EXPENDITURE

	2017 Rs.	2016 Rs.
Cane Purchases	153,132,717	106,031,842
Administration Cost	8,347,659	6,072,249
ISFO Development Cost	(506,724)	3,761,081
Land Preparation Amortization	614,467	178,765
ISFO write off cost	-	-
Valuation Adjustment	70,933	(146,610)
	<u>161,659,052</u>	<u>115,897,326</u>

STATEMENT VI

FACTORY COST

	2017 Rs.	2016 Rs.
Process and Packing Cost	170,170,811	173,024,235
Administration and Other Overheads	50,055,058	48,195,184
Engineering Operations	129,051,855	137,314,121
Engineering Maintenance	191,441,371	206,557,565
Depreciation	135,642,919	129,453,354
Valuation Adjustment	(975,111)	(2,420,301)
Recovery (Engineering Maintenance)	(5,906,260)	(5,638,892)
Steam Cost Recoveries	(34,404,000)	(121,892,150)
	<u>635,076,643</u>	<u>564,593,116</u>

STATEMENT VII

DISTILLERIES COST

	2017 Rs.	2016 Rs.
Administration costs	27,571,011	34,393,124
Engineering operations	37,277,791	47,480,259
Production operations	204,868,024	437,215,749
Depreciation	45,552,790	44,593,406
Valuation adjustment	(1,093,658)	(5,916,491)
Molasses Tax	-	-
Recoveries	(411,780)	(64,560)
	<u>313,764,178</u>	<u>557,701,487</u>

STATEMENT VIII

AGRICULTURE SERVICES EXPENDITURE

	2017 Rs.	2016 Rs.
Agriculture Administration	57,639,504	51,251,242
HLT Administration	31,848,897	35,439,184
Elephant Drive	7,090,881	9,633,758
Agriculture Engineering	51,405,359	47,849,451
Agriculture Workshop	52,428,738	50,433,928
Fuel distribution	-	-
Under / (Over) Recoveries - Fleet	76,773,950	55,240,558
Estate Protection Administration	64,730,921	35,085,624
Fire Unit	29,140,147	25,312,104
Social Mobilization	-	-
Buying Station	72,575,018	68,118,348
Valuation Adjustment	(490,986)	(1,964,130)
Recoveries	(29,127,706)	(15,787,916)
	<u>414,014,723</u>	<u>360,612,151</u>

Lanka Sugar Company (Private) Limited
DETAILED COST AND EXPENDITURE STATEMENT
Year ended 31 December 2017

STATEMENT IX

COST OF SALES - SEVANAGALA

	2017 Rs.	2017 Rs.	2016 Rs.	2016 Rs.
Raw Material				
Cane Purchase - Allottees	1,030,502,420		1,094,527,063	
Cane Purchase - Private	4,840,485		2,120,477	
Molasses Purchases	-		-	
Seed Cane Expenses	-		-	
Packing Materials	-		-	
	13,634,090	1,048,976,995	14,407,256	1,111,054,795
Raw Material Consumed		1,048,976,995		1,111,054,795
Direct Labor				
Salary and Wages	156,118,382		151,191,296	
Overtime	40,614,307		43,639,446	
E.P.F.	12,266,988		11,806,484	
E.T.F.	2,771,540		2,651,882	
Bonus	-		5,541,621	
Holiday Payment	-	211,771,217	16,187,625	231,018,354
Incentive	-	1,260,748,212		1,342,073,149
Prime Cost				
Factory Overheads				
Customs Duty on Raw Materials	13,850,000		63,116,080	
Depreciation	66,744,399		7,887,367	
Process Chemicals	9,290,365		25,796,897	
Electricity	24,679,228		8,403,779	
Lubricants	5,931,253		102,704,911	
Spares and Maintenance	92,259,948		24,651,288	
General and Hardware	22,452,026		49,533	
Loading and Unloading Charges	28,320		11,050,829	
Firewood	9,727,989		159,882,624	
Furnace Oil	133,697,126			
Water - Rates	-			
Consumable Stores	5,527,477	384,188,133	3,772,468	407,315,776
Total Production Cost		1,644,936,345		1,749,388,925
Stock Movements				
Opening Inventory	571,566,724		418,332,054	
Closing Inventory	447,340,382		571,566,724	
Increase in Finished Goods Stock		124,226,342		(153,234,670)
		1,769,162,687		1,596,154,255

Lanka Sugar Company (Private) Limited
DETAILED COST AND EXPENDITURE STATEMENT
Year ended 31 December 2017

STATEMENT X

ADMINISTRATIVE EXPENSES - PELWATTE

	2017 Rs.	2016 Rs.
Administration	27,212,462	24,677,417
Financial Accounting Division	9,112,028	8,850,564
Management Accounting Division	1,370,942	1,334,164
Stores and Purchase Division	27,431,304	29,575,227
System Accounting Division	9,601,241	7,333,165
Out grower Accounting Division	2,252,104	1,927,414
Colombo Office	4,360,934	3,102,725
Internal Audit	6,632,675	6,653,719
Depreciation	528,404	582,190
Bank Charges and Debit Taxes	3,980,099	4,283,112
Audit Fees and Expenses	-	-
Settler Accounting Division	2,583,334	2,826,613
Other Expenses	-	-
Valuation Adjustment	(342,795)	(1,025,019)
CEO Expenses	-	-
Sugar Packaging & Marketing	36,017,620	36,359,065
Penalty on VAT	-	-
Social Services	1,378,084	2,095,144
Write off of long outstanding supplier advances	-	-
NBT Expense on Revenue	-	-
Unrecoverable VAT	-	-
Lanka sugar - special projects	80,848,088	130,683,964
GM (COO) Expenses	5,284,117	4,939,568
DGM - Operation Department	9,514,788	10,393,364
Cess on Sugar production	2,764,260	3,418,795
Employee and farmer incentives	-	-
Expenditure of sugar ministry	-	-
	<u>230,529,689</u>	<u>278,011,191</u>

PERSONNEL AND TRAINING COST - PELWATTE

Administration, Recruitment and Other Overheads	96,799,582	86,562,804
Medical and Community Health	23,426,223	25,805,470
Training	4,609,465	4,757,924
Personal Services	8,576,791	-
Township Expenses	25,707,620	29,578,742
Security	59,099,524	59,485,701
Staff Welfare Facilities	19,954,922	28,714,848
Chairman Bungalow Expenses	2,564,051	3,270,229
Transport and Maintenance	47,145,007	47,156,985
Valuation Adjustment	(452,347)	(1,114,870)
Recoveries	(11,876,915)	(11,451,203)
VRS Cost	-	-
Cost of Investigation Officer	1,100,877	1,038,060
Legal Division Expenses	2,196,998	342,766
Road Maintenance	-	-
	<u>278,851,798</u>	<u>274,147,456</u>

ADMINISTRATIVE EXPENSES - SEVANAGALA

698,974,944 737,326,803

ADMINISTRATIVE EXPENSES - HEAD OFFICE

51,021,182 34,963,022

TOTAL ADMINISTRATIVE EXPENSES

1,259,377,613 1,324,448,473

Lanka Sugar Company (Private) Limited
DETAILED COST AND EXPENDITURE STATEMENT
Year ended 31 December 2017

STATEMENT X (Contd....)

ADMINISTRATIVE EXPENSES - SEVANAGALA

	2017 Rs.	2016 Rs.
Land Preparation	537,024	-
Planting	1,796,501	3,675,126
Salary & Wages	210,195,040	193,241,359
Overtime	57,444,528	48,996,437
E.P.F.	15,629,802	14,461,359
E.T.F.	3,644,697	3,354,675
Bonus	6,622,066	6,521,354
Farmers Incentives	97,586,500	124,156,707
Cashier Allowance	186,650	180,650
Traveling & Subsistence	2,377,959	1,311,948
Holiday Payment	3,686,532	4,128,392
Petrol, Diesel & Lubricants	49,444,664	43,699,348
Tyres & Tubes	5,058,906	4,181,857
Stationery	2,876,127	3,215,880
License	642,344	213,292
Postage & Courier Charges	434,584	204,051
Telephone Charges	3,321,178	2,836,456
Books & Periodicals	51,450	206,256
Guest House Expenses	-	-
Bank Charges	109,390	127,635
Legal Expenses	881,500	1,196,000
Repairs to Office Equipment	208,869	212,216
Education & Training	353,079	1,890,023
Medical Facilities	10,900,532	15,332,230
Staff Incentives	69,104,139	88,676,831
Welfare & Sports	8,193,642	4,784,652
Repair & Maintenance - Plant and Machinery	-	-
Repair & Maintenance - Motor Vehicles	4,840,318	2,954,682
Repair & Maintenance - Buildings	-	340,600
Other Spares & Maintenance	31,922,786	39,391,498
Electricity	9,868,573	12,493,181
Other Allowances	5,672,276	5,058,437
Meal Expenses	1,074,190	516,768
Computer Expenses	344,138	467,208
Donations	629,600	260,520
Transport & Hiring Charges	1,421,019	524,191
Water Rates	4,029,786	2,131,113
Audit Fees	850,000	850,000
Depreciation	50,180,773	42,217,260
Other Expenses	2,310,924	352,601
Accident Leave	-	-
Gratuity	8,862,136	8,244,755
Security Charges	45,000	39,000
Rent & Rates	10,000	10,000
Insurance	4,553,294	6,385,853
Verification Expenses	724,673	111,721
Deyata Kirula Expenses	-	-
Cess Tax	1,519,830	1,723,390
Penalties and Surcharges	-	86,732
Colombo Office Expenses	1,737,646	-
Stamp Duty	-	413,910
Co Generation Project Expenses	-	-
Web Site Development Cost	-	-
Irrecoverable Land Preparation Costs	-	-
Road Renovation Expenses	8,817,654	16,531,855
Ceremonial Expenses	263,888	105,303
Consultancy Charges	1,332,889	370,290
Drought Relief Subsidy	-	-
Farmers Welfare	21,450	24,150
Disallowable Taxes	-	20,792,749
Boiler Inspection Fee	-	46,851
Vehicle & Fuel Allowance	3,760,000	2,987,827
Excise Duty	-	120,000
Compensation	69,500	602,385
Bad debts	61,651	4,367,241
Yield Target Allowance	2,763,250	-
	<u>698,974,944</u>	<u>737,326,803</u>