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வரையறுக்கப்பட்ட இலங்கை நிலக்கரி (தனியார்) நிறுவனம்
Lanka Coal Company (Pvt) Ltd.



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ஆண்ட றிக்கை
Annual Report **2023**

ESTABLISHMENT

Lanka Coal Company (Pvt.) Limited (LCC) was established in the year 2008 on a decision taken by the Cabinet of Ministers in 2006 and registered under the Companies Act, No.7 of 2007.

VISION

Procurement of coal with required quality & quantity, efficiently and actively for coal fired thermal power plants in Sri Lanka to ensure uninterrupted power supply to Sri Lanka at minimum cost.

MISSION

Procurement of coal with required quality at a reasonable price for coal fired thermal power plants in Sri Lanka. Implementation of environmental friendly coal waste management systems by introducing new products utilizing coal ash. Introduction of coal to industrialists as an alternative source of energy for strengthening of their economy as well as the economy of the country.

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Corporate Information

Name of the Company	Lanka Coal Company (Pvt) Ltd		
Company Registration No	PV 62636		
Legal Form	A Private Company with limited liability registered under the Companies Act No 7 of 2007. The Company is a fully government owned business undertaking established by a decision of the Cabinet Ministers.		
Registered Office	No 51/3, Suranimala Place, Off Dutugemunu Street, Kohuwala, Dehiwala, Sri Lanka.		
	Telephone	+9411 2824681/2	
	Fax	+94112824689	
	Email	info@lankacoal.lk	
	Website	www.lankacoal.lk	
Holding Company	Ceylon Electricity Board, No 50, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.		
Company Secretaries	P.W. Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08.		
Auditors	Auditor General, National Audit Office, 306/72, Polduwa Road, Battaramulla		
Bankers	Peoples Bank	-	Corporate Branch
	Bank of Ceylon	-	Head Office Branch

MESSAGE FROM THE CHAIRMAN.

Lanka Coal Company was founded in 2008 to ensure continuous coal supply to the National Power Grid, with the Norochcholai LakVijaya Power Plant serving as the primary source of 900 MW. It includes three power plants with a total capacity of 300 megawatts. Therefore, it is a great responsibility to maintain the timely supply of the required quantity of coal in a timely manner which will have a significant impact on the national economy as well as the daily life of the people.

I am glad to submit Lanka Coal Company (Pvt) Ltd's Annual Report for the year 2023. I've been with the Coal Company since October 2022. From then until now, under the guidance of the Hon. Minister, State Ministers, and the Secretary Ministry of Power & Energy, I am pleased to emphasize that the Lanka Coal Company has been able to fulfill the annual coal requirement of the Norochcholai LakVijaya Power Plant despite the numerous challenges faced throughout the year, including the severe economic crisis, foreign currency shortage, and supplier constraints.

As Chairman of the Lanka Coal Company last year, I'd like to take this opportunity to express my heartfelt gratitude to the Honorable Minister, Honorable State Ministers, Secretary Ministry of Power and Energy, and experienced colleagues on the Board for their invaluable advice, guidance, and support, and their dedication has been instrumental in our success. The Chairman and Management of CEB, bankers, company secretaries, and auditors who have assisted me in completing a successful season and achieving these goals in a variety of ways.



Chairman

CORPORATE GOVERNANCE

“Corporate Governance” is a generic term that describes the ways in which rights and responsibilities are distributed among the various corporate bodies according to the rules, processes or laws to which they are subject. In practice, corporate governance defines the Decision-making systems and structure through which owners directly or indirectly control a company. The Board of Directors of Lanka Coal Company (Pvt) Ltd is committed to ensure business integrity and professionalism in all its activities. As a part of this commitment, the Board of Directors has proactively encouraged good corporate governance practice

within the Company based on a generally accepted policy framework, which emphasizes transparency, control and accountability.

The board is conscious of its responsibilities to the shareholders, the government and the society in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board of Directors requires that Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards and the requirements of the ministry.

LANKA COAL COMPANY (PVT) LTD BOARD OF DIRECTORS

Directors Appointments	Number of Directors
Two Directors including Chairman will appointing by Hon. Minister	(1) Chairman/Managing Director (2) Board Director
Two Directors from Ceylon Electricity Board	(1) General Manager – Board Director (2) AGM (Generation) – Board Director
A Director from Department of Treasury	Board Director
A Director from Ceylon Shipping Corporation	Board Director (General Manager)
A Director from Ports Authority	Board Director
Total	7 Board Directors
An observer appointed by the Secretary to the Ministry of Power.	Additional Secretary - MoP&E

PRESENT COMPOSITION OF THE BOARD

The names of the Directors of the Company who held office as at 31st December 2023

- **Chairman/Managing Director Appointed by Hon.Minister**
Mr. S N Sumanasekara *from 06/10/2022*
- **Two Directors Representing the Ceylon Electricity Board**
Mr. G A D R P Seneviratne *from 19/12/2022*
Mr. D N Navaratne *from 10/01/2023*
- **Director Representing the Ceylon Shipping Corporation**
Mr. W S Weeraman *from 01/08/2021*

- **Director Representing the Port Authority**
Capt. K M N P Silva *from 02/09/2022*
- **Director Representing the General Treasury**
Ms. I J Abeyratne *from 08/02/2023*
- **Director Appointed by Hon.Minister**
Mr. A D G Chamika *from 21/01/2022*

The Directors were not interested in any contract either directly or indirectly with the Company during the year. The directors are required by relevant statutory provision to prepare Financial Statements for each financial year, which gives a true and fair view of the state of affairs of the company for that period.

Corporate Governance

In preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently and reasonably and prudent judgments and estimates have been made. The applicable Sri Lanka Accounting Standards have been followed and explained in the notes to the financial statements

The directors are also responsible to ensure that reasonable measures are taken to safeguard the assets of the Company at all times. In this context, they have established appropriate systems of internal controls with a view to preventing and detecting of frauds and other irregularities.

In preparing accounts, the directors continue to adopt the going concern basis. The directors after reviewing the Company's budget and borrowing facilities are of the view that the Company has adequate resources to continue in operation.

Board Meeting Held Dated

- 1) 18/01/2023
- 2) 27/02/2023
- 3) 28/04/2023
- 4) 31/05/2023
- 5) 08/08/2023
- 6) 14/09/2023
- 7) 26/10/2023
- 8) 07/12/2023
- 9) 21/12/2023

Reports by the Auditor General following both financial and operational audits contained adverse remarks. If we take the operations the tender procedure, lackadaisical management control over payments to suppliers, quality control/ quality price adjustment, frequent litigation by unsuccessful bidders questioning transparency etc were issues that the company was grappling with. Many of these concerns were highlighted in the audit reports. However, we are happy to state that the tender procedure was made transparent to a greater extent and hence there had not been any contentious issues pertaining to tender

awards amongst competing bidders for the seasons. Further, we have duly responded to all audit reports promptly, implemented recommended measures to address shortcomings and we confirm that there are no outstanding audit reports as at date.

Conformance is an important aspect of governance. The management has paid particular attention to assure conformance with Statutes. Accordingly, the Company has paid taxes such as Income Tax, VAT, statutory payments such as EPF, ETF and duly filed returns for the year. There is on-going negotiations with the Inland Revenue Department to settle past outstanding income tax.

AUDIT AND MANAGEMENT COMMITTEE

Present Composition Audit and Management Committee

Chairperson Representing Directors Board of LCC

Ms. I J Abeyratne (General Treasury)

Member Representing Directors Board of LCC

Mr. W S Weeraman (Ceylon Shipping Corporation)

Member Representing Directors Board of LCC

Mr. G A D R P Seneviratne (Ceylon Electricity Board)

The Company actively participates in Audit and Management Committee (AMC) meeting of the line Ministry. We have responded to audit report, implemented recommendations to the extent as practical as possible

AMC Meeting Held Dated

01. 23-02-2023

02.03-08-2023

03.15-11-2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Lanka Coal Company (Private) Limited has pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2023.

This Annual Report on the affairs of the Company contains the information required in terms of Section 168 of the Companies Act, No. 7 of 2007 and certain additional information.

General Information

Lanka Coal Company (Private) Limited is a limited liability company was incorporated under the Companies Act, No. 07 of 2007 as a Private Limited Company on 23rd January 2008 with PV 62636 as the Company registration number assigned to the Company.

Principal activities of the Company and the Subsidiaries and review of performance during the year

The Company's principal activities, which remained unchanged during the year, were the business of importing and supplying standardized coal for the Lakvijaya Coal Power Plant at Norochcholai owned by Ceylon Electricity Board (CEB). Standardized coal means that the coal imported and supplied should conform to specific quality standards prescribed by the buyer, CEB.

Financial Statements

The complete Financial Statements of the Company have been duly signed by Messrs S N Sumanasekara and Ms. I J Abeyratne Chairman and Director respectively, on behalf of the Board.

Auditor General's Report

The Report of the Auditor General on the Financial Statements of the Company for the year ended 31st December 2023, is attached with the Financial Statements.

Accounting Policies

The Financial Statements of the Company has been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS/LKAS and the accounting policies adopted thereof and are given on pages 45 to 51 under Note 3 of the Financial Statements.

Stated Capital

The total Stated Capital of the Company as at 31st December 2023 was Rs. 20,000,000 representing 2,000,000 ordinary shares.

Shareholders' Information

Shareholders' position of the Company as at 31st December 2023 is as follows

Shareholder	Shareholding %
Ceylon Electricity Board	60%
Secretary to the Treasury	20%
Sri Lanka Ports Authority	10%
Ceylon Shipping Corporation Limited	10%

Directors

The changes in the Directorate of the Company during the year under review from 1st January to 31st December 2023 are given below:

- Mr. A R Navamani- (upto 10.01.2023)
- Mr. S W Madanayake- (upto 28.02.2023)

Present Composition of the Board

Board Director	Appointed Date
Mr. S N Sumanasekara Chairman	06.10.2022
Mr. G A D R P Seneviratne	19.12.2022
Mr. D N Navaratne	10.01.2023
Mr. W S Weeraman	01.08.2021
Mr. A D G Chamika	21.01.2022

Annual Report of the Board of Directors On The Affairs of the Company

Capt. K M N P Silva	04.08.2022
Ms. I J Abeyratne	28.02.2023

The Directors were not interested in any contracts either directly or indirectly with the Company during the year. Related party transactions with the Company during the accounting period under review are given on page 65 in note 28 to the Financial Statements.

Directors' Remuneration

The Directors' emoluments are disclosed in Note 28.2 to the Financial Statements

Donations

The Company did not make any donations during the year under review.

Property Plant and Equipment

Information relating to movement in property, plant and equipment are given in Note 10 to the Financial Statements.

Reserves

The total Company reserves as at 31st December 2023 amounted to Rs. 119.5 million. The movement is shown on page 40 to the Financial Statements.

Employment

The number of persons employed by the Company as at 31st December 2023 was 23.

Commitment and Contingencies

Commitments and contingencies as at 31st December 2023 are given in Note 25 to the Financial Statements.

Auditors

In terms of the 19th and 20th Amendments to the Constitution of the Democratic Socialist Republic of Sri Lanka read together with Article 154 (1) of the Constitution, the audit of the financial statements

of Lanka Coal Company (Private) Limited for the year ended 31st December 2023 was carried out by the Auditor General

Auditors and Tax Consultant

Company	Name of Auditor/Tax Advisor	Type of Payment	Amount (Rs.)
Lanka Coal Company (Private) Limited	Auditor General Assisted by M/s. Consultant Consortium Chartered Accountants	Audit fees Service Charge (Income Tax computation and Return)	To be finalized 45,000.00 (Excluding VAT)

The Auditors do not have any interest in the Company other than that of the Auditor.

The Auditor General will be re-appointed as the Auditor for the ensuing financial year in compliance with Article 154 of the 19th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.

This Annual Report is signed for and on behalf of the Board of Directors by the Chairman and a Director:



Chairman



Director

Shiromi Balasuriya (L.L.M Colombo)
Secretaries

RISK MANAGEMENT

1. Market risk

LCC is exposed to market risk of coal prices. However, we would define this exposure not as an open risk but a diminished risk exposure. Firstly all tenders, both spot and term, are awarded based on competitive bidding to the substantially compliant lowest bidder. Competitive bidding leads to competitive pricing driven by demand and supply. In the case of spot tenders the award price remains fixed for all deliveries under the tender. In the case of term tenders the delivery price is flexed by the movement in the Argus Coal Price Index between award month and Bill of Lading month. Apart from above, the quality price adjustment is introduced to assure price/ quality compatibility as per tender specifications. Therefore, LCC's risk exposure to coal prices is a diminished exposure.

2. Credit risk

LCC's sole buyer is CEB and therefore, Lanka Coal Company (pvt) Ltd is not exposed to credit risk. However Lanka Coal Company (pvt) Ltd is currently engrossed in debt recovery related litigations and business to business negotiations. Principally among recovery efforts are to collect the following debts which have been subject to prolonged litigation, arbitration and negotiations for some time now:

2.1 Ceylon Shipping Corporation Ltd.

Ceylon Shipping Corporation Ltd. (CSC) Rs 589,973,845 The above sum has been outstanding since 2012 for the supply of coal to Taurian Iron and Steel Company Ltd., India with CSC mediating the supply as an intermediary. According to CSC the resolution of the dispute to recover the above sum was handled by a 4 member committee comprising a member each from the Treasury, CSC, CEB and LCC. The committee report was directed to the Cabinet Economic Management Committee for which a response is still awaited.

2.2 Liberty Commodities Ltd.,

Liberty Commodities Ltd., Rs 236,785,640 (USD 1,575,633)

In 2015-16, Liberty Commodities was awarded the first spot tender being the substantially compliant lowest bidder. However, Liberty Commodities was found to have overdrawn on the letter of credit by manipulating the quality adjustment formulae and claiming bonus. The Company has instituted multi-prong actions for the recovery of the amount overdrawn by Liberty Commodities. These actions include:

- I. The Company instituted action in the Commercial High Court of the Western Province for the recovery of amount overdrawn
- II. There is parallel Arbitral proceedings based on a referral of the matter from Commercial High Court
- III. An appeal filed by Liberty Commodities against the interim Arbitral award of USD 1,000,000 in favor of the Company
- IV. Further, the Company also made a call on the Performance Bond issued by Liberty Commodities. However, Liberty Commodities instituted civil proceedings in Geneva against the Company. We nominated lawyers to present our case in Geneva through Attorney General's department. However, the court decided in favour of Liberty Commodities since the Performance Bond was limited only in respect of delivery shortfall and the Company has confirmed in writing that the quantity ordered was duly delivered and accepted

PERFORMANCE REVIEW

Lakvijaya Power plant at Norochcholai Sri Lanka as per its annual requirement approximately 2.25 million Metric Tons. Lanka Coal Company (pvt) Ltd is responsible for all the activities from the point of registration of suppliers, calling and closing tenders, logistics and delivery of coal to the Jetty of LVPP. The above coal quantity should be provided within a limited period of 210 days as the Puttalam coast is severely affecting by the Southwest Monsoon every year from September to April next year. Therefore, it is expected that deliveries of Coal will be suspended during 5 months.

LCC's mission is to supply coal with optimum standard at the right price for the generation of electrical power by Lakvijaya Coal Power Plant (LVPP), to manage effluence emitted by the combustion of coal, conversion of effluence to environmentally friendly innovative products and introducing them to the market, promoting coal to private sector as a source of heat power, strengthen the industrialists and thereby contribute to the development of the Country.

During the early years of its incorporation Lanka Coal Company (pvt) Ltd used to levy as per metric based price on the supply of coal to CEB. Therefore, the Company's performance was measurable. From 2014 CEB changed the pricing structure and Lanka Coal Company (pvt) Ltd was offered a fee equivalent to net overhead costs of the Company. The net overhead was defined as gross overhead costs net of other income such as supplier registration fee, interest etc earned by LCC. With the implementation of net overhead based fee the pursuance of commercial focus was replaced by least cost instead. Certain bench marks have been in use since then to assure optimum cost in sourcing.

Principal activity

As the primary energy source of the national grid, LVPP contributes 40% to 50% of the daily electricity generation. Due to a 7-month supply limitation of coal, there will be no unloading at the Puttalam anchorage from late April to late September. Treasury-appointed TEC and Cabinet-appointed SSCAPC and SCAPC will be recommend and approve all spot and Term tenders, subject to Cabinet approvals

The activities performed by Lanka Coal Company (pvt) Ltd can broadly be categorized under the following heads:

- I. Supplier registrations, tender processing and awarding.
- II. Letter of credit opening/Telegraphic Transfer/Foreign Exchange Purchase from the Authorized Dealers liaison with bankers, formalizing banking facilities, treasury guarantee and documentation.
- III. Logistics, Department of Imports and Exports Control, freighting and lightering services for transit of coal from load port to jetty.
- IV. Liaison with buyer (LVPP), suppliers, terminal operators, SL customs, Insurances, Navy, Ceylon Shipping Corporation etc. and coordinating diverse operations among stakeholders.
- V. Issuance of letter of acceptance (LOA) and confirmation (LOC) for the release of respectively 80% and 20% of invoice value by verifying the accuracy of quantity delivered and application of quality adjustment formula.

Performance Review

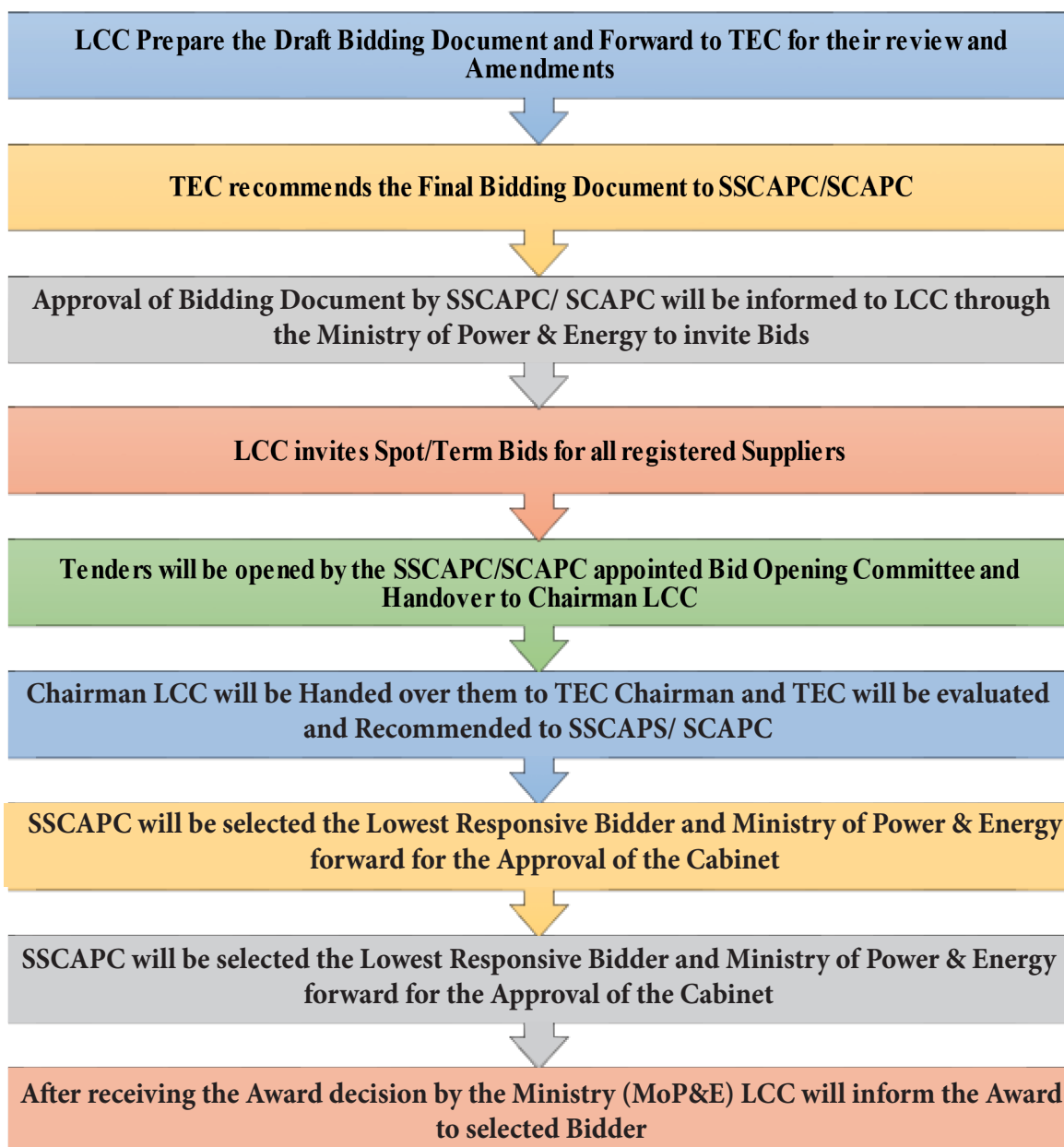
Coal Procurement Process

Initial coal has procured only through Term Tenders and as per the decision taken by the Cabinet of Ministers on 23/07/2015 and 14/10/2015, it was approved to process the coal tenders under two methods, i.e. Long Term and Short Term (Spot).

The CSC handles the transportation of coal from the loading port to the discharge Anchoring port based on the matching of the freight rates provided by the selected coal supplier.

CSC handles the transport of coal by barges from the Puttalam anchorage to the Lakvijaya Power Plant jetty and their barge service provider will carry out the operation.

Procurement Coal Process



Performance Review

Procurement Process and Authorized Members

As per the annual coal requirement of LVPPLanka Coal Company (pvt) Ltd is request Ministry to appoint tender committees for the coal tenders. Accordingly, Technical Evaluation Committee and Special Standing Cabinet Appointed Procurement Committee. (SSCAPC) will be appointed by the Public finance division of finance Ministry.

All the coal shipments have been supplied to the plant in accordance with the recommendation by Technical Evaluation Committee (TEC) and Cabinet approvals base on the Special Standing Cabinet Appointed Procurement Committee. (SSCAPC)

The combination of Technical Evaluation Committee (TEC) and Standing Cabinet Appointed Procurement Committee. (SCAPS) as follow,

SCAPC and TEC Members for Term Tenders

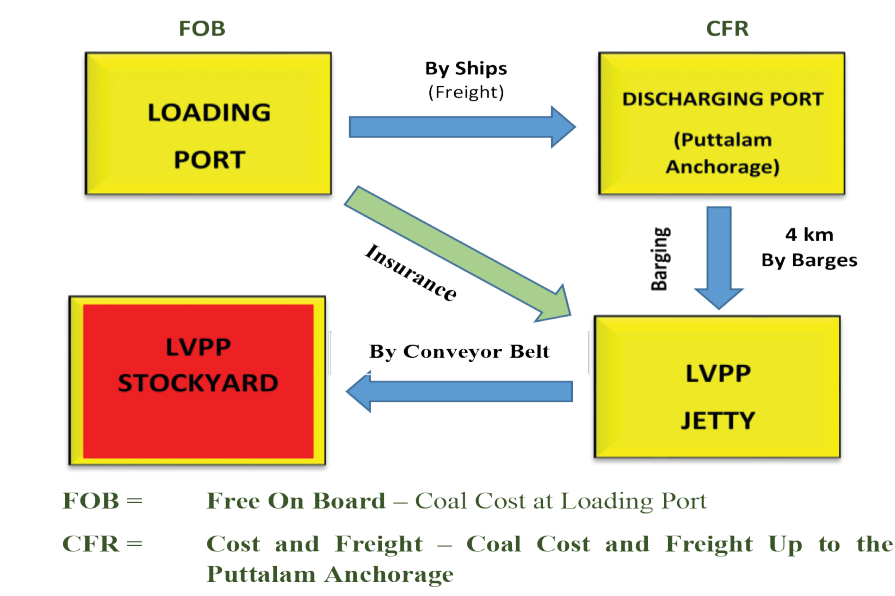
SCAPC	TEC
Secretary - Ministry of Power & Energy (Chairman)	AGM – Generation/ CEB (Chairman)
Secretary - Ministry of Power & Energy	PPM – LVPP, CEB
Secretary – State Ministry of Solar, Wind and Hydro Project Development	Director – MOP
Addl. Secretary – ERD, Ministry of Finance	AFM (Generation) - CEB
General Manager, CEB	Director - Dept. of Public Enterprises
	General Manager – LCC
	Asst. General Manager – CSC
	Finance Manager – LCC
	Civil Engineer – Environment, CEB
	Senior Lecturer-DOME/University of Moratuwa

SCAPC and TEC Members for Spot Tenders

SSCAPC	TEC
Secretary- Ministry of Labor (Chairman)	AGM – Generation, CEB (Chairman)
Secretary - Ministry of Power & Energy	PPM – LVPP/CEB
Deputy Governor -Central Bank of Sri Lanka	Director – TT, T&D/MOP
Addl. Secretary- Ministry of Finance	AFM – Treasury/CEB
General Manager, CEB	Addl. Director General – Dept. of National Planning
	General Manager – LCC
	Asst. General Manager – CSC
	Manager - CPC
	Civil Engineer – TDE, CEB
	Senior Lecturer-DOME/University of Moratuwa

Performance Review

Coal Operation



Next Coal Season Plan 2023/2024

- First vessel arrival at Port of discharge – 10.09.2024
- Planning to unload all shipments at the end of Mid of April 2025
- Average days unloading a shipment – 3.5 to 4 days
- Accordingly Number of vessels that can be unloaded in a month – 6 or 7
- Total shipments = 38 shipments

Note : The assumptions

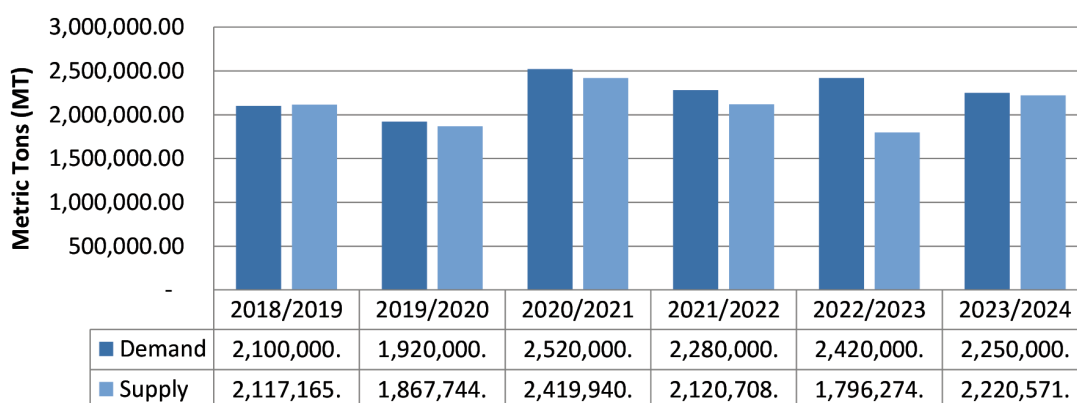
1. All the payments are made on time
2. Vessel arrives with on scheduled ETA (+/- 2days)
3. Minimum weather delays
4. Few days of demurrage may occur due to the nature of the vessel operation

Performance Review

Demand Satisfaction

It is evident from the blow graphical representation that the Lanka Coal Company (pvt) Ltd has satisfied the demand of LVPP in the last five years

Demand vs Supply



The CEB requirement of coal is 2.25MMT +/- 10% for the 2023-2024 Seasons.

Tender number	Supplier	Number of shipments	Total supplied Quantity (MT)
LCC/22/PROP/1	Coral Energy	4	236,297
LCC/23-24/ST/30/01	Coral Energy	5	293,998
LCC/22/PROP/1	Black Sand	16	914,459
LCC/22/PROP/1	Potencia LLC	13	775,817
Total (MT)		38	2,220,571

Reducing the number of vessels to 30 for the season 2022-2023 appears to be a prudent decision based on several factors:

1. **Cancellation of Tenders:** The cancellation of tenders, both term and spot, for significant quantities of coal (e.g., 4.5 million MT, 2.25 million MT, 300,000 MT) suggests a decrease in demand, making it logical to reduce the number of vessels accordingly
2. **Non-Performance by PT Arista Mitry Jaya:** The cancellation of the awarded tender due to non-performance by PT Arista Mitry Jaya, coupled with the subsequent award to Coral Energy and

Combasst Industry, has caused disruptions and missed laycans. Reducing the number of vessels may help in better managing the available resources.

3. **Issues with Laycans and Delayed Supply:** Multiple instances of missed laycans due to delays in vessel nomination confirmation, delayed supply by Black Sand/Suek AG, and overall schedule disruptions indicate the need to optimize the number of vessels to match the revised timelines.
4. **Payment Issues with Swiss Singapore and Black Sand:** Demands for advance payments by Swiss Singapore and Black Sand, coupled with

Performance Review

delayed payments, have resulted in disruptions to the original schedule. Reducing the number of vessels may help in better aligning with the payment terms and schedules.

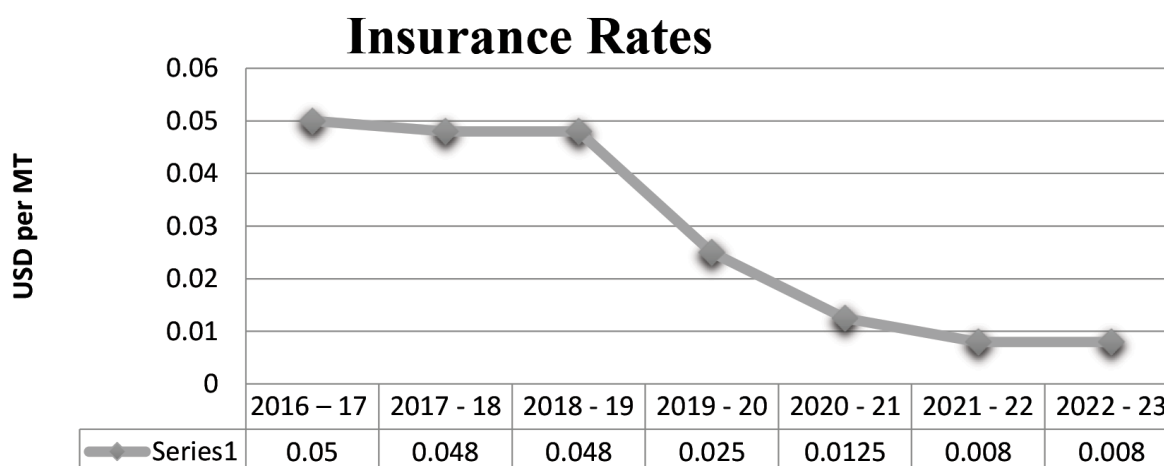
5. **Operational Delays by Ceylon Shipping Corporation (CSC):** CSC's time-consuming vessel nomination confirmation process and past operational suspensions due to financial matters and miscommunications suggest that a reduced number of vessels can help manage operational efficiency.
6. **Uncertainty with Coal Quantity Request from Ceylon Electricity Board (CEB):** The delay in confirming the latest coal quantity request from LVPP and the associated issues from the previous season's delayed payments indicate a need for caution in vessel nominations. Reducing the number of vessels allows for better flexibility in managing uncertainties.

7. **Financial Impact on CEB:** The financial impact on CEB, such as unnecessary costs, exchange losses, and demurrage, due to missed laycans and delayed payments, further supports the decision to reduce the number of vessels for better financial and operational management.

In summary, the outlined reasons point to a complex set of challenges and uncertainties in the coal supply chain. Reducing the number of vessels can help mitigate these issues, optimize resource allocation, and enhance overall operational efficiency for the season 2022-2023. **Even though the power plant could not meet the demand, but the coal provided by the LCC was able to generate electricity for the entire year without any hindrance.**

Insurance Rates

The Insurance charges in the season 2016- 2017 was US \$ 0.05/MT and it was brought down to US \$ 0.048/ MT in 2017/2018 & 2021/2022 US\$ 0.008 and in 2022/23 season also 0.008/MT. This is also a notable in cost of coal due to the economic crisis in the country all prices have increased and will be maintained at last year's prices same as Insurance rates .



Performance Review

Suppliers Registration and Re-registration

Supplier Re-registration process has been streamlined. Accordingly, beginning of the each year publishes an advertisement on national newspapers and inform all Sri Lankan foreign missions through Ministry of Foreign Affairs. The applications submitted by the applicant will be opened Monday of the every week and Technical evaluation committee evaluated the applications and submitted their recommendations to Special Standing Cabinet Appointed Procurement Committee for their approvals. The above TEC and SSCAPC will be appointed after the approval of the cabinet and appointed by the Department of Public Finance. Accordingly after the approval of the SSCAPC relevant supplier will be registered under the LCC as a registered coal supplier by charging US \$ 5,000.

Future Strategic Plan

The Company has focused its attention on the following with the guidance of the Board Directors and Ministry of Power & Energy.

- **Preparation of SORP, Internal Control Procedures Manual and other procedure to streamline the LCC**

From the inception of Lanka Coal Company (pvt) Ltd there was no proper SORP therefore as per the Board approval there is an ongoing proceed to prepare the SORP of Lanka Coal Company (pvt) Ltd and Currently the board of Lanka Coal Company (pvt) Ltd decided to appoint a committee comprising of five - members including 2 from CEB 1 from CSC 1 from Ministry and one from Lanka Coal Company (pvt) Ltd to review the draft SORP prepared by LCC

- **Supply Coal to the Private Sector**

There are few industrialists in Sri Lanka who use thermal coal in their furnaces/boilers. They need very small quantities and the specifications need to be differ. Therefore it is difficult to bring one coal shipment to satisfy all the industrialists. However Lanka Coal Company (pvt) Ltd is negotiating with them to bring down a small coal shipment initially

- **Broad base the number of registered suppliers to increase competitiveness.**

- Work on this is already underway and so far 26 suppliers have been registered and 17 are currently operational. Also, from the end of the year 2020, with the approval of the Procurement Committee on the recommendation of the Technical Evaluation Committee, arrangements

will be made to conduct extensive publicity through relevant embassies every year in accordance with international procedures, to regularize the registration of suppliers every year and to re-register after a three-year aptitude test.

- **Invite mine owners to submit bid thus avoiding intermediary cost in purchase price.**

Procurement is being done in such a way that coal miners can also directly bid for our

tenders. Glen core, a major coal miner, is also currently registered as a supplier. The Ministry is taking the necessary steps to facilitate the country by purchasing direct coal between the two countries (G to G) using diplomatic relations.

- **Promote 'green economy' foot print to counter the effects of emissions from combustion of coal.**

- **Extract new products such as carbon dioxide, oxygen as by-products of the coal combustion process**

- **Relentless pursuit to make '365 days delivery' a reality exiting from six month monsoon delivery window**

There are several alternative proposals for this and are being worked out jointly with the guidance of the Ministry and the Electricity Board.

- Extending the existing jetty to Puttalam anchorage (4Km)
- LCC is planning to increase the vessel quantity from 60,000 $\pm$ 10%MT to 65,000 $\pm$ 10% MT

Future Strategic Plan

- Both side of the jetty unloading facility
- Use Gearless larger vessels and unloading using Transshipments
- Jetty extensions up to the anchorage
- Transport Coal from Trincomalee Extension of the railway line from Trincomalee to Mahawa to Lak VijayaPower Plant
- **Exploring the possibility of long term coal supply to the Lanka Coal Company (LCC) through diplomatic involvement. The process has already begun and four proposals have been received from South Africa, Brazil, Poland and Russia. The committee appointed under the guidance of the Secretary to the Ministry is evaluating the proposals**
- **Preparation of Procurement plan and Action Plans.**
- From the inception Lanka Coal Company (pvt) Ltd has been submitted the above 2 plans to Ministry without proper Board approvals. Presently it has been streamlined after getting Board of Directors approvals for the below both plans those have been forwarded to Ministry for their formal approval procedures.
- **Transforming LCC into a profit making institution instead of reimbursing the cost by the CEB**



FINANCIAL REPORT 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2023

		2023 Rs.	2022 Rs.
	Notes		
Revenue	4	161,408,218,035	117,406,287,221
Direct Expenses (Cost of Sale)	5	(161,333,588,954)	(117,337,279,052)
Gross Profit		74,629,080	69,008,169
Registration and Other Income	6	19,004,116	8,221,503
Administration Cost		(74,286,749)	(78,525,284)
Profit from operations		19,346,447	(1,295,612)
Finance Income	7	8,996,047	1,360,766
Finance Cost		(28,342,495)	(65,154)
Profit before Tax	8	-	-
Income Tax Expense	9	-	-
Profit for the year		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		-	-

The notes from an integral part of these financial statements.

Figures in the brackets indicate deduction

STATEMENT OF FINANCIAL POSITION

As at 31st December 2023.

	Notes	2023 Rs.	2022 Rs.
ASSETS			
Property, Plant & Equipment	10	4,047,718	5,351,133
Other Non-Current Assets	11	826,759,484	826,759,484
		830,807,203	832,110,617
Current Assets			
Trade and Other Receivable	12	32,636,221,678	7,867,474,749
Advance Paid to Suppliers		3,783,443,652	9,533,023,217
Refundable Deposits	13	715,310	117,000
Financial Assets	14	64,653,478	20,981,068
Staff Loans	15	3,808,680	1,858,734
Tax Receivable	16	29,266,966	29,266,966
Cash at Bank & Cash in Hand	17	5,249,313,355	45,301,997
		41,767,423,119	17,498,023,730
Total Assets		42,598,230,321	18,330,134,347
EQUITY & LIABILITIES			
Stated Capital	18	20,000,000	20,000,000
Retained Earnings		91,629,879	91,629,879
Revaluation Reserve		7,875,000	7,875,000
		119,504,879	119,504,879
Non-Current Liabilities			
Defined Benefit Obligation	19	9,545,510	8,078,510
Other Non-Current Liabilities	20	714,965,434	714,965,434
		724,510,944	723,043,944
Current Liabilities			
Creditors & Other payables	21	25,587,540,839	17,481,415,520
Interest Bearing Loans and Borrowings	22	16,156,103,254	-
Accrued Expenses	23	6,485,406	4,269,346
Income Tax Payable	24	4,084,998	1,900,659
		41,754,214,498	17,487,585,524
Total Liabilities		42,478,725,442	18,210,629,468
Total Equity and Liabilities		42,598,230,321	18,330,134,347

STATEMENT OF FINANCIAL POSITION

The accounting policies and notes form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of Companies Act No.7 of 2007.



B.A.A. Kumara

Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed on behalf of the Board

Name of Director	Chairman/Director	Signature
Shehan N. Sumanasekara	Chairman	
	Director	

February 27, 2024
Colombo.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2023

	Stated Capital Rs.	Retained Earnings Rs.	“ Revaluation Reserve “ Rs.	Total Rs.
Balance as at 01-01-2021	20,000,000	79,094,282	7,875,000	106,969,282
Profit for the year 2021	-	-	-	-
Other Comprehensive income	-	-	-	-
Total Comprehensive income for the year	-	-	-	-
Balance as at 31-12-2021	20,000,000	79,094,282	7,875,000	106,969,282
Profit for the year 2022	-	-	-	-
Other Comprehensive income	-	-	-	-
Prior year adjustments	-	12,535,597	-	12,535,597
Total Comprehensive income for the year	-	12,535,597	-	12,535,597
Balance as at 31-12-2022	20,000,000	91,629,879	7,875,000	119,504,879
Profit for the year 2023	-	-	-	-
Other Comprehensive income	-	-	-	-
Prior year adjustments	-	-	-	-
Total Comprehensive income for the year	-	-	-	-
Balance as at 31-12-2023	20,000,000	91,629,879	7,875,000	119,504,879

he accounting policies and notes from an integral part of these financial statements.

Figures in the brackets indicate deductions

STATEMENT OF CASH FLOW

For the year ended 31st December 2023

	2023 Rs.	2022 Rs.
<u>Cash Flows from/(Used in) Operating Activities</u>		
Net Profit before Income Tax Expenses	-	-
<i>Adjustments for,</i>		
Depreciation	2,713,713	2,844,726
Adjustment for Depreciation	2,700	-
Gratuity Provision	1,467,000	2,559,190
Finance Income	(8,996,047)	(1,360,766)
Finance Cost	28,342,495	65,154
Other Income	(8,500)	(29,260)
Operating Profit before Working Capital Changes	23,521,361	4,079,044
<i>Working Capital Changes,</i>		
(Increase)/Decrease in Trade and Other Receivable	(24,768,746,930)	1,997,905,413
(Increase)/Decrease in Advance paid to Suppliers	5,749,579,565	(9,533,023,217)
(Increase)/Decrease in deposits	(598,310)	-
(Increase)/Decrease in Staff loan	(1,949,946)	998,334
Increase/(Decrease) in Creditors	8,106,125,320	7,527,047,030
Increase/(Decrease) in Interest Bearing Loans and Borrowings	16,156,103,254	-
Increase/(Decrease) in accrued expenses	2,216,061	1,428,632
Cash generated from/ (used in) operations	5,266,250,373	(1,564,765)
Less :		
Finance costs paid	(28,342,495)	(65,154)
Prior year adjustments	-	12,535,597
Gratuity Paid	-	-
Income Tax Paid	(393,736)	(5,217,787)
Income Tax adjustment	2,578,076	498,665
Net cash generated from/(used in) operating activities	5,240,092,218	6,186,556
<u>Cash Flows from Investing Activities</u>		
Acquisition of Property, Plant & Equipment	(1,412,999)	(571,688)
Other Income	8,500	29,260

STATEMENT OF CASH FLOW

Interest Income	8,996,047	1,360,766
Net cash generated from/(used in) investing activities	7,591,549	818,338
Net increase/(decrease) in cash and cash equivalents	5,247,683,767	7,004,894
Cash and cash equivalents at the beginning of the year	66,283,065	59,278,171
Cash and cash equivalents at the end of the year	5,313,966,832	66,283,065
<u>Analysis of Cash & Cash Equivalents</u>		
Cash at Bank- Favourable	5,249,313,355	45,301,997
Cash in Hand	-	-
Cash at Bank- and In Hand	5,249,313,355	45,301,997
Short Term Investment	64,653,478	20,981,068
	5,313,966,832	66,283,065

The notes from an integral part of these financial statements.

Figures in the brackets indicate deductions

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and legal form

Lanka Coal Company Private Limited is a Company incorporated on 1st January, 2008 under the Companies Act No 7 of 2007 and domiciled in Sri Lanka. The registered office of the Company is located at the premises No.51/3, Dutugemunu Street, Dehiwala.

1.2 Principal activities and nature of operations

The Principal activity of the company is to supply the required quantity of high quality coal at the right price within the season for the Lakvijaya Coal Power Plant (LVPP) at Norochcholai. LCC has been honoring this obligation diligently throughout its existence. LCC carries out all the activities from the point of registration of suppliers to the point of delivering coal to the Jetty at the LVPP. The activities performed by LCC can be broadly categorized under the following heads:-

1. Supplier registration, tender processing and awarding
2. Letter of Credit opening, liaison with Central Bank of Sri Lanka, Department of Import & Export Control & bankers, formalizing banking facilities and documentation
3. Logistics, freighting and lightering services
4. Liaison with Buyer (LVPP), suppliers, Terminal operators, SL customs, SL Navy, Ceylon Shipping Corporation etc and coordinating diverse operations among stakeholders.

The average number of employees of the company as at the end of the year was 23.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company is a 100% State owned entity and ultimate parent undertaking and controlling party is Ceylon Electricity Board, which owns a 60% stake in the Company since incorporation. Ceylon Electricity Board is incorporated in Sri Lanka, under the Ceylon Electricity Board Act No.17 of 1969.

1.4 Approval of financial statements by Directors

The Financial Statements for the year ended 31st December, 2023 were authorized to be issued by the Board of Directors on February 27, 2024.

Notes to the Financial Statements on pages 15 to 24 form an integral part of the Financial Statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company which comprise the Statement of Financial Position, Statement of Profit or loss and Other Comprehensive Income, Statement of Change in Equity, Statement of Cash flows and Notes there to have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirement of the Companies Act No 7 of 2007 and provide an appropriate disclosures as required.

Significant Accounting Policies followed during the year are given in Note 3.1 to 3.14 The

NOTES TO THE FINANCIAL STATEMENTS

applicable SLFRSs and LKASs are available at www.casrilanka.com

The Preparation of the Financial Statements and disclosures made therein conform to presentations previously followed. The income statement is consistent with the revenue recognition policy adopted starting 2017 which is described in note 3.8.1.

2.2 Basis of Measurement

The Financial Statement have been prepared on an accrual basis and under the historical cost convention unless stated otherwise.

2.3 Functional and Presentation Currency

The Financial Statement are presented in Sri Lanka Rupees, which is the company's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

2.4 Materiality and aggregation

In compliance with Sri Lanka Accounting Standard – LKAS 1, (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expenses are not offset in determining unless required or permitted by an Accounting Standard.

2.5 Accounting Policies, changes and Comparative Information

The Accounting Policies applied by the company are, unless otherwise stated, consistent with those used in the previous year. The accounting treatment for revenue and cost of sales were in conformity with that of a buyer and seller as per policy initiated in 2017. Previous year's figures and phrases have been rearranged, wherever necessary, to conform to the current year's presentation.

2.6 Use of Estimates, Judgments and Assumption

The preparation of Financial Statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the reporting date. Actual results may differ from those estimates and judgmental decisions.

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 or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

2.7. Events Occurring After the Balance Sheet Date

All material post Balance Sheet events have been considered and appropriate adjustment or disclosures have been made in the respective Notes, namely note no 25 to the financial statements.

2.8. Changes in accounting estimates

An entity recognises changes in accounting estimates prospectively, by including the effects in profit or loss in the period that is affected (the period of the change and future periods, if applicable), except where the change in estimate gives rise to changes in assets, liabilities or equity. In this case, it is recognised by adjusting the carrying amount of the related asset, liability or equity in the period of the change.

cost of bringing the assets to working condition for its intended use.

The cost of self-constructed assets includes the cost of material, direct labor, and any other cost directly attributable to bring the assets to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading of revaluation reserve. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The carrying values of property plant & equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Assets and Bases of their Valuation

Assets classified as current assets in the balance sheet are cash and those assets which are expected to be realized in cash during the normal operating cycle of the company's business or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the Statement of financial position date.

3.2. Property, Plant & Equipment

Property, Plant & Equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable

3.2.1 Subsequent cost

The cost of replacing part of an item of property, plant & 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 those parts that are replaced is de-recognized in accordance with the de-recognition policy given below. The cost of day-to-day servicing of property, plant & equipment are recognized in profit or loss as incurred.

Property, Plant & Equipment might

NOTES TO THE FINANCIAL STATEMENTS

comprise parts with different useful lives. Depreciation is calculated based on each individual part's life. In case of replacement of one part, the new part is capitalised to the extent that it meets the recognition criteria of an asset, and the carrying amount of the part replaced is derecognised. The cost of a major inspection or overhaul of an item, occurring at regular intervals over the useful life of the item is capitalised to the extent that it meets the recognition criteria of an asset. The carrying amounts of the parts replaced are derecognised

3.2.2 De-recognition

Derecognition is the term used for ceasing to recognise a financial asset or financial liability on an entity's statement of financial position. Items of property, plant & equipment are derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Income Statement in the year the asset is derecognized.

3.2.3 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets. Freehold land is not depreciated. Assets held under leasehold improvement are depreciated over the period of 2 years as per the lease rent agreement

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.

Provision for depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful lives of assets are as follows:

Assets	Year
Furniture & Fittings	5
Equipment	4
Motor Vehicle	4
Computer Equipment	4
Network System	2
Leasehold Improvement	2

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year. The useful life of the re-valued motor vehicles dated 31/12/2020 is estimated as 4 years..

3.3 Finance Lease

Property, plant & equipment on finance leases, which effectively transfer to the Company substantially all the risk and benefits incidental to ownership of the leased items, are classified as leased items, are classified as leasehold assets under the property, plant and equipment and stated at an amount equal to the lower of their value and the present value of minimum

NOTES TO THE FINANCIAL STATEMENTS

lease payment at the inception of the lease, less the accumulated depreciation. Depreciation is made over the Period Company is expected to benefit from the use of the leased assets.

3.4 Borrowing Costs

Borrowing cost are recognized as an expense in the period in which they are incurred except those that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, where it is capitalized as a part of the cost that asset.

3.5 Financial instruments – SLFRS 09

SLFRS – 09 sets out requirements for recognition and measurement of financial assets and financial liabilities. Early application of IFRS 9 is permitted. The Board also amended the transitional provisions to provide relief from restating comparative information and introduced new disclosures to help users of financial statements understand the effect of moving to the IFRS 9 classification and measurement model. The Board also included an amendment in relation to prepayment features with negative compensations. These amendments are effective from 1st January 2019 and allows companies to measure particular pre-payable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – Instead of at fair value through profit or loss.

This Standard replaced LKAS 39 Financial Instruments. Accordingly, the company classified all financial assets based on the business model for managing the assets and the assets contractual terms measured at either:

- Amortised Cost
- Fair Value through other comprehensive income (FVOCI)
- Fair Value through profit or loss (FVTPL)

The subsequent measurement of the financial assets depends on their classification.

However, the company has not adopted consequential amendments to LKAS 1 presentation of financial statements, which require impairment of financial assets to be presented in a separate line item in the Statement of Profit or Loss and OCI.

3.5.1 Financial Assets

The financial assets include cash and short-term deposits, trade receivables, Loans and other receivables.

Financial assets classified and measured at amortised cost include other receivables, short-term investments and cash equivalents. All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Financial assets are not re-classified subsequent to their initial recognition. Comparative information throughout these financial statements has not been re-stated to reflect the requirement of the new standard.

The loans granted to employees at concessionary rates under uniformly applicable scheme are stated at amortized cost using effective interest rate (EIR). The resultant loss in respect of the capital granted is charged to the profit & loss statement of the year. EIR

NOTES TO THE FINANCIAL STATEMENTS

& Interest rate (6.50%) of given staff loan in the year 2023 are same level & no any loss is charged to profit and loss statement.

The company has assessed receivables collectively for impairment and had determined that no provision is necessary for impairment of certain individually significant receivables. The reason being that the receivables are backed by a corresponding payable and in the event of a default there is an opportunity of a set-off. This means there is no exposure at default requiring any charge for impairment.

Further, receivables mainly include items which are expected to realize in the normal operating cycle and within twelve (12) months after the reporting period and hence categorized as current assets. Those balances which are expected to realize after 12 months are categorized as non-current.

3.5.2 Government Securities

Short-term investments in the REPO, Treasury bills etc are measured at fair value through other comprehensive income. These investments are held only for the purpose of collecting contractual cash flows of both interest and capital.

3.5.3 Financial Liabilities

In accordance with SLFRS 9, Financial Liabilities are classified as measured at amortised cost or FVTPL. Financial liabilities at FVTPL are measured at fair value and gains and losses are recognized in profit or loss. Financial liabilities are

subsequently measured at amortised cost using the effective interest method.

3.6 Employee Benefits

3.6.1 Defined Benefit Plans – Retirement Gratuity

A defined benefit plan is a post – employees benefit plan other than a defined contribution plan.

The liability recognized in the balance sheet in respect of the defined benefit plan is based on the provisions of the Gratuity Act to provide for the requisite financial obligations upon retirement of an employee. However, the provisioning starts at the completion of first year in service. The benefit plan is internally funded and the company has set aside funds in a savings account to meet the obligations as and when they arise.

As provided in paragraph 60 of LKAS - 19, the company opines estimates and computational short cuts provide a reasonable approximation of detailed computations allocated in the standard and has accounted for gratuity in accordance with this provision.

3.6.2 Defined Contribution Plan – Employees' Provident Fund & Employees' Trust Fund

All Employees who are eligible for Provident Fund Contribution and Trust Fund Contributions are covered by relevant contribution funds in line with respective statutes and regulations. Contribution plans are recognized as an expense in the Statement of comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

3.7 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economics benefit is probable.

3.8 Income Statement

3.8.1. Revenue Recognition – SLFRS 15

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. According to the standard, revenue is recognized when a customer obtains control of the goods or services. The timing of the transfer of control is determined by the transfer of promised goods or services to customer in an amount that reflects consideration to which the company expects to be entitled to.

The counter party to the contract is a customer. The customer has contracted with the entity to obtain goods or services that are output (imported by) of entity ordinary activities in exchange for consideration. The contract with the customer is within the criteria in the Standard.

Revenue is measured in conformity with contract value of the consideration received or receivable. The revenue is therefore, recognized when the company satisfied the performance obligation by transferring the good (Coal) to the customer. When the good (Coal) is transferred the customer obtains control of the asset.

Coal is priced for invoicing purposes at all costs incurred in delivering to jetty. It is considered that the transfer of goods is passed to the buyer upon delivery of coal to the jetty and accordingly invoiced to the buyer. As per the terms of the VAT Act, price between a buyer and seller cannot be lower than the base value for VAT purposes used by customs and add the 10% notional adjustment to cost in the issuance of VAT invoices to buyer.

However, since we collect VAT in advance, VAT return is completed based on VAT receipt date. There is a possibility of an invoice being recognized in part or full for VAT and revenue in two different quarters.

Accordingly, all deliveries are priced at total cost incurred in delivering coal to the Jetty of the plant. In other words, coal price per MT is set on par with direct costs. Additionally, there will be invoicing for net overhead costs as Management fee.

3.8.2 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of

NOTES TO THE FINANCIAL STATEMENTS

efficiency has been charged to revenue in arriving at the profit for the year. Expenditure incurred for the purpose of acquiring and extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

For the purpose of presentation of the income statement, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the company’s performance.

3.9 Related party disclosures

3.9.1 Transaction with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between Company its unrelated Customers. Disclosures have been made in the respective Notes, namely note no 28 to the financial statements

3.9.2 Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 “Related Party Disclosures”, Key management personnel, are those having authority and responsibility for

planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors have been classified as Key Management Personnel of the Company.

3.10 Finance Cost

Finance costs comprise of all interest and other costs incurred in connection with borrowings and are recognized as an expenses in the period in which they are incurred, unless they are incurred in respects of qualifying assets in which case it is capitalized.

Exchange gain/loss – Both CEB and LCC agreed to use a Weighted Average Exchange rate for each supplier payments done through US \$ accounts. Exchange gain or loss is determined by reconciling the year-end bank balance with the CBSL exchange rate and recorded in the Statement of Comprehensive Income under Finance Cost/Income.

3.11 Earnings per Share

No EPS calculation. As per the new agreement with Ceylon Electricity Board, price charged is equal to the direct of delivering coal to the jetty. Additionally, CEB makes a reimbursement of overhead thus leading to a break-even.

3.12 Income Tax Expenses

Income tax expenses comprises current tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. In view of the eligibility of Income tax expense for reimbursement by CEB there is no charge depicted in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

Since the adoption of the break-even pricing model on par with direct and indirect costs the tax impact is not material. Any adjustment for timing difference is unlikely to result in a material impact hence no provision has been made for deferred tax.

3.13 Current Tax

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

The provisions for income tax is based on the elements of income and expenditure as reported in the Financial Statement and computed in accordance with the provisions of the Inland Revenue Act, 24 of 2017 and subsequent amendments thereto.

3.13.1 ESC

The company was liable to pay ESC till the end of 2019 as it has been abolished with effect from January 01, 2020. The Board of Directors has approved the reversal of the ESC receivable from CEB and payable to IRD with effect from June 30, 2022, after IRD confirmed that ESC was waived off under the Financial Act of 2021.

3.14 Cash Flow Statement

The Cash Flow Statement has been prepared using 'indirect method'. Interests paid are classified as operating cash flows while dividends paid are classified as financing cash flows. Interests and dividends received are classified as investing cash flows for the purpose of presentation of Cash Flow Statement.

For the purpose of Cash Flow Statement, cash & cash equivalents consist of cash at bank and in hand and short term deposits net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
4 REVENUE		
Turnover	161,333,588,954	117,337,279,052
Reimbursement of Expenses by CEB	74,629,080	69,008,169
	161,408,218,035	117,406,287,221
4.1 CALCULATION OF NET OVERHEAD COST		
Administrative Expenses	(74,286,749)	(78,525,284)
Finance Cost	(28,342,495)	(65,154)
Registration & Other Income	19,004,116	8,221,503
Finance Income	8,996,047	1,360,766
Net Overhead for the period (12 Months)	(74,629,080)	(69,008,169)
5 COST OF SALE		
FOB Value	123,992,104,255	95,937,963,424
Freight	20,008,428,217	9,769,201,732
Lightering	2,026,194,376	1,033,181,174
Shipping & Other Charges	402,233,469	1,177,281,024
Cash Discount (10% Custom Margin)*	14,904,628,637	9,419,651,697
	161,333,588,954	117,337,279,052

* As per the terms of the VAT Act, price between a buyer and seller cannot be lower than the base value for VAT purposes used by Customs and add the 10% notional adjustment to cost in the issuance of VAT invoices to buyer.

6 REGISTRATION AND OTHER INCOME		
Registration & Other Income	19,004,116	8,221,503
	19,004,116	8,221,503
7 FINANCE INCOME		
Interest Income & Handling Income	8,996,047	1,360,766
	8,996,047	1,360,766
8 PROFIT BEFORE TAX		
Profit before tax is stated after charging all expenses including the following ;		
Staff Salaries	30,095,102	35,697,362
EPF	3,594,369	4,295,944
ETF	898,592	1,073,986
Provision for Gratuity	1,467,000	2,559,190
Directors fees	1,000,000	600,000
Depreciations	2,713,713	2,844,726
Audit Fee	515,200	500,000
	40,283,976	47,571,208

NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
9 INCOME TAX EXPENSE		
a) Current Income tax Expense		
Tax on profit for the year (Note 9.1)	2,578,076	498,665
Over/Under provision in respect of previous years	-	-
Total Current income tax expense	2,578,076	498,665
b) Deferred tax expenses (Note 9.3)	-	-
Income tax expense (Note 9.2)	2,578,076	498,665

9.1 Numerical reconciliation between the tax expense and accounting profit/(loss).

Reconciliation between Tax Expense and the product of Accounting Profit multiplied by the statutory tax rate is as follows:

Profit Before Tax	-	-
Disallowable Expenses for the Year	4,180,713	5,408,970
Allowable Expense for the Year	(9,863,840)	(2,393,719)
Tax Loss Utilized during the year (Assessable Loss from Business)	(5,683,127)	3,015,251
Interest Income	8,996,047	1,360,766
Net Assessable Income	8,996,047	4,376,017
At the statutory income tax rate of 24% (2021-24%)		
Tax Impact on Other Sources of Income (Interest Income)	2,698,814	408,230
Tax effect of Disallowable expenses	0	1,622,691
Tax effect of Allowable expenses	0	(718,116)
Under/(Over) provision of current taxes in respect of prior years	(120,738)	(814,140)
Income Tax expense reported in the Income Statement	2,578,076	498,665
At the effective income tax rate	30%	30%

- 9.2** The income tax expense of the company has been calculated on the adjusted profit at 30% (2022- 30%) in the terms of the Inland Revenue Act No 24 of 2017. However, in view of the break-even pricing model adopted in accordance with the agreement with CEB even the income tax expense is eligible for reimbursement from CEB. Hence, there is no tax expense shown for the year in the statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

- 9.3** Further , in the absence of profitability even the deferred tax is not expected to result a material change in tax expense, hence deferred tax was not considered in deducing the tax expense.

SHAREHOLDER INFORMATION

	2023	
	No of Shares	%
Ceylon Electricity Board	1,200,000	60
Treasury	400,000	20
Ceylon Shipping Corporation	200,000	10
Sri Lanka Ports Authority	200,000	10
Total Number of shares outstanding during the year	2,000,000	100

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT & EQUIPMENT

Cost/Revalue	Balance as at as at 01.01.2023	Additions	Transfer the Depreciation on revaluation	Revaluation Gain/(Loss)	Disposals/ Transfers	Balance 31.12.2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Assets						
Furniture & Fittings	3,546,467	-	-	-	-	3,546,467
Computers	4,285,657	1,187,999	-	-	-	5,473,656
Equipment	2,643,921	225,000	-	-	-	2,868,921
Leasehold Improvement	1,702,582	-	-	-	-	1,702,582
Network system	265,775	-	-	-	-	265,775
Motor Vehicles	7,875,000	-	-	-	-	7,875,000
Generator	845,000	-	-	-	-	845,000
Container Accommodation	6,744,085	-	-	-	-	6,744,085
	27,908,486	1,412,999	-	-	-	29,321,485
Depreciation	Balance as at 01.01.2023	Additions	Transfer the Depreciation		Disposals/ Transfers	Balance as at on revaluation 31.12.2023
	Rs.	Rs.	Rs.		Rs.	Rs.
Freehold Assets						
Furniture & Fittings	2,907,617	209,502	-	1,915		3,119,034
Computers	3,896,929	381,417	-	(81,718)		4,196,627
Equipment	2,257,866	154,045	-	82,504		2,494,414
Leasehold Improvements	1,702,582	-	-			1,702,582
Network system	265,775	-	-			265,775
Motor Vehicles	3,937,500	1,968,750	-			5,906,250
Generator	845,000	-	-			845,000
Container Accommodation	6,744,085	-	-			6,744,085
	22,557,353	2,713,713	-	2,700	-	25,273,767
Net Book Values	Balance as at 01.01.2023					Balance as at 31.12.2023
	Rs.					Rs.
Freehold Assets						
Furniture & Fittings	638,850	-	-	-	-	427,433
Computers	388,727	-	-	-	-	1,277,028
Equipment	386,056	-	-	-	-	374,507
Leasehold Improvements	-	-	-	-	-	-
Network system	-	-	-	-	-	-
Motor Vehicles	3,937,500	-	-	-	-	1,968,750
Generator	-	-	-	-	-	-
Container Accommodation	-	-	-	-	-	-
Total Carrying amount	5,351,133					4,047,718

NOTES TO THE FINANCIAL STATEMENTS

- 10.1 During the year ended 31st December 2023 , the company acquired Property, Plant & Equipment amounting to Rs.1,412,999/- (2022- Rs.571,688/-). Cash payment amounting Rs.1,412,999/- were made during the period for purchase of Property, Plant & Equipment.
- 10.2 Property, Plant & Equipment includes the assets fully depreciated during the year ended 31st December 2023 having a gross carrying amount of Rs. 1,108,977/- (2022- Rs. 1,864,160/-). Also the Property, Plant & Equipment includes the assets fully depreciated as at 31st Decemebr 2023 having a gross carrying amount of Rs.18,090,888/-
- 10.3 An independent valuation was performed by Messrs. De Silva Motor Engineers (Pvt) Ltd, Govt Registered No PV70496 LASL/V/007, a valuer of Motor vehicle to revalue the fully depreciated motor vehicles on the 31/12/2020. The details of revalued motor vehicles are as follows. The useful life of the re-valued motor vehicles is estimated as 4 years.

Vehicle No	Type	Revalued amount (Rs)
WP PC-0575	Double Cab Pickup- Mitsubishi L200	5,400,000.00
WP KJ-0610	Perodua Viva-Elite Motor car	1,725,000.00
WP AAU-5949	Bajaj Three Wheel	750,000.00
		7,875,000.00

NOTES TO THE FINANCIAL STATEMENTS

		2023 Rs.	2022 Rs.
11 OTHER NON-CURRENT ASSETS			
Liberty Commodities Ltd		236,785,640	236,785,640
CSCL(TISCL) *Note		589,973,845	589,973,845
		826,759,484	826,759,484

* This is the amount receivable from Taurian Iron and Steel Company Pvt Ltd for the coal supplied through CSCL. The amount once received will have to be paid to CEB and the corresponding payable is reflected in Note 20 Other non current liabilities. The difference between the accounts is explained by price escalation as per agreement.

12 TRADE & OTHER RECEIVABLES			
Trade receivable- Related parties	12.1	32,507,339,407	7,772,883,573
Trade receivable- Others	12.2	23,720,147	24,509,402
Other receivable- Related parties	12.3	104,012,222	68,577,677
Other receivable- Others	12.4	1,149,902	1,504,098
		32,636,221,678	7,867,474,749
12.1 TRADE RECEIVABLE - RELATED PARTIES			
Final VAT & Other Receivable from CEB		197,452,711	197,452,711
Trade Debtors (CEB) for Thermal Coal Shipments		31,692,270,437	7,570,163,218
BOC Loan Interest Recievable from CEB		191,835,779	-
Exchange loss Receivable from CEB (Cotecna)		51,632	5,267,644
Discharge Port Demerrage paid in Advance- CSCL		425,728,849	-
		32,507,339,407	7,772,883,573
12.2 TRADE RECEIVABLE - OTHERS			
SGS Charges 50% receivable from Liberty Commodities Ltd		8,048,531	8,048,531
Misc. Debtors		9,808,968	9,808,968
Shipment Control		1,251,647	4,618,977
Tax Receivable from CEB	12.2.1	4,611,002	2,032,926
		23,720,147	24,509,402
12.2.1 TAX RECEIVABLE FROM CEB			
EIncome Tax		4,611,002	2,032,926
		4,611,002	2,032,926
12.3 OTHER RECEIVABLE - RELATED PARTIES			
Management Fee		104,012,222	68,577,677
		104,012,222	68,577,677

NOTES TO THE FINANCIAL STATEMENTS

In terms of agreement between CEB and LCC, the payment of the Management fee (Net overhead) is determined on the basis of Audited accounts of the seller for the previous year.

12.4 OTHER RECEIVABLE - OTHERS

Prepayments- Office Rent
Other Prepayments & Advance
Other Receivable

1,096,902	1,474,098
50,000	30,000
3,000	-
1,149,902	1,504,098

NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
ADVANCE PAID TO SUPPLIERS	3,783,443,652	9,533,023,217
13 REFUNDABLE DEPOSITS		
Refundable Deposits	665,310	67,000
Deposit thro'CSCL	50,000	50,000
	715,310	117,000
14 FINANCIAL ASSETS		
Investment in FD- Peoples Bank	64,653,478	20,981,068
	64,653,478	20,981,068
15 STAFF LOAN		
Distress Loan	3,643,680	1,759,734
Festival advance & Salary Advance	165,000	99,000
	3,808,680	1,858,734
16 TAX RECEIVABLE		
VAT Receivable from S.L.Custom	29,266,966	29,266,966
Advance Income Tax paid	-	-
	29,266,966	29,266,966

VAT Receivable is an amount overpaid to Sri Lanka Customs at the point of importation of a coal shipment. The overpayment of VAT was the result of the declaration of an enhanced base value of a shipment for Custom purposes by the clearing agent . We have already submitted a refund claim and customs department has been working on necessary formalities to effect the refund or set off against the Customs payable balances.

17 CASH IN HAND AND CASH AT BANK		
Bank of Ceylon FC USD A/C 0090331536	4,304,999,830	-
Bank of Ceylon Current A/C 7952807	5,471,373	11,233,569
Bank of Ceylon S/A No 9225340	26,112	25,455
People's Bank FC USD A/C 004-4021-30000745	910,953,955	-
People's Bank Current A/C 004-1001-30000745	21,661,014	28,026,409
People's Bank Saving A/C 004-2002-00000745	10,214	-
People's Bank Saving Certificates	388,325	377,574
Gratuity Fund- Saving Account	5,802,531	5,638,991
	5,249,313,355	45,301,997
18 STATED CAPITAL		
Fully Paid Ordinary Shares	20,000,000	20,000,000
	20,000,000	20,000,000

NOTES TO THE FINANCIAL STATEMENTS

19 RETIREMENT BENEFIT OBLIGATION

Balance at the Beginning of the year	8,078,510	5,519,320
Provision for the year	1,467,000	2,559,190
Payment made during the year	-	-
Balance at end of the period	9,545,510	8,078,510

The benefit plan is internally funded and the company has set aside funds in a savings account after finalise the Audited Accounts to meet the obligations as and when they arise.

NOTES TO THE FINANCIAL STATEMENTS

	2023	2022
	Rs.	Rs.
20 OTHER NON-CURRENT LIABILITIES		
Advance payable to CEB (Liberty & Taurian)*	714,965,434	714,965,434

*The corresponding receivable is reflected in Note 11 Other non current Assets.

21 TRADE & OTHER PAYABLES			
Trade payables- Related parties	21.1	1,813,163,630	10,080,875,539
Trade payable- Others	21.2	23,774,331,878	7,400,494,649
Other payable- Others	21.3	45,331	45,331
		25,587,540,839	17,481,415,520
21.1 TRADE PAYABLE - RELATED PARTIES			
Ceylon Shipping Corporation Ltd- New		688,645,343	513,185,356
Ceylon Shipping Corporation Ltd- Old		34,562,813	34,562,813
CFR, VAT & Demurrage Received in advance (CEB)		1,089,955,474	9,533,127,371
		1,813,163,630	10,080,875,539
21.2 TRADE PAYABLE - OTHERS			
Coal Supplier		1,779,021,604	3,036,232,074
Cargo Insurance Payable		13,615,352	10,187,269
SGS Lanka (Pvt) Ltd.		12,161,313	12,161,313
Trade Creditors		87,802,599	87,965,676
VAT Payable to Custom/IRD *		20,930,726,267	4,253,925,278
Custom OT Payable		126,720	23,040
Performance Guarantees		950,878,023	-
		23,774,331,878	7,400,494,649

- A. Based on the request made through Ministry of Power, the Ministry of Finance allowed deferring the Provisional VAT payments from the coal season 2022/2023 due to CEB's liquidity constraints in 2023. Now the outstanding is being settled shipment by shipment & as at reporting date the payable balance was 14.8 billion.
- B. LCC has received several assessments from IRD on the outstanding VAT payable for the year of assessment 2017/2018, 2018/2019, and 2019/20. LCC submitted amended VAT returns to IRD, along with the apples for the aforementioned VAT assessments, because LCC disagreed with IRD's output VAT calculation. The same issue is being negotiated.

NOTES TO THE FINANCIAL STATEMENTS

21.3 OTHER PAYABLE - OTHERS

Wages Payable

45,331

45,331

45,331

45,331

22 INTEREST BEARING LOANS AND BORROWINGS

Bank of Ceylon- Term Loans

15,969,270,215

-

Interest Payable for Bank of Ceylon- Term Loans

186,833,039

-

16,156,103,254

-

23 ACCRUED EXPENSES

EPF/ETF Payable

3,537,237

1,470,882

legal, Audit and professional fees

545,753

532,153

Payment for Un availed Sick Leave

1,971,587

1,971,587

Bonus

286,620

168,115

others

144,209

126,608

6,485,406

4,269,346

24 Income Tax payable

Balance at the beginning of the year

1,900,659

6,619,781

Provision for the year

2,578,076

498,665

Payments made during the year

(393,736)

(5,217,787)

Balance at the end of the year

4,084,998

1,900,659

NOTES TO THE FINANCIAL STATEMENTS

25 Commitment & Contingencies

The Company has identified the following differences with Ceylon Shipping Corporation's records due to the reasons given.

Nature of Expense	LKR.	Reason
(1) FREIGHT CHARGES	213,401	Freight charges of Deaf Coal (Ship No 01) - confirmation awaited
	15,211,259	Issued a Debit Note for revision of Freight - 08 Shipments by LCC but not credited by CSC
(2) LIGHTERING CHARGES	62,707,947	VAT on Lightering which was ruled 0% by IRD
	(41,430,513)	Lightering Charges of 384/16 Shipment did not account by CSC
(3) BUNKER ADJUSTMENT CHARGES	12,311,421	Base Bunker price billed at \$ 11/MT but LCC taken at \$ 10.75/MT (As per Agreement)
(4) FREIGHT ADJUSTMENT CHARGES	113,133	Calculation deference of Freight Adjustment : 210-21 Shipment
(5) DIESAL ESCALATION CHARGES	(6,036,448)	Deisal Escalation of 384/16 Shipment did not account by CSC
(6) DEMURRAGE- LOARD PORT	69,424,040	US\$ 412,000/- Related to pending legal case of Liberty Commodities.
	9,405,413	With the understanding of CSC, these charges are settled upon collection (201/12)
DEMURRAGE- DISCHARGE PORT	53,377,050	The final lay time calculations are not agreed by the relevant parties.
	425,728,849	Advance paid to CSC for the settlements of Discharge port Demurrage/Dispatch
(7) DISCHARGE PORT DISPATCH CHARGES	56,670,147	Deducted by supplier against Discharge port demurrage receivable from CEB
(8) EXCHANGE GAIN/LOSS	106,747,947	Exchange gain/loss confirmation awaited from CEB
(9) CLEARING, FORWARDING & DISBURSEMENT	6,843,417	Debit Note for Custom Penalty issued by LCC but CSC did not credited.
	1,272,172	Cargo Insurance Reduced by LCC but CSC still did not do the adjustment.
	28,783,674	Freight chargers of disputed shipment - Ship no 19 (Taurian)
(10) BANK COMMISION CHARGES	26,985,242	Bank Commission Charges of Lightering/Bunker Escalation payments as CSC record.
	828,328,152	

NOTES TO THE FINANCIAL STATEMENTS

26 Events Occurring After the Reporting Date

Events which were of significance and occurred after the reporting date that require disclosure in the financial statements but no any significant event occurred after the reporting date.

27 Summary of Legal cases

Case No	Petitioner	Respondent	at the beginning-	Carrying amount Dr/ (Cr)- Rs
CHC/ARB 1274/2022	Lanka Coal Com (Pvt) Ltd.	Liberty Commodities Ltd	236,785,640	236,785,640

- * Received an order and/or award from Arbitration on 31/12/2021, directing the Respondent to pay the Claimant (Lanka Coal Company) US \$ 1,575,141.86 with 3% annual interest plus the Arbitration cost of 10 million rupees. Also Judgement of Commercial High Court –Colombo of the above matter was delivered on 08.08.2023 in LCC favor and an order was made to enforce the Arbitral Award. AG's has sent letter on 06 th Nov, 2023 to LCC to submit a detailed report with regard to the assets of Liberty Commodities Limited to get the decree executed. A letter was sent to the Sri Lankan High Commissioner in the UK through Line Ministry, requesting asset details for Liberty Commodities. This receivable is reflecting in Note 11 under Other non current assets-Liberty Commodities Ltd.

PT.Asian Mining and Resources : Case No - CHC 218/2020 MR

The Company lodged a demand for sum of USD 300,000/- from PT. Asian Mining and Resources as they were in breach of condition of bid security of SPOT Tender No- LCC/20-21/ST/19/2 . Commercial High Court of Colombo has issued an enjoining order restraining Bank from making payment on encashment of Bid Security No.BTD/B090651 for USD 300,000/-

NOTES TO THE FINANCIAL STATEMENTS

28 RELATED PARTY TRANSACTIONS

28.1 Identify of the related parties

The company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 “Related Party Disclosures”, the details of which are listed out below.

28.2 Transactions with companies in which Directors of the company hold other Directorships

The company carried out transactions with entities where the Chairman or a Director of the Company is the Chairman or a Director of such entities as detailed below.

(i) Loans given to directors

No loans have been given to directors of the company.

	2023	2022
(ii) Key Management Personnel compensation.	Rs.	Rs.
Directors fees	1,000,000	600,000
Allowance to Chairman/Managing Director	2,549,697	2,458,122

28.3 Transactions with Parent and related entities

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

29 CAPITAL COMMITMENTS

There were no material capital commitments as at the date that require adjustments to or disclosure in the financial statements.

**Ceylon Electricity Board
Holding Company**

Total

Rs. 2023 **Rs. 2022** **Rs. 2023** **Rs. 2022**

Nature of Transaction

As at 1 st January	(2,404,598,629)	4,766,394,632	(547,748,168)	(675,376,070)	(2,952,346,797)	4,091,018,562
Sale of Coal with VAT	185,540,881,973	129,183,194,789			185,540,881,973	129,183,194,789
Expense reimbursement	74,629,080	69,008,169			74,629,080	69,008,169
Cash Discount	(14,904,628,637)	(9,419,651,697)			(14,904,628,637)	(9,419,651,697)
ESC & Income TAX	2,578,076	(578,180,021)			2,578,076	(578,180,021)
Adjustment for receivables	1,182,772,437	(136,613)			1,182,772,437	(136,613)
Freight charges				(454,455,775)	-	(454,455,775)
Lightering charges			(2,056,991,739)	(1,060,503,362)	(2,056,991,739)	(1,060,503,362)
Other Chargers to CSC			(75,414,000)	(294,400)	(75,414,000)	(294,400)
Adjustment for payables				(3,079,499)	-	(3,079,499)
Cash Receipts	(139,106,321,426)	(126,425,227,888)			(139,106,321,426)	(126,425,227,888)
Cash Payments			2,382,674,601	1,645,960,938	2,382,674,601	1,645,960,938
As at 31 st December	30,385,312,874	(2,404,598,629)	(297,479,307)	(547,748,168)	30,087,833,568	(2,952,346,797)

Included in

Trade Debtors (CEB)	31,692,270,437	7,570,163,218			31,692,270,437	7,570,163,218
Exchange loss Receivable (Cotecna)	51,632	5,267,644			51,632	5,267,644
Income Tax Recievable	4,611,002	2,032,926			4,611,002	2,032,926
Final VAT & Other Receivable	197,452,711	197,452,711			197,452,711	197,452,711
Management Fee	104,012,222	68,577,677			104,012,222	68,577,677
BOC Loan Interest Recievable	191,835,779				191,835,779	
Advance Received from CEB	(1,089,955,474)	(9,533,127,371)			(1,089,955,474)	(9,533,127,371)
Payable on Liberty & Taurian	(714,965,434)	(714,965,434)			(714,965,434)	(714,965,434)
Ceylon Shipping Corporation - Old			(34,562,813)	(34,562,813)	(34,562,813)	(34,562,813)
Ceylon Shipping Corporation - New			(688,645,343)	(513,185,356)	(688,645,343)	(513,185,356)
Advance Paid to CSC			425,728,849	-	425,728,849	-
	30,385,312,874	(2,404,598,629)	(297,479,307)	(547,748,168)	30,087,833,568	(2,952,346,797)

NOTES TO THE FINANCIAL STATEMENTS

	Add. Notes	2023 Rs.	2022 Rs.
Revenue	(A)	161,408,218,035	117,406,287,221
Direct expenses (Cost of Sale)		(161,333,588,954)	(117,337,279,052)
Gross Profit		74,629,080	69,008,169
Other Income	(B)	19,004,116	8,221,503
Administration Expenses	(C)	(74,286,749)	(78,525,284)
Operating Profit		19,346,447	(1,295,612)
Finance Income	(D)	8,996,047	1,360,766
Finance Cost	(E)	(28,342,495)	(65,154)
Profit before Tax		-	-
Income Tax Expense	(F)	-	-
Profit for the year		-	-

<u>(A)</u>	2023	2022
<u>REVENUE</u>		
Turnover	161,333,588,954	117,337,279,052
Reimbursement of Expenses by CEB	74,629,080	69,008,169
	161,408,218,035	117,406,287,221

<u>(A.1)</u>		
Calculation of Net Overhead Cost		
Administrative Expenses	(74,286,749)	(78,525,284)
Finance Cost	(28,342,495)	(65,154)
Registration & Other Income	19,004,116	8,221,503
Finance Income	8,996,047	1,360,766
Net Overhead for the period (12 Months)	(74,629,080)	(69,008,169)

<u>(B)</u>		
<u>OTHER INCOME</u>		
Registration Income	18,995,616	5,440,200
Bidding Documents Charges	-	2,752,043
Other Income	8,500	29,260
	19,004,116	8,221,503

NOTES TO THE FINANCIAL STATEMENTS

LANKA COAL COMPANY (PVT) LTD STATEMENT OF PROFIT ORZ LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2021

	Add. Notes	2022 Rs.	Rs.	2021 Rs.
(C) ADMINISTRATIVE EXPENSES		Expenses	Budget	Expenses
Directors fees		1,000,000	480,000	600,000
Chairman/Managing Directors Salary		1,200,000	5,425,872	1,170,968
Salaries- Executives		21,387,542	22,577,724	24,591,047
Salaries- Other staff		8,707,560	8,772,132	11,106,315
Overtime		3,508,041	3,548,506	4,349,806
Holiday Pay		57,505	378,779	102,171
Bonus		-	3,064,644	489,425
Payment for un-availed sick leave		-	3,064,644	32,182
Employees Provident Fund		3,594,369	4,458,541	4,295,944
Employees Trust Fund		898,592	1,114,635	1,073,986
Staff Medical Scheme		1,726,256	1,659,087	1,508,261
Employees' Welfare		1,142,580	1,179,802	887,159
Gratuity Provision		1,467,000	1,306,244	2,559,190
Office Rent		2,172,126	2,081,079	1,947,070
Electricity		1,584,367	1,644,756	1,340,218
Water		221,558	192,760	191,989
Telephone		732,914	969,600	725,515
Postage & Courier services		71,578	20,000	14,210
Books, News Papers and Periodicals		126,280	100,000	104,140
Stationery		2,447,776	2,000,000	2,841,225
Website, Internet & Email		797,597	100,000	118,000
Motor vehicle running expenses		4,182,197	3,299,866	3,477,769
Transport Allowance for Management		2,450,000	2,400,000	2,385,484
Repairs to motor vehicles		2,326,670	1,500,000	1,148,063
Miscellaneous Items		2,427,604	260,000	842,313
Expenses for Customs & Immigration officers		1,166,408	600,000	537,044
Repairs to office equipment		537,542	1,400,823	1,229,673
Staff Travelling		82,258	100,000	76,716

NOTES TO THE FINANCIAL STATEMENTS

Tender Advertising expenses	1,155,830	100,000	466,200
Tender Expenditure	552,885	611,013	325,610
Office maintenance	402,245	673,137	353,250
Professional fees	1,295,729	1,266,742	2,149,281
Consultancy fees	397,000	870,000	965,992
Security Service	1,107,385	985,500	954,980
Stamp duty	18,277	7,500	5,054
Depreciation	2,713,713	2,866,948	2,844,726
Audit fees	515,200	500,000	500,000
Insurance	112,163	141,275	130,323
Covid-19 Related Expenses	-	300,000	83,983

74,286,749	82,021,609	78,525,284
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(D) FINANCE INCOME

Interest on Fixed Deposits	7,923,843	-	981,068
Interest on Savings Account	183,835	110,000	131,567
Interest on Staff Loans	215,523	205,620	248,130
Handling Charges- SGS, Demurrage etc..	672,847	100,000	-

8,996,047	415,620	1,360,766
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(E) FINANCE COST

Bank charges*	939,365	172,531	65,154
Exchange Loss on US\$ Accounts	27,403,130	-	-

28,342,495	172,531	65,154
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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல.
My No.

PWR/B/LCC/1/2023/30

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

25 September 2024

The Chairman
Lanka Coal Company (Pvt) Ltd

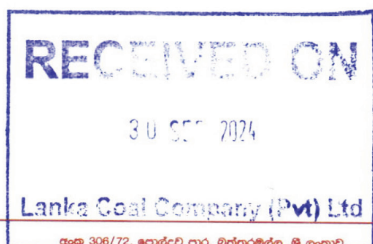
Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Coal Company (Pvt) Ltd for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lanka Coal Company (Pvt) Ltd (“Company”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 notes to the financial statements, including material accounting policy 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. The report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



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අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, போல்துவ வீதி, பத்தரமுல்லை, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.

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1.2 Basis for Qualified Opinion

- (a) The Company had not made provision for the trade receivables of Rs.1,553 million which was due for more than one year as per the paragraph No. 5.5.15 (a) of SLFRS 9.
- (b) When importation of coal, a mark-up of 10 per cent had been added to the value at the point of the Customs as a notional adjustment in ascertainment of the value for the Custom purpose which had not been actually incurred. However, the Company had added a 10 per cent mark-up amounting to Rs.14,904.63 million to the revenue for the year under review, and later, that amount had been recognised as discounts to the debtors and adjusted to the cost of sales. As a result, the cost of sales and revenue for the year under review had been overstated by similar amount in contrary to the provisions stipulated in SLFRS 15. Above adjustment had been accounted by the company according to the instruction given by the IRD. However, it had not been disclosed in the financial statements.
- (c) Relevant documentary evidences such as invoices, detailed schedules, and balance confirmations relating to the trade receivable balances and miscellaneous debtors, aggregate to Rs.17.86 million and the payable balances aggregate to Rs.99.96 million outstanding over two years as at the end of the year under review were not made available to audit.
- (d) Balance confirmations relating to final VAT, management fee and income tax receivables from CEB amounting to Rs.197.45 million and Rs.44.58 million respectively as at the end of the year under review were not made available to audit. Further, the said balances had not been recorded in the financial statements of CEB.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.



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 NATIONAL AUDIT OFFICE

1.3 Other information included in the Company's 2023 Annual Report.

The other information comprises the information included in the Company's 2023 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2023 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



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- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.
 - 2.1.1 Except for the effects of the matters described in the basis for qualified Opinion section of my report, 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 as per the requirement of Section 163 (2) of the Companies Act, No. 7 of 2007 and Section 12 (a) of the National Audit Act, No. 19 of 2018,
 - 2.1.2 The financial statements of the Company comply with the requirement of Section 151 of the Companies Act, No. 07 of 2007.
 - 2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
 - 2.1.4 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2 (b), (c), (d) and (e) described in the basis for

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qualified opinion section of my report as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018,

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018,

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018, except for;

Reference to law/ direction	Non-Compliance
(a) Section 90 (1) of the Inland Revenue Act No. 24 of 2017.	The Company had not paid the quarterly income tax instalments during the year under review as required by the provisions of the Act.
(b) Section 26(1) of Value Added Tax Act No. 14 of 2002 (incorporating amendments up to 01.01.2014)	The tax in respect of any taxable period shall be paid not later than the twentieth day of the month following the end of the taxable period. However, the Company had not paid the VAT as per the said provision and the VAT payable as at 31 December 2023 was Rs. 20,930.73 million.
(c) Guideline No. 4.2 of the National Procurement Guideline	Even though the Company should prepare a detailed Procurement Plan and time schedule for procuring the annual coal requirement as per Procurement Guidelines and obtain the approval of the Secretary to

the Ministry for the same. However, a proper detailed Procurement Plan had not been prepared by the Company.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

2.3 Other Matters

The Company had failed to make the advance payment to the supplier as agreed in the contract agreement. As a result a sum of Rs. 137.88 million had been paid by the Company as load port demurrage for three shipments during the year under review.


W.P.C. Wickramaratne

Auditor General

Observations of Lanka Coal Company for the Auditor General's Report

Your Ref: PWR/B/LCC/1/2023/30
October 03, 2024

To: Auditor General
National Audit Office

Dear Sir,

Reply for the report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Coal Company (Pvt) Ltd for the year ended 31 December 2023 in terms of Section 12 of the national Audit Act, No 19 of 2018.

Replies for the Auditor General's Report we received on 30/09/2024 on the aforementioned observations are presented herein

1.2 Basis for Qualified Opinion

Reply for 1.2 (a)

The company evaluated receivables collectively for impairment and found that no provision is required for the impairment of some individually significant receivables. The reason for this is that receivables are backed by corresponding payables, and if a default occurs, there is the possibility of a set-off. This means there is no exposure at default requiring any charge for impairment. Also, LCC makes no profit from the delivery of coal to CEB, and if there is any provision on trade receivables to be charged to CEB as a management fee, with an 18% value added tax. It will be an additional expense for CEB.

Reply for 1.2 (b)

The Inland Revenue Department (IRD) directed LCC to include a 10% customs margin to cost while issuing VAT invoices to CEB. This pricing structure was decided following a meeting conducted in the ministry on June 28, 2018, with

an official from the Inland Revenue Department (IRD) present. According to IRD officials, the base amount for VAT on CEB invoices cannot be lower than the value for customs purposes. The 10% is thus inserted purely on the instructions of an IR official. LCC has also enquired with the Inland Revenue Department about the possibility of computing output VAT by removing the 10% notional margin, which is part of the revenue; a response has yet to be received. Furthermore, on April 4, 2022, the G.M. Ceylon Electricity Board wrote to the Secretary of the Ministry of Finance, requesting a VAT exemption for coal import and supply.

As stated in audit observations, the above ruling is contrary to the provisions stipulated in SLFRS 15 (Revenue from Contracts from customers), and we will refer this to the Institute of Chartered Accountants of Sri Lanka for further clarifications, and changes will be made in the next financial year, if required, in compliance with Sri Lanka Accounting Standards.

Reply for 1.2 (c)

LCC was given a directive by Inland Revenue

i. SGS Charges 50% receivable from Liberty Commodities Ltd. – Rs. 8,048,531.00

Draft Survey Charges at discharge port for 17 nos of vessels in the season 2015/16 are included. Attached is an email sent in 2019 informing M/s Liberty Commodities Pte Ltd to make this payment based on the signed agreement. Arbitration process is going on this matter.

ii. Miscellaneous Debtors – Rs. 9,808,968.00

Initial investigations revealed that the amount comprises of irrecoverable NBT & PAL. Being further investigated to ascertain source/origin.

Observations of Lanka Coal Company for the Auditor General's Report

iii. Rs. 84,771,789.21- Payable to Noble Resources International

The balance consists primarily of an underdrawn amount to Nobel Recourses Intl. Pvt. Ltd, because of the LC validity period expiring. The funds were used to settle other payables based on operational exigencies due to certain claims by us for coal-related payments and management fees, among other things, that had been outstanding with CEB for some time.

iv. SGS Lanka (Pvt) Ltd – Rs.12,161,313.00

Herewith attached the related communication received from SGS Lanka (Pvt) Ltd.

2.2.2. Compliance with applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Section 12(f) of the National Audit Act, No 19 of 2018 :

Reply for 2.2.2 (a). IRD Act No 24 of 2017 – Section 90 (1)

We are in continually negotiations with Inland Revenue Department for the outstanding tax payable & we will settle the final tax liability based on the return for the year of assessment 2022/2023.

Reply for 2.2.2 (b)

As stated in the financial statements' note no. 21.2, the Ministry of Finance granted a request made through the Ministry of Power to defer the Provisional VAT payments from the coal season of 2022–2023 due to CEB's liquidity constraints in 2023. The outstanding balance is being settled shipment by shipment and now the payable balance is around 1.3 billion.

2.3 Other Matters

Reply for 2.2.2 (c)

LCC is required to submit a detailed procurement plan and schedule to the secretary before each coal season begins. However, the plan for the 2022-23 season was unsuccessful. Consequently, LCC had to engage in ongoing discussions with the ministry and the president's secretariat to identify the best procurement method to ensure a consistent coal supply to the LVPP, including establishing a long-term credit arrangement. Even though LCC has not prepared the said documents, all steps have been taken with the instruction of Secretary to the Ministry of Power and Energy. During that problematic period, an amended detailed procurement plan and schedule were not submitted to the secretary before the that procurement began. However, going forward, this procedure will be strictly adhered to.

Reply for 2.3 Other Matters

Since the long –term credit basis tenders (3) were unsuccessful, LCC had to advance shipments from existing long term tender, LCC/21/TT/1 contract.

The payment method was on sight LC basis. However, due to the economic down turn in the country due to the impact on Covid-19 pandemic and the geopolitical situation in the world. The Country's economic situation deteriorated severely. Therefor none of the tenders called on long term credit basis were successful. Further, due to the above situation Sri Lankan financial institution were downgraded by the international Fitch rating agencies. therefore inability open L.C 's by any Sri Lankan Banks prevailed and further L.C's were not confirmed by any international banks.

Observations of Lanka Coal Company for the Auditor General's Report

Therefore, supplier did not agree to supply coal as per the agreed contractual terms of sight LC. In this context, supplier agreed to supply the balance quantity of coal 1.125 million +/-10% under advance payment method of 30% prior to the vessel nomination, approximately 15 days before the first date of loading port & balance payments before unloading. Also supplier added a condition in the effect of any payment delays occurred will be on buyer's accounts with the approval of cabinet of ministers.

Accordingly, we were unable to make the advance payment to the supplier as agreed in accordance with the new terms of the contract a sum of Rs.137,883,574 had been paid as per lord port demurrage.

LANKA COAL COMPANY (PVT) LTD

Shehan N. Sumanasekara

Chairman



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