LANKA SUGAR COMPANY (PRIVATE) LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2025

Lanka Sugar Company (Private) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Note	2025 Rs.	2024 Rs.
Revenue	4	11,627,062,060	10,858,754,992
Cost of Sales		(11,377,991,667)	(9,842,404,647)
Gross Profit		249,070,393	1,016,350,345
Other Income and Gains	5	64,757,246	157,146,412
Administrative Expenses		(2,682,338,646)	(2,864,027,044)
Finance Cost	6	(389,091,956)	(212,802,276)
Finance Income	6	367,822,086	386,906,174
Loss on write down of Sugar Stock		(803,974,345)	(428,116,384)
Profit/(Loss) before tax	7	(3,193,755,222)	(1,944,542,773)
Income Tax Expense	8	286,115,723	(117,238,792)
Profit/(Loss) for the year		(2,907,639,499)	(2,061,781,565)
Other Comprehensive Income for the period, net of tax		(32,073,310)	(215,336,218)
Total Comprehensive Income/ (Expense) for the period, net of tax		(2,939,712,809)	(2,277,117,783)
Earnings/(Loss) Per Share	9	(29,076,395)	(20,617,816)

The Accounting Policies and Notes on pages 5 to 33 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

ASSETS	Note	2025 Rs.	2024 Rs.
Non-Current Assets			
Property, Plant and Equipment	10	3,724,891,106	3,958,413,326
Non Current Investments	8	70,996,052	70,996,052
		3,795,887,158	**4,029,409,378**
Current Assets			
Inventories	11	9,919,067,225	10,123,168,072
Biological Assets	12	956,998,923	910,906,506
Trade and Other Receivables	13	717,198,901	660,616,585
Advances and Prepayments		177,785,986	181,018,450
Loans Due from Farmers	14	973,223,455	1,748,072,758
Amounts due from Related Parties	25.1	-	-
Investments	15	1,781,067,739	1,752,327,855
Cash and Cash Equivalents	21	1,280,889,914	990,935,562
		15,806,232,143	16,367,045,789
		19,602,119,301	**20,396,455,166**
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	1,000	1,000
Government Grant	17	3,685,664,646	2,980,145,102
Accumulated Profits		3,106,280,522	6,045,993,331
Total Equity		**6,791,946,168**	**9,026,139,433**
Non-Current Liabilities			
Deferred Tax Liability	8	575,276,101	861,391,822
Retirement Benefit Liability	19	1,606,173,705	1,445,175,629
Interest Bearing Loans and Borrowings	18	72,482,287	67,612,965
		2,253,932,093	2,374,180,416
Current Liabilities			
Interest Bearing Loans and Borrowings	18	1,024,328,657	1,596,341,622
Trade and Other Payables	20	6,380,730,216	4,441,827,007
Income Tax Payable		969,479,238	979,560,691
Amounts due to Related Parties		(13,282,800)	(13,229,932)
Bank Overdraft		2,194,985,734	1,991,635,934
		10,556,241,046	8,996,135,322
Total Equity and Liabilities		**19,602,119,301**	**20,396,455,166**

W.A.N.A. FERNANDO
Act. Deputy General Manager (Finance)
LANKA SUGAR COMPANY (PVT) LTD
No: 327, Ekamuthu Mawatha,
Thalangama North,
Battaramulla.

Deputy General Manager - Finance

Deputy General Manager - Finance

D.M.A. Dissanayake
Deputy General Manager (Finance)
Lanka Sugar Company (Pvt) Ltd - Pelwatte
Private Mail Bag,
Buttala.

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

B.G.W.ATHULA KUMARA
Chairman
LANKA SUGAR COMPANY (PRIVATE) LIMITED
327, Ekamuthu Mawatha,
Thalangama North,

Director

Director

D.UDAYA KUMAR
Director/Chief Executive Officer
LANKA SUGAR COMPANY (PRIVATE) LIMITED
327, Ekamuthu Mawatha,
Thalangama North,
Baththaramulla.

The Accounting Policies and Notes on pages 5 to 33 form an integral part of these financial statements.

Colombo

Lanka Sugar Company (Private) Limited

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2025

	Stated Capital Rs.	Government Grant Rs.	Accumulated Profits Rs.	Total Rs.
As at 1 January 2024	1,000	4,674,488,363	6,635,015,716	11,309,505,079
Repayment of Government Grant	-		-	-
Profit/(Loss) for the year	-	-	(2,061,781,565)	(2,061,781,565)
Correction of Government Grant		(1,694,343,261)	1,694,343,261	-
Correction of Interest Income			1,853,808	1,853,808
Adjustment of Previous year - Sewanagala			10,436,436	10,436,436
Adjustment of Previous years -Head Office			(18,538,107)	(18,538,107)
Other Comprehensive Income	-	-	(215,336,218)	(215,336,218)
Total comprehensive income	-	(1,694,343,261)	(589,022,385)	(2,283,365,646)
As at 31 December 2024	1,000	2,980,145,102	6,045,993,331	9,026,139,433
				-
Receipt of Government Grant	-	600,000,000		600,000,000
Compensation - Burnt Cane		105,519,544		
Profit for the year	-		(2,907,639,499)	(2,907,639,499)
Funds Received from the Ministry -2020/21				-
Other Comprehensive Income			(32,073,310)	(32,073,310)
Total comprehensive income	-	-	(2,939,712,809)	(2,939,712,809)
As at 31 December 2025	1,000	3,685,664,646	3,106,280,522	6,686,426,624

The Accounting Policies and Notes on pages 5 to 33 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2025

Cash flows From / (Used in) Operating Activities	Note	2025 Rs.	2024 Rs.
Profit/(Loss) before Taxation		(3,193,755,222)	(1,944,542,773)
Adjustments for,			
Depreciation	10	471,179,606	443,432,247
Loss on sale of property, plant and equipment			-
Finance Income	6	(367,822,086)	(386,906,174)
Finance Cost	6	389,091,956	212,802,276
Provision for Retirement Benefit Liability	19	249,755,769	227,986,560
Provision for farmer loans	11	65,406,440	30,672,946
Prior Year Ajustments		-	(6,247,864)
Profit/(Loss) on Disposal of Fixed Assets		27,233,150	
Bad Debts			
Operating Profit before Working Capital Changes		(2,358,910,387)	(1,422,802,782)
(Increase)/Decrease in Inventories		204,100,847	(1,811,675,600)
Increase in Trade and Other Receivables		(53,349,852)	377,285,874
Decrease in Loans Due from Farmers		709,442,863	(219,201,861)
Increase/(Decrease) in Related Party Payables		(52,868)	(155,314,703)
Increase/(Decrease) in Trade and Other Payables		1,938,903,209	782,348,910
Net Cash From Operating Activities		440,133,812	(2,449,360,162)
Income Tax Paid		(10,081,453)	(188,945,647)
Retirement Benefit Liability Paid	19	(120,831,004)	(116,196,533)
Net Cash Flows From Operating Activities		309,221,355	(2,754,502,342)
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment		(264,890,531)	(760,851,849)
Net (increase)/decrease in investments in Fixed Deposits		(28,739,884)	209,994,868
Investment in Biological Assets		(46,092,417)	(202,958,282)
Proceeds from the sale of Property, Plant and Equipment		-	-
Finance Income Received	6	367,822,086	386,906,174
Net Cash Flows Used in Investing Activities		28,099,254	(366,909,089)
Cash Flows From / (Used in) Financing Activities			
Loans/Finance Leases obtained		176,911,948	2,000,000,000
Loans settlements	18	(710,767,028)	(381,007,490)
Government Grants Received		705,519,544	-
Principle payments under finance lease obligation	18	(33,288,561)	(91,397,197)
Interest paid	6	(389,091,956)	(212,802,276)
Dividends paid		-	-
Net Cash Flows Used in Financing Activities		(250,716,053)	1,314,793,037
Net Increase/(Decrease) in Cash and Cash Equivalents		86,604,556	(1,806,618,394)
Cash and Cash Equivalents at the beginning of the year	21	(1,000,700,371)	805,918,022
Cash and Cash Equivalents at the end of the year	21	(914,095,814)	(1,000,700,371)

The Accounting Policies and Notes on pages 5 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 2025 were authorized for issue, in accordance with a resolution of the Board of Directors on ………………….

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 loses, 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.

2.2.10.3.1 Farmer Loan Provision

The company grant loans for sugarcane farmers as mid term and short term loans and provisions are made for doubtful debts as follows.

Full provision is made for short term loans which are over 03 years and mid term loans which are over 04 years

2.2.10.3.2 Provision for Bad Debts

The company recognizes the potential risk of non collection of accounts receivable and establishes a provisio of doubtful debts to accurately reflect the realizable value of these receivables. When the probability of recov receivables is doubtful, a full provision is made for bad debts.

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.

4. REVENUE

4.1 Summary

	2025 Rs.	2024 Rs.
Sales of Goods	11,627,062,060	10,858,754,992
	11,627,062,060	10,858,754,992

4.2 Revenue is derived from the following:

	2025 Rs.	2024 Rs.
Sugar	6,335,479,217	7,001,181,926
Molasses	172,154,331	44,232,453
ENA	5,119,428,512	3,813,340,613
	11,627,062,060	10,858,754,992

4.3 Segment Information

	Head Office Rs.	Pelwatte Division Rs.	Sevanagala Division Rs.	Elimination Rs.	Total Rs.
Segment Revenue	74,400,000	9,008,419,109	2,744,726,700	(74,400,000)	11,753,145,809
Segment Results					
Gross Profit /(Loss)	74,400,000	687,718,680	(804,386,540)	(74,400,000)	(116,667,860)
Other					
Capital Expenditure	408,631	820,049,606	182,461,022	-	1,002,919,259
Depreciation	764,445	444,141,122	156,968,259	-	601,873,826
Segment Assets					
Non Current Assets	11,783,437	2,371,893,933	1,412,209,784	-	3,795,887,154
Current Assets	271,733,202	9,619,886,607	6,819,856,277	(905,243,935)	15,806,232,151
Segment Liabilities					
Non Current Liabilities	936,696	1,772,146,892	480,848,505	-	2,253,932,093
Current Liabilities	321,098,684	6,680,786,539	4,459,599,756	(905,243,935)	10,556,241,044

5. OTHER INCOME AND GAINS

	2025 Rs.	2024 Rs.
Other Service Income	51,893,938	13,727,500
Sundry Income	40,096,458	143,418,912
Profit/(Loss) on Disposal of Fixed Assets	(27,233,150)	
	64,757,246	157,146,412

6. FINANCE COST AND INCOME

6.1 Finance Cost

	2025 Rs.	2024 Rs.
Interest Expenses on Bank Loans	170,760,344	39,515,878
Interest Expenses on Bank Overdrafts	217,418,048	165,850,420
Finance Charges on Lease Liabilities	913,564	7,435,978
	389,091,956	212,802,276

6.2 Finance Income

	2025 Rs.	2024 Rs.
Interest Income on Fixed Deposits/Savings	211,389,445	319,291,284
Interest Income on Farmer Loans	152,047,935	67,607,882
Other Interest Income	4,384,706	7,008
	367,822,086	386,906,174

7. PROFIT BEFORE TAX

Stated after Charging	2025 Rs.	2024 Rs.
Included in Cost of Sales		
Employee Benefits including the following		
- Defined Contribution Plan Costs - EPF and ETF	457,974,598	492,065,845
Depreciation	304,442,493	285,694,238
Provision on Farmer Loans	65,406,439	30,672,946
Included in Administrative Expenses		
Employee Benefits including the following		
- Defined Benefit Plan Costs - Gratuity	243,636,463	227,786,561
- Defined Contribution Plan Costs - EPF and ETF	159,027,885	116,594,957
Depreciation	165,972,669	156,892,792
Management Fee	37,200,000	74,400,000
Audit Fee	1,150,000	500,000

8. INCOME TAX EXPENSE/(REVERSAL)

	2025 Rs.	2024 Rs.
Current Income Tax	-	-
Deferred Tax Charge/ (Reversal) (Note 8.2)	(286,115,723)	117,238,792
	(286,115,723)	117,238,792

8.1 Reconciliation between Current Tax Expense/(Income) and the product of Accounting Profit/(Loss)

	2025	2024
Accounting profit /(loss) before tax	(3,193,755,222)	(1,944,542,773)
Exempt Income /Interest Income/Adjustments	-	-
Adjusted accounting profit/(loss) before tax	-	(1,944,542,773)
Aggregate disallowed items	-	-
Aggregate allowed items	-	-
Adjustment for Other Income	-	-
Business profit/(Loss) for tax purpose	-	-
Less : Losses from business		-
Total Assessable Income from business income	-	-
Total Assessable Income from investment income	-	-
Total Assessable Income	-	-
Tax losses utilized during the year		-
Taxable Income	-	-
Income Tax at @ 18%	-	-
Income Tax at @ 24%	-	-
Income Tax at @ 30%	-	-
	-	-

8.2 Deferred Tax Assets	Statement of Financial Position		Statement of Profit and Loss	
	2025	2024	2025	2024
Deferred Tax Liability	Rs.	Rs.	Rs.	Rs.
On Property, Plant & Equipment	(1,076,749,863)	(1,304,146,115)	(227,396,252)	222,870,883
	(1,076,749,863)	(1,304,146,115)	(227,396,252)	222,870,883
Deferred Tax Asset				
On Property , Plant & Equipment	-	-	-	-
On Retirement Benefit Obligation	481,852,112	433,552,689	(48,299,423)	(98,137,874)
On Tax Loss /Provisions	19,621,932	9,201,884	(10,420,048)	(7,494,216)
	501,474,044	442,754,573	(58,719,471)	(105,632,090)
			(286,115,723)	117,238,793
Deferred Income Tax reversal	-	-		
Net Deferred Tax Asset/(Liability)	(575,275,819)	(861,391,542)		

9. EARNINGS/(LOSS) PER SHARE

9.2 Amounts Used as Numerator:	2025 Rs.	2024 Rs.
Net Profit/(Loss) Attributable to Ordinary Shareholders for Earnings Per Share	(2,907,639,499)	(2,061,781,565)

Numbers of Ordinary Shares Used as Denominator:	2025 Number	2024 Number
Weighted average Number of Ordinary Shares Applicable to Basic Earnings/(Loss) Per Share	100	100

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

	Balance As at 01.01.2025 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2025 Rs.
Land	44,149,728	-	(25,000,000)	19,149,728
Land Development	188,466,925	35,456,037	-	223,922,962
Factory Buildings	244,364,780	37,683,783	-	282,048,563
Buildings Others	314,165,907	32,803,314	(4,446,362)	342,522,859
Field Machinery and Equipment	895,142,130	212,011,810	-	1,107,153,940
Irrigation and Miscellaneous Equipment	290,783,938	54,473,537	-	345,257,475
Factory Plant and Equipment	3,929,353,916	475,888,646	-	4,405,242,562
Other Plant and Machinery	155,071,301	1,453,760	-	156,525,061
Storage Tank	63,398,475	-	-	63,398,475
Roads and Bridges	111,855,516	-	-	111,855,516
Laboratory Equipment	49,291,526	-	-	49,291,526
Motor Vehicles	256,108,450	-	-	256,108,450
Furniture, Fittings and Equipment	268,014,643	4,021,171	-	272,035,814
Settler Zone Infrastructure	73,193,739	-	-	73,193,739
	6,883,360,974	853,792,058	(29,446,362)	7,707,706,670
Assets on Finance Leases				
Motor Vehicles	53,645,000	-	-	53,645,000
New Holland Tractor	-	-	-	-
Tractors	136,867,000	-	(136,867,000)	-
Cane Loaders	69,552,000	-	(69,552,000)	-
Field Machinery and Equipment	264,304,160	-	-	264,304,160
	524,368,160	-	(206,419,000)	317,949,160
In the Course of Construction				
Land Development	53,781,870	685,956	(42,049,118)	12,418,708
Building - Others	220,548,642	205,158	(184,994,446)	35,759,354
Bio Fertilizer Factory Building	550,705,172	-	-	550,705,172
Bio Fertilizer Factory - Machinery	954,247,659	-	(731,750)	953,515,909
Factory Plant and Equipment	119,081,393	3,052,902	(104,154,843)	17,979,452
Furniture, Fittings and Equipment	-	-	-	-
Hotel Project	37,410,797	-	-	37,410,797
Compost Plant	571,362	-	-	571,362
Irrigation Project / Tube Well	61,066,760	336,365	(53,692,651)	7,710,474
Power Generation Project	2,008,690	-	-	2,008,690
ERP Project	72,441,395	144,846,820	(145,986,920)	71,301,295
	2,071,863,740	149,127,201	(531,609,728)	1,689,381,213
In the Course of Construction - On Finance Leases				
Factory Plant and Equipment	120,750,000	-	-	120,750,000
	120,750,000	-	-	120,750,000
Total Gross Carrying Amount	9,600,342,875	1,002,919,259	(767,475,090)	9,835,787,043
		235,444,169		

10.2 Depreciation

	Balance As at 01.01.2025 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2025 Rs.
Land Development	93,181,296	4,023,382	-	97,204,678
Factory Buildings	185,205,101	5,633,726	-	190,838,827
Buildings Others	163,931,758	10,807,403	(2,213,212)	172,525,949
Field Machinery and Equipment	625,958,879	200,307,061	-	826,265,940
Irrigation and Miscellaneous Equipment	220,108,495	11,158,343	-	231,266,838
Factory Plant and Equipment	3,025,548,907	252,630,559	-	3,278,179,466
Other Plant and Machinery	244,599,748	38,198,836	-	282,798,584
Storage Tank	46,516,335	2,967,660	-	49,483,995
Roads and Bridges	111,695,030	1,086,648	-	112,781,678
Laboratory Equipment	49,291,526	-	-	49,291,526
Motor Vehicles	218,882,222	11,962,478	-	230,844,700
Furniture, Fittings and Equipment	211,419,050	21,478,337	-	232,897,387
Settler Zone Infrastructure	71,654,846	166,345	-	71,821,191
	5,267,993,193	560,420,778	(2,213,212)	5,826,200,759
Assets on Finance Leases				
Motor Vehicles	51,350,333	2,294,667	-	53,645,000
New Holland Tractor	-	-	-	-
Tractors	85,485,420	-	(85,485,420)	-
Cane Loaders	45,208,800	-	(45,208,800)	-
Field Machinery and Equipment	191,891,797	39,158,381	-	231,050,178
	373,936,349	41,453,048	(130,694,220)	284,695,178
Total Depreciation	5,641,929,542	601,873,826	(132,907,432)	6,110,895,937

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

10.3 Net Book Values

	2025 Rs.	2024 Rs.
Land	19,149,728	44,149,728
Land Development	126,718,284	95,285,628
Factory Buildings	91,209,736	59,159,681
Buildings Others	169,996,910	150,234,148
Field Machinery and Equipment	280,888,000	269,183,250
Irrigation and Miscellaneous Equipment	113,990,637	70,675,444
Factory Plant and Equipment	1,127,063,096	903,805,009
Other Plant and Machinery	(126,273,523)	(89,528,446)
Storage Tank	13,914,480	16,882,140
Roads and Bridges	(926,162)	160,485
Laboratory Equipment	-	-
Motor Vehicles	25,263,750	37,226,228
Furniture, Fittings and Equipment	39,138,427	56,595,592
Settler Zone Infrastructure	1,372,548	1,538,891
	1,881,505,911	1,615,367,778
Assets on Finance Lease		
Motor Vehicles	-	2,294,667
New Holland Tractor	-	-
Tractors	-	75,346,080
Cane Loaders	-	24,343,200
Field Machinery and Equipment	33,253,982	48,447,861
	33,253,982	150,431,808
In the Course of Construction		
Land Development	12,418,708	53,781,870
Building - Others	35,759,354	220,548,643
Bio Fertilizer Factory Building	550,705,172	550,705,172
Bio Fertilizer Factory - Machinery	953,515,909	954,247,659
Factory Plant and Equipment	17,979,452	119,081,392
Furniture, Fittings and Equipment	-	
Hotel Project	37,410,797	37,410,797
Compost Plant	571,362	571,362
Irrigation Project	7,710,474	61,066,761
Power Generation Project	2,008,690	2,008,690
ERP Project	71,301,295	72,441,395
	1,689,381,213	2,071,863,741
In the Course of Construction - On Finance Leases		
Factory Plant and Equipment	120,750,000	120,750,000
	120,750,000	120,750,000
Total carrying amount of Property, Plant and Equipment	3,724,891,106	3,958,413,327

10.4 During the financial period, the company acquired Property, Plant and Equipment to the aggregate value of Rs.1,002,919,259 (2024 - Rs.956,233,638/-)

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

	2025	2024
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

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 it's 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 resepctive divisions, Pelwatte and Sevanagala Divisions in substance continues to use the assets transferred from the previous owners. However, in accounting for the assets aquired 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	766,250,000	3,757,500,000
Plant and Machinery	1,399,000,000	769,500,000
Motor Vehicles	390,600,000	-
Agri Equipment	72,000,000	330,700,000

11. INVENTORIES

	2025 Rs.	2024 Rs.
Produced Inventory (11.1)	7,988,081,557	8,040,230,219
Other Inventory (11.2)	1,930,985,668	2,082,937,853
	9,919,067,225	10,123,168,072

11.1 Produced Inventory

Sugar	5,464,217,720	5,324,645,237
Molasses	1,876,371,300	2,043,284,490
ENA	753,379,855	672,300,492
Sugar Clearance A/C	(70,609,118)	-
Molasses Clearance A/C	(35,278,200)	-
	7,988,081,557	8,040,230,219

During the year ended 31st December 2025, the Company recorded an inventory write-down (for Sugar Stock) of Rs.803,974,345 to reflect inventory at the lower of cost or net realizable value.

11.2 Other Inventory

Fuel and Lubricants	189,344,686	208,631,027
Factory Chemicals	29,062,655	37,795,509
Production Items Distillery	1,826,392	10,615,402
Bags and Liners	-	1,984,096
Fertilizers	225,676,152	281,630,622
General	108,737,152	107,898,326
Agriculture Spares	331,433,170	364,411,247
Stationery	3,070,474	3,584,294
Factory Spares	770,815,142	817,523,422
Other Inventory	10,845,431	2,232,785
Tires and Tubes	156,360,279	162,569,616
	1,827,171,533	1,998,876,346
Less: Provision for Obsolete Stocks	-	-
	1,827,171,533	1,998,876,346
Goods-in-Transit	103,814,135	84,061,507
	1,930,985,668	2,082,937,853

12. BIOLOGICAL ASSETS

	2025 Rs.	2024 Rs.
Standing Cane	956,998,923	910,906,506
	956,998,923	910,906,506

13. TRADE AND OTHER RECEIVABLES

	2025 Rs.	2024 Rs.
Trade Receivables	6,775,573	3,710,870
Purchase Advance & Other Receivables	592,352,612	498,624,478
Interest Receivable	61,448,713	77,125,863
WHT Receivable	662,286	517,285
VAT Receivable	1,083,135	968,284
Staff Loans (13.1)	62,350,279	79,669,805
Provision For Doubtful Advance	(7,473,696)	
	717,198,901	660,616,585

13.1 Staff Loans

Balance at the beginning of the year	79,657,805	157,444,297
Loans granted during the year	111,567,397	134,770,833
Adjustments	91,750	-
Repayments made during the year	(128,966,673)	(212,545,324)
Balance at the end of the year	62,350,279	79,669,806

14. LOANS DUE FROM FARMERS

	2025 Rs.	2024 Rs.
Balance at the beginning of the year	1,874,479,767	1,655,277,906
Loans granted during the year	966,596,168	2,112,471,767
Loans recovered during the year	(1,676,039,032)	(1,893,049,905)
Loans Written Off	-	-
Total Loans Granted	1,165,036,904	1,874,479,767
Less: Provision for Doubtful Recoveries	(191,813,449)	(126,407,009)
Balance at the end of the year	973,223,455	1,748,072,758

The company grant loans for sugarcane farmers as Mid term & Short term loans and make provision for doubtful recoveries on outstanding loans, for short term loans over 3 years and mid term loans over 4 years.

15. INVESTMENTS

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	2025 Rs.	2024 Rs.
Current		
Fixed Deposits	1,781,067,739	1,752,327,855
	1,781,067,739	1,752,327,855

16. STATED CAPITAL

	2025 Number	2025 Rs.	2024 Number	2024 Rs.
Fully Paid Ordinary Shares	100	1,000	100	1,000

17. GOVERNMENT GRANT

	2025 Rs.	2024 Rs.
As at beginning of the period	4,674,488,363	4,674,488,363
Received During the year	600,000,000	-
	5,274,488,363	4,674,488,363

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

	2025 Amounts Repayable Within 1 Year Rs.	2025 Amounts Repayable After 1 year Rs.	2025 Total Rs.	2024 Amounts Repayable Within 1 Year Rs.	2024 Amounts Repayable After 1 year Rs.	2024 Total Rs.
Bank Loans (18.1)	1,012,655,142	72,482,287	1,085,137,429	1,551,379,545	67,612,965	1,618,992,510
Finance Leases (18.2)	11,673,515	-	11,673,515	44,962,077	-	44,962,077
	1,024,328,657	72,482,287	1,096,810,944	1,596,341,622	67,612,965	1,663,954,587

18.1 Bank Loan

	As at 01.01.2025 Rs.	New Loans Obtained Rs.	Repayments Rs.	As at 31.12.2025 Rs.
Bank of Ceylon	1,618,992,510	176,911,948	(710,767,028)	1,085,137,430
Sampath Bank				-
NDB Bank	-			-
	1,618,992,510	176,911,948	(710,767,028)	1,085,137,430

18.2 Finance Leases

	As at 01.01.2025 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.12.2025 Rs.
Bank of Ceylon	50,221,606		(34,313,248)	15,908,358
Gross Liability	50,221,606	-	(34,313,248)	15,908,358
Finance Charges Allocated to Future Periods	(5,259,529)		1,024,687	(4,234,842)
Net Liability	44,962,077	-	(33,288,561)	11,673,516

19. RETIREMENT BENEFIT LIABILITY

	2025 Rs.	2024 Rs.
As at the beginning of the period	1,445,175,628	1,118,049,383
Interest Cost	152,160,611	145,233,731
Current service cost	97,595,158	82,752,829
Benefit Paid	(120,831,004)	(116,196,533)
Actuarial (Gain)/Loss	32,073,310	215,336,218
As at the end of the period	1,606,173,705	1,445,175,628

19.1 Messers Units Actuaries & Consultants (Private) Limited, and Actuarial & Management Consultation (Private) Limited Actuaries, carried out actuarial valuation of the defined benefit plan gratuity on 31 December 2025. 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:

	2025	2024
Pelawatte Division		
Discount Rate	11.00%	11.00%
Rate of Salary Increase	8.00%	8.00%
Retirement Age	60 Years	60 Years
Sevanagala Division		
Discount Rate	11.00%	11.00%
Rate of Salary Increase	Fixed amount	Fixed amount
Retirement Age	60 Years	60 Years

20. TRADE AND OTHER PAYABLES

	2025 Rs.	2024 Rs.
Trade Payables (20.1)	1,160,065,796	923,495,275
Advances Received from customers	323,559,594	1,243,707,526
Other Payables (20.2)	3,250,083,594	1,535,314,433
Sundry Creditors including Accrued Expenses (20.3)	1,562,444,075	654,732,615
Distilleries Company of Sri Lanka PLC	24,784,659	24,784,659
Recovered from Farmers	59,792,499	59,792,499
	6,380,730,216	4,441,827,007

	2025 Rs.	2024 Rs.
20.1 Trade Payables		
Trade Creditors	1,160,065,796	923,495,275
	1,160,065,796	923,495,275
20.2 Other Payables		
VAT Payable	2,514,468,709	957,204,214
NBT Payable	-	-
Dividend Payable	474,221,967	474,221,967
Social Security Contribution Levy	261,392,918	103,888,252
	3,250,083,594	1,535,314,433
20.3 Sundry Creditors including Accrued Expenses		
Sundry Creditors	1,175,799,100	453,491,595
Accrued Expenditure	386,644,975	201,241,020
	1,562,444,075	654,732,615

21. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	2025 Rs.	2024 Rs.
21.1 Favorable Cash and Cash Equivalents Balances		
Cash and Bank Balances	231,807,242	10,993,413
Investment below 03 months	1,049,082,672	979,942,149
	1,280,889,914	990,935,562
21.2 Unfavorable Cash and Cash Equivalent Balances		
Bank Overdrafts	2,194,985,734	1,991,635,934
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(914,095,820)	(1,000,700,372)

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.

Legal Commitments

At the end of year 2025, Pelwatte Division had 16 legal cases in various courts, that were filed by the employees and outside parties against the company. As per the information provided by Legal section, a provision of Rs. 9,226,690 was made for contingency compensation payments in the Financial Statements. Sevanagala Division had nineteen (19) legal cases filed by employees and external parties against the Company. However, the Company is currently unable to determine any contingent liabilities that would require recognition or disclosure in the Financial

23. Assets Pledged

Fixed Deposits	Overdraft facility of A/C No 73947899 Bank Of Ceylon	206,300,000	Investment
Fixed Deposits	Overdraft facility of A/C No 75751012 Bank Of Ceylon	739,180,000	Investment
Fixed Deposits	Local LC for Fertilizer A/C No 75751012 Bank Of Ceylon	128,000,000	Investment
Bulk Sugar	Short term Loan facility -AC No- 50000093268313 &50000093589750	944,337,401	Stocks
Fixed Deposits	Overdraft - NDB Bank	200,000,000	Investment
2000 Mt. of Sugar	Term Loan - Bank of Ceylon	400,000,000	Stocks
Fixed Deposits	Permanent Overdraft - Peoples Bank	950,000,000	Investment
Fixed Deposits	Overdraft - Bank of Ceylon	90,000,000	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

	2025 Rs.	2024 Rs.
Receivable from Kanthale Sugar Industries	8,831,204	8,831,204
Receivable from Hingurana Sugar Industries	548,134	548,134
Ministry Of Sugar Industry Receivable	3,453,231	3,453,231
SSP Project - Badulla	6,665,725	6,665,725
	19,498,293	19,498,293
Provision for Bad Debts	(19,498,293)	(19,498,293)
	-	-

Sewanagala Unit has long outstanding receivable balance of Rs. 7,473,696 from Lanka Carbolic Industry (Pvt) Ltd since year 2016, Rs. 6,002,360 from Kantele Sugar Industries since year 2014 and Rs. 6,665,725 from SSP Badulla Project. Since probability of recovering these balances is very doubtful, a full provision has been made for Bad Debts in the accounts.

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	2025 Rs.	2024 Rs.
Directors Fee	1,127,500	1,713,204

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	(2,194,985,734)		1,024,328,657	72,482,287
Trade and other payables	6,380,730,216			
	4,185,744,482	-	1,024,328,657	72,482,287

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 2025.

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	(1,098,174,790)
Trade and Other Payables	6,380,730,216
Less: Cash and Cash Equivalents	(1,280,889,914)
Net Debt	4,001,665,513
Equity	6,791,946,168
Total Capital	6,791,946,168
Gearing ratio	37.07%

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

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 and Entrepreneurship Developmen, 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 transanctions 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 31.12.2025 except those mentioned under Note No 22 to the Financial Statement.

31. AGRICLUTURE

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.

DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 December 2025

COST OF SALES		2025 Rs.	2024 Rs.
Nucleus Estate Cost	I	934,046,936	1,111,417,263
Research and Extension	II	394,842,205	362,222,403
Settler Expenditure	III	1,568,815,825	1,790,251,394
Out grower Expenditure	IV	2,644,720,427	2,493,017,305
ISFO Expenditure	V	382,987,762	319,727,735
Factory Cost	VI	1,251,557,419	1,072,668,784
Distilleries Cost	VII	830,030,698	716,289,446
Agriculture Services	VIII	798,837,465	947,651,532
Sanitizer Production Project		-	-
		8,805,838,737	8,813,245,862
Stock Movements			
(Increase) / Decrease in Sugar Stock		(1,227,658,365)	(2,457,350,014)
(Increase)/ Decrease in Molasses Stock		118,238,400	(289,705,500)
(Increase)/Decrease in ENA Stock		132,459,656	101,060,352
(Increase) / Decrease in Sanitizer Stock			
		7,828,878,428	6,167,250,700
Cost of Sales - Sevanagala	IX	3,549,113,239	3,675,153,947
Total Cost of Sales		11,377,991,667	9,842,404,647

STATEMENT I

NECLEUS ESTATE COST	2025 Rs.	2024 Rs.
Cost of Cane Harvested - Commercial	435,363,712	539,241,930
Cost of Cane Harvested - Seed	14,793,921	(1,995,522)
Cane Cutting, Loading & Transport	252,312,302	302,513,814
Estate Supporting Operation	7,869,791	9,260,726
Estate Protection	100,094,229	110,049,309
Agriculture Engineering	5,398,452	11,577,375
Administration and Other Overheads	117,114,343	151,469,872
Valuation Adjustment	1,100,186	(10,700,241)
	934,046,936	1,111,417,263
Seed Cane Recoveries		
	934,046,936	1,111,417,263

STATEMENT II

RESEARCH AND EXTENSION COST	2025 Rs.	2024 Rs.
Cost of Seed Cane Harvested - Seed	215,252,847	164,691,001
Cost of Seed Cane Harvested - Commercial	67,353,130	12,876,343
Cane Cutting, Loading and Transportation	46,564,318	69,908,801
Agronomy Administration & Other Overheads	57,546,395	107,755,439
Agronomy Research	1,277,135	2,438,094
Estate Protection	6,308,678	8,956,464
Engineering Maintenance	11,137	694,709
Valuation Adjustment	528,565	(5,098,448)
	394,842,205	362,222,403
Seed Cane Recoveries		
	394,842,205	362,222,403

STATEMENT III

SETTLER EXPENDITURE	2025 Rs.	2024 Rs.
Cane Purchases	1,298,978,612	1,514,602,046
Settler Development Cost	6,289,543	28,818,235
Administration and Other Overheads	254,419,046	253,143,302
Settler Engineering Maintenance	7,623,916	16,851,484
Uma oya Administration	-	22,405
Valuation Adjustment	1,504,708	(23,186,078)
Settler write off cost		
	1,568,815,825	1,790,251,394
Seed Cane Recoveries		
	1,568,815,825	1,790,251,394

STATEMENT IV

OUT GROWER EXPENDITURE	2025 Rs.	2024 Rs.
Cane Purchases	2,018,798,283	1,954,146,052
Out grower Development Cost	70,509,486	49,826,503
Out grower Administration & Other Overheads	304,926,335	296,183,811
Buying Station Cost	173,807,081	143,064,312
Out grower Engineering Cost	6,305,906	15,529,606
Gomadiyawala Project	43,547,525	64,427,156
Cost of cane Nurseries & PSIL Plots	24,251,720	(2,753,851)
Cane Cutting, Loading & Transport - Nurseries & PSIL Plots	786,268	4,186,085
Valuation Adjustment	1,787,823	(31,592,369)
	2,644,720,427	2,493,017,305
Seed Cane Recoveries		
	2,644,720,427	2,493,017,305

Lanka Sugar Company (Private) Limited

DETAILED COST AND EXPENDITURE STATEMENT

Year ended 31 December 2025

STATEMENT V

ISFO EXPENDITURE	2025 Rs.	2024 Rs.
Cane Purchases	364,663,406	302,085,156
Administration Cost	15,464,133	21,003,255
ISFO Development Cost	2,615,975	874,339
Valuation Adjustment	244,248	(4,235,015)
	382,987,762	319,727,735

STATEMENT VI

FACTORY COST	2025 Rs.	2024 Rs.
Process and Packing Cost	309,672,065	321,199,029
Administration and Other Overheads	100,364,013	97,598,509
Engineering Operations	341,285,334	465,983,090
Engineering Maintenance	353,987,420	237,517,047
Depreciation	145,196,374	129,688,619
Valuation Adjustment	1,052,213	(12,337,605)
Recovery (Engineering Maintenance)		
Steam Cost Recoveries	-	(166,979,905)
	1,251,557,419	1,072,668,784

STATEMENT VII

DISTILLERIES COST	2025 Rs.	2024 Rs.
Administration costs	73,098,756	69,107,496
Engineering operations	83,964,725	79,962,442
Production operations	373,018,015	391,216,277
Depreciation	46,008,651	45,979,729
Valuation adjustment	4,360,551	(14,586,498)
Molasses Tax	249,580,000	144,610,000
Recoveries		
	830,030,698	716,289,446

STATEMENT VIII

AGRICULTURE SERVICES EXPENDITURE	2025 Rs.	2024 Rs.
Agriculture Administration	76,675,560	116,524,739
HLT Administration	72,729,319	70,984,327
Elephant Drive	3,522,407	2,699,940
Agriculture Engineering	82,342,072	105,513,285
Agriculture Workshop	102,193,500	100,767,960
Service Station	-	5,033,308
Under / (Over) Recoveries - Fleet	107,802,475	129,725,197
Estate Protection Administration	64,334,438	113,851,773
Fire Unit	70,957,695	72,706,225
Buying Station	190,926,619	215,807,943
Service Station	5,000,768	-
Fuel Station	21,356,522	22,629,226
Valuation Adjustment	996,090	(8,592,391)
Recoveries		
	798,837,465	947,651,532

STATEMENT IX

COST OF SALES - SEVANAGALA	2025 Rs.	2025 Rs.	2024 Rs.	2024 Rs.
Raw Material				
Cane Purchase - Allottees	2,230,152,593		2,419,639,402	
Cane Purchase - Private				
Seed Cane Expenses				
Packing Materials	2,857,020	2,233,009,613	18,429,109	2,438,068,511
Raw Material Consumed		2,233,009,613		2,438,068,511
Direct Labor				
Salary and Wages	423,717,581		491,277,132	
Overtime	51,558,097		105,283,234	
E.P.F.	31,975,730		39,915,932	
E.T.F.	7,730,770	514,982,178	9,473,852	645,950,150
Prime Cost		2,747,991,791		3,084,018,661
Factory Overheads				
Repair & Maintenance - Plant and Machinery				
Customs Duty on Raw Materials	65,140,780		47,335,648	
Depreciation	4,709,048		3,808,820	
Process Chemicals	8,497,315		11,617,910	
Electricity	47,919,494		69,841,469	
Lubricants	12,134,919		17,396,630	
Spares and Maintenance	252,610,929		216,748,033	
General and Hardware	37,971,989		78,670,332	
Loading and Unloading Charges	6,453		40,905	
Firewood	10,941,817		2,872,042	
Furnace Oil	125,837,865		133,265,827	
Consumable Stores	13,864,166	579,634,775	16,853,422	598,451,038
Total Production Cost		3,327,626,566		3,682,469,699
Stock Movements				
Opening Inventory	2,505,687,030		2,498,371,278	
Closing Inventory	2,284,200,357		2,505,687,030	
Increase in Finished Goods Stock		221,486,673		(7,315,752)
		3,549,113,239		**3,675,153,947**

STATEMENT X (Contd....)

ADMINISTRATIVE EXPENSES - SEVANAGALA	2025 Rs.	2024 Rs.
Land Preparation	4,745	18,030
Planting	4,469,063	12,245,738
Salary & Wages	667,815,508	799,419,038
Overtime	62,632,205	123,448,168
E.P.F.	52,170,927	63,618,176
E.T.F.	12,613,362	15,502,069
Farmers Incentives	-	22,343,671
Cashier Allowance	375,295	650,015
Traveling & Subsistence	2,965,632	3,672,465
Holiday Payment	4,081,053	8,234,841
Petrol , Diesel & Lubricants	98,372,321	167,839,843
Tyres & Tubes	498,457	10,709,355
Stationery	4,786,516	7,624,280
License	622,642	2,836,574
Postage & Courer Charges	183,957	255,539
Telephone Charges	3,370,701	4,188,204
Books & Periodicals	1,088,377	2,145,803
Bank Charges	3,350,489	820,677
Legal Expenses	1,686,989	1,544,200
Repairs to Office Equipment	1,588,932	723,116
Education & Training	68,000	830,400
Medical Facilities	13,957,395	36,148,233
Welfare & Sports	3,108,541	4,873,175
Repair & Maintenance - Motor Vehicles	6,631,935	15,939,121
Repair & Maintenance - Buildings	-	2,204,523
Other Spares & Maintenance	58,826,117	77,536,612
Electricity	12,738,093	19,158,370
Other Allowances	13,550,553	17,848,020
Meal Expenses	11,350	1,078,329
Guest House Expenses	327,354	3,725,217
Computer Expenses	1,793,179	1,682,501
Donations	200,000	752,400
Transport & Hiring Charges	2,869,000	13,539,878
Water Rates	19,963,332	16,878,590
Audit Fees	400,000	350,000
Depreciation	152,259,212	144,147,314
Other Expenses	177,234	2,338,119
Gratuity	44,733,853	40,074,697
Security Charges	8,001	24,300
Rent & Rates	10,000	10,000
Insurance	7,574,113	7,998,248
Cess Tax	809,115	1,192,950
Penalties and Surcharges	12,108,003	53,229
Road Renovation Expenses	-	515,911
Ceremonial Expenses	-	31,605
Consultancy Charges	146,440	1,085,680
Farmers Welfare	7,660,757	7,398,131
Vehicle & Fuel Allowance	16,577,870	18,083,202
CSR Expenses	-	50,000
Verification Expenses	1,186,049	-
Management Fee	3,100,000	-
Cane for Sugar Cane Juice	9,802	-
Compensation	105,519,544	-
	1,409,002,013	1,683,388,557

Lanka Sugar Company (Private) Limited
DETAILED COST AND EXPENDITURE STATEMENT
Year ended 31 December 2025

STATEMENT X (Contd....)

ADMINISTRATIVE EXPENSES - HEAD OFFICE	**2025 Rs.**	**2024 Rs.**
Salaries & Wages	30,726,125.83	39,802,885
EPF Contribution	1,821,106.04	2,524,492
ETF Contribution	455,266.66	631,123
Over Time	187,288.47	706,496
Gratuity	160,419.00	160,419
Bata & Subsistances	152,465.00	413,592
Sick leave payment	230,899.87	320,913
Staff Training	-	32,000
Traveling & Incidental	461,139.00	290,958
Cleaning Expenses	20,500.00	77,189
Depreciation	764,445	845,216
Director Fee	1,127,500	1,713,204
Electricity	-	986,282
Fuel Expenses	5,020,206	7,761,478
Vehicle Repairs & Maintenance	2,427,815	3,416,306
Insurance	320,146.29	1,718,491
Internet and Email	8,900	8,900
Advertisement	10,000	275,785
Postage, Printing & Stationery, News Papers	828,820	957,971
Rates	3,524,469	368,383
Meal Expenses	246,350	467,044
Repairs and Maintenance	294,585.00	1,043,821
Security Expenses	20,513	1,562,500
Telephone Expenses	772,869.64	990,284
Water Supply Expenses	54,920	251,013
Consultancy Fee	-	255,264
Donation	-	259,000
Entertainments	135,981.00	285,363
Legal Fee	18,600.00	110,018
Licence & Rgistration Fee	148,447.65	141,018
Miscellaneous	8,633	25,586
Professional Charges	517,588.50	1,103,475
Secretary fee	635,601.23	382,654
Tea Expenses	55,038.80	409,502
Tender Fee	1,932,500.00	5,882,500
Bank Charges	28,074.84	94,590
Relocation Expenses	1,297,950.00	-
Business Promotion	18500	-
	54,433,664	76,275,715