Lanka Sugar Company (Private) Limited.

ANNUAL REPORT 2023

27, Melbourne Avenue, Colombo 4, Sri Lanka. Tel : +94 11 258 4184 Fax : +94 11 250 0674 E mail : Infosugarsrilanka@gmail.com


The beginning of a journey to
sweet success

CONTENTS

Our Philosophy

To Contribute to the National Development through improving rural economy, thereby increasing the Socio - economic status of farmers with sugar based farming and industry.

Our Vision

To become self-sufficient in sugar

Our Objectives

MISSION 333 - SHORT TERM (3 YEARS BY 2026)

1). Achieve 57,000 Mt of sugar production
2). To support 16,000 farmer families
3). To provide 56,000 indirect employments
4). To contribute 9.6% of national sugar requirement
5). Achieve Rs.5.7 Billion Net Profit
6). To save 11 Billion rupees worth of Foreign Exchange
7). Co-generate 46 MW of Power

MISSION 555 - LONG TERM - (5 Years by 2028)

1). Achieve 66,000 Mt of Sugar Production
2). To support 20,000 Farmer Families
3). To provide 60,000 indirect employments
4). To produce 11% local sugar requirement
5). Achieve Rs. 7.6 Billion Net Profit
6). To save 13 Billion rupees worth of Foreign Exchange
7). Co-generate 60 MW Power

Strategies

1). Our grower based growing model for a Win-Win business partnership.
2.) Yield improvement with high yielding verities, better agricultural practices with an efficient extension service and ensuring better returns to farmers.
3). Farmer motivation through quantity and quality productivity incentives.
4). Staff motivation through incentives based on productivity and performance.

Research and Development

Research and Development activities to increase sugar cane and sugar productivity are being carried out with Sugar Research Institute of Sri Lanka.

Corporate Social Responsibility

We believe that we must increase the income values of the sugar cane farmers and add value to the community and the environment in which we operate.

Lanka Sugar Company (Private) Limited

FINANCIAL & OPERATIONAL HIGHLIGHTS - 2023

(Figures are in Rupees Million)	2023	2022	2021
Financial Highlights			
Turnover	16,095.08	19,287.05	12,285.07
Cost of Sales	(10,514.18)	(10,550.15)	(8,980.76)
Gross profit	5,580.90	8,736.90	3,304.31
Net Profit before tax	2,835.11	6,045.57	1,250.58

Operational Performance	2023	2022	2021
Land cultivation			
Cultivable Area (Hectare)	14,536	14,760	14,874
Area Cultivated (Hectare)	12,722	13,493	13,820
Area Cultivated %	87%	91%	93%

Harvesting programme	2023	2022	2021
Cane harvested (MT)	646,805	767,572	791,288
Percentage of Increase/ (Decrease) over last year	-16%	-3%	38%
Sugar Recovery Rate	6.59%	6.33%	6.09%

Sugar Production	2023	2022	2021
Production in Metric Tonnes	41,860	36,738	48,177
Tonnage Per Head Per Annum	7.51	6.64	8.75

Human Resource	2023	2022	2021
Permanent	4,265	3,709	3,549
Contract	455	517	445
Casual	819	1,276	1,498
Seasonal	-	-	-
Trainees	32	30	15
Total	5,571	5,532	5,507


As sweet success
reaches for the sky

Chairman's Statement

On behalf of the Board of Directors, I am pleased to submit the annual Report together with Financial Statement for the year ended 31st December 2023 of Lanka Sugar Company (Private) Limited.

The year under review of the Company was indeed challenging with many macro and micro economic factors affecting the performance. Sugar recovery rate increased from 6.33% to 6.59%, however, sugar cane yield per hectare has considerably decreased from 61.21 metric tons to 50.84 metric tons, making a negative impact on the production volume.

The Economic Environment

In 2023, the Sri Lankan economy showed signs of rebound with a moderate contraction of 2.3 per cent, in comparison to a significant contraction of 7.3 per cent observed in 2022. The gradual yet steady rebound in 2023 was evident, particularly in the second half of the year, during which the Gross Domestic Product (GDP) recorded positive growth rates. This was underpinned by renewed macroeconomic stability amidst softening inflation and easing of external sector pressures.

Industry Overview

On a year-on-year basis, the total sugar production production of the Gal Oya, Sewanagala, Pelwatte, and Ethimale recorded a contraction of 16.2 per cent to 66,013 metric tons in 2023, compared to 78,857 metric tons recorded in 2022.

The total extent of sugarcane cultivation managed by the four factories was 26,638 hectares during the year. Meanwhile, the average yield of the four sugar factories contracted by 8 per cent, reflecting shortages of nutrients for cane cultivation. Accordingly, the average yield stood at 54.9 metric tons per hectare in 2023, compared to 59.7 metric tons per hectare recorded in 2022. Total crushed cane amounted to 1,010,867 metric tons while overall sugar extraction rate stood at 6.54% for the year. Ethanol production was 13.35 million liters during the year.

The Government continued to undertake several initiatives aimed at strengthening the local sugar industry, while reducing over dependency on imports to meet domestic sugar requirements. Taking into account the need to expand cultivation areas and improve the factory capacity as the top priorities for enhancing local sugar production, the Cabinet of Ministers approved the establishment of a new sugar factory, namely, Weli Oya Sugar Factory, as a subsidiary of Lanka Sugar Company (Pvt.) Ltd., in early 2022, through which local sugar production is expected to increase.

Company Performance

Production of sugar at Sevenagala sugar factory increased by 9 per cent to 13,783 metric tons while production of sugar at Pelwatte sugar factory increased by 16.4 per cent to 28,077 metric tons in 2023. The estimated share of sugar output from the Lanka Sugar Ltd to the overall national production in year 2023 was 63.4 per cent compared to 46.6 per cent recorded in year 2022. Ethanol production has decreased from 11,790,195 liters in the year 2022 to 7,521,979 liters in the year 2023.

Welfare

Company spent substantial amount of money for welfare during the year. Separate maintenance staff has been allocated for maintaining the crèches and infrastructure. Company provides school transport for kids of worker families. Pre-School and Day care center are maintained by the Company.

Future Outlook

Looking forward, Sri Lankan economy is experiencing a crisis at present, however the government has imposed import restrictions on brown sugar and ethanol and it will generate positive results for the local sugar industry as the local manufacturers face lesser competition and attractive prices for their produce. Our product has a definite commodity market. The management is continuously focusing to increase the cultivation area of sugar cane. Motivating the existing farmers as well as, bringing new farmers to the industry is required in order to achieve better results.

Acquiring new lands and increasing productivity of our own plantation are also important. In addition to the main product, we are focusing on development of by products to reap the maximum benefits of the operation.

Appreciation

I would like to express my sincere thanks to the Board of Directors, the Management and the staff of the company for their efforts and valuable contribution made during the year 2023 and in the past.

I also, thank the sugar cane farmers, customers, sugar wholesale dealers, and the Banks and other government institutions for being with the company, throughout.

RSPMajor Gen. (Retd) S.M.S.P.B. Samarakoon RWP, RSP
Chairman,

Director / Chief Executive Officer's Statement

Dear All the Stake Holders,

Business Environment

Year 2023 delivered satisfactory results for the company resulting in positive impact for the financials. With easing of prevailed during the year, sugar production domestic fertilizer and other raw materials shortagesincreased by 5,122 metric tons, but the demand for ethanol decreased drastically as the demand for liquor in the country fell sharply with the price increase and as a result, ethanol production decreased by 4,268,216 liters during the year. The company was able to maintain an average selling price at LKR 312 per kilogram for Sugar and LKR 872.67 per liter for ethanol during the year. The Company recorded revenue amounting to Rs. 16,095 Million during the financial year under review compared to the revenue of Rs. 19,287 Million recorded in the previous year. The Company recorded Rs.2,835 Million operating profit before tax for the year 2023, it is a sharp fall compared to operating profit before tax of Rs. 6,045 Million recorded in the year 2022. Fall of ethanol sales mainly contributed to the decrease of profit for the year. Cost of sales for the year was Rs. 10,514 Million. Administrative expenses have increased by Rs. 214 million to Rs. 3,566 Million. Finance income has increased by Rs. 115 Million to Rs.656 Million during the year while finance cost has decreased by Rs. 18 Million to Rs. 69 Milion.

Technical

Management has taken several measures in order to increase the productivity of the company. Management has undertaken a factory expansion drive at Sevanagala to increase the factory capacity to increase production. Steps have been taken to implement an Integrated Software Solution, ERP (Enterprise Resource Planning) at a cost of Rs. 129 Million. It is expected to improve the efficiency and effectiveness of the organization's business processes and to provide real-time data and reporting capabilities. Company has undertaken to construct a bio fertilizer manufacturing plant to manufacture bio fertilizer using the residues from sugar manufacturing process at a total cost of Rs. 1,433 Million. It is expected to generate numerous benefits from this project such as reducing the chemical fertilizer importation expenditure by Rs.350 Million per annum, inculcating green economic culture, better use of residues in an environmental friendly manner, improving the soil condition in healthy manner by using chemical free fertilizer and introducing Green energy consumption concept.

Human Resource

The success of the company is driven by its employees. The employees are guided by company values and focused on Safety, Our Employees, Customers, Excellence, Integrity, Sustainability and Our Community. Training and development will be key to retain and develop the most valuable resource; personnel this includes our famers too. Therefore it will be an utmost priority of the management in coming years to maintain proper training programs.

I would like to take this opportunity to thank all employees and management for their dedication and hard work. The overall effort is greatly appreciated and together we will continue to optimize each opportunity as presented to benefit all stake holders.

Gamini Rasaputhra
Director / Chief Executive Officer

Corporate Governance Report

Lanka Sugar Company (Pvt) Ltd (LSCPL) practices corporate governance framework to ensure the accountability, transparency, fairness and responsibility of the Board of Directors or senior management and the system of directing, controlling and managing the corporate affairs. The best practices of corporate governance guides and drives towards progress by way of developing and implementing appropriate corporate strategies. These corporate governance practices improve quality of decision making and ensure the growth, profitability and sustainability of the company.

Composition Of The Board

The Board of Directors of LSCPL, led by the Chairman, is committed to ensuring the governance structure, policies and progresses are sufficiently robust and relevant in a dynamic environment. The Board currently comprises of five Non-Executive Directors and two of Executive Directors including Chairman and Director / Chief Executive Officer appointed by the Treasury of Sri Lanka Government. The Board would report to Secretary to the Treasury of Sri Lanka Government and to the Ministry of Plantation Industries.

Board of Directors, senior management, and all employees of LSCPL are required to embrace this framework in the performing their duties and responsibilities that could affect the goodwill of the company and act in the best interest of the company and its stakeholders in fulfilment of stewardship obligation of the Board of Directors. LSCPL adopts the framework of corporate governance in accordance with guidelines issued by the Department of Public Enterprises and Board takes in to account the regulatory requirements, voluntary codes, market best practices and the need to deliver value to stakeholders in a transparent manner. The Board comprises of highly respected individuals who have reached the pinnacle of their chosen fields often displaying multi-disciplinary competencies and are appointed by the Sri Lanka Treasury based on the recommendations made by an independent committee comprises of experts in various sectors. The Board approves a strategic plan and key policies for the Company and effectively the monitors their implementation through the Board sub- committees and Key Management Personnel.

Corporate Governance

Lanka Sugar Company (Pvt) Ltd (LSCPL) always reviews the system of internal controls to ensure best practices of professional due care, ethics, transparency and integrity in operating the company affairs in achieving corporate goals and objectives. Hence, LSCPL recognizes the value of goods Corporate Governance and trust that it provides opportunities to manage risks and add value to its stakeholders while ensuring a viable sustainable business. Further, we wish to state that our commitment to best practices of corporate governance by the existence of a vibrant audit committee, which comprises of three Non-Executive Directors with multi-disciplinary professional competencies.

Board Meetings

The Board meets once a month to discuss and to make strategic decisions to ensure the smooth running of corporate affairs of the company. Also, Board reviews Management accounts and the progress reports in addition to other matters of importance such as the formulation of strategies, business policies and to assure growth and the successful implementation of such strategies. Further, Board approves the corporate plans, annual budgets, capital expenditure, new investments and new ventures after reviewing the proposals of investments.

Company Secretaries and Independent Professional Advice

The Board and the senior management of Lanka Sugar Company (Pvt) Ltd (LSCPL) seek independent professional advises from the Company Secretaries and various external professional bodies as and when it requires to do so. Also, company closely works with Agriculture, Technical and Financial experts to improve the concurrent technical needs in line with the corporate strategy of the company.

Business Acumen and Management Meetings

The Company conducts weekly operational meetings at the level of Strategic Business Unit to ensure the smooth running of the day to day operations of the Unit. Also, LSCPL conducts monthly management meetings in order to review and monitor the operations of the company in addition to the monthly Board meetings. These management meetings are conducted at every Thursday and Friday of the third week of the month in Pelwatte and Sevanagala Units respectively and is chaired by Chairman and/or Director/ CEO. All Divisional Heads and Sectional Heads participate to these meetings and are expected to present their performance of the previous month and to discuss the challenges they face and strategies to overcome those challenges in order to achieve expected results during the month.

Financial Reporting

The Board of Directors of LSCPL considers to timely publication of its Annual Reports as a statutory requirement for State owned Enterprises. These Annual Reports consist of Financial Statements comprising Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows and other required operational information. These Financial Statements are prepared in accordance with Sri Lanka Accounting Standards and generally accepted accounting principles.

Corporate Social Responsibility Report

Company carries out various Corporate Social Responsibility activities. Company contributes to maintain 11 preschools in the area. School bus service is maintained by the company to provide transportation facilities to the children of the employees on 10 routes. Support services are provided to Schools, temples and Police Stations in the Monaragala District by the Company. Lanka Sugar Ltd maintains a dedicated medical centres for the company's employees and farmers. Road maintenance in the settler, Out grower and Site area is carried out by the Company incurring huge cost. Company has allocated 48 lorries for casual labour transportation. Lanka Sugar Ltd maintains an electric fence and other measures covering a vast area incurring nearly Rs. 400 Million annually to safeguard the crop from the elephants. This automatically safeguards the lives and properties of large number of villagers in this area.

Lanka Sugar Ltd being the biggest organization in the Monaragala District has provided large number of direct and indirect employment opportunities to the people in the district. In addition to that the company has assisted about 10,000 farmers to maintain their livelihood. Through these means, Lanka Sugar Ltd is carrying out a great mission to uplift the lives of the people in the area.

Eventhogh company's main objective is to earn a reasonable profit, it has taken every possible action to protect the environment from harmful effects which may be caused by the residues and emission from the production process.

Risk Management

Type of Risk	Description	Action Plan
Operational Risk	Sourcing of lands for Sugar Cane cultivation.	◆ Increasing the Sugar Cane Price from Rs.8,000/- to Rs. 10,000/-. ◆ Offering crop advances and other materials on loan basis. ◆ Sugar cane farmers also benefited by the Government introduced fertilizer Subsidy.
Credit Risk	Bad Debts arising from the inputs given to the Farmers.	Giving more responsibilities to the staff for recovering.
Inflation Risk	Potential impact on profitability due to the increased cost of Inputs and overheads.	Focusing on increasing productivity and decreasing of cost of production.
Market Risk	Import of sugar by the local sugar Suppliers at a low price.	Increasing the production volume to bring down the unit overhead cost.
Environmental Risk	Damages arising for the sugar cane crop from elephants & weather changes may lead to drop in yield.	Developing elephant trenches, fences and human barriers at company cost.

Bright smiles, sweet success

Our Culture & Values

OUR FARMERS

The farmer is our king. Lanka Sugar Company believes that the farmers are one of the major and most important stakeholders of the company. This is a critical factor in Sevanagala as they have only a limited area of land for their own cultivation as almost whole land is cultivated by the farmers.

The average income from a hectare of cane cultivation is estimated at around Rs. 45,000/= per month. Farmers who were engaged in sugar cane cultivation in many areas had a low level of income. This situation discouraged the farmers to be in this industry, instead they were moving out for other cultivations. Lanka sugar identified this situation at the very inception and took many initiatives to help the farmers to increase their income. Presently, a farmer is paid Rs. 10,000/= per metric tons of cane whereas it was Rs 8,000/= per metric tons earlier. Thus, by now, LSCPL is the highest payer for Metric Ton of sugar cane in the history of sugar cane cultivation.

OUR CUSTOMER

Our customer is our hope. Over 20 million of our population is our customers. Providing them with quality and healthy sugar at reasonable price is our prime purpose. Per capita sugar consumption of a Sri Lankan per year is between 30 kg to 35 kg. Domestic production capacity remains at a low rate of 10%, the balance 90% has to be imported. More than 423 million US Dollars is spent annually for the importation of sugar in the year 2023. This is a major negative impact on our economy.

OUR EMPLOYEE

Our employee is our wealth. No organization can be successful without loyal and motivated employees. Operational results are a reflection of the level of dedication and effort of our employees. The human resource is a key focus of Lanka Sugar. In the past, employees in the sugar industry were facing numerous predicaments in their lives with regard to the terms of employment, low level of monthly income, bonus related issues, and promotions etc, knowing these facts, Lanka Sugar began to address the issues as a priority.

GOOD GOVERNANCE

Our Statutory Auditors are M/s Auditor General"s Department.

In addition to the external auditors, both Pelwatte and Sevanagala Divisions have Internal Audit

Departments and reporting directly to the Chairman. Audit Committee which consists of three board members review the Internal Auditors" Report on a regular basis, call for explanations from the senior managers and submit the reports to the Board of Directors, together with their findings.

CONSTRAINTS

There are key issues yet to be resolved so that we can keep constantly focused on the future.

Both Pelwatte and Sevanagala locations are still held up with the movable assets which are not owned by the company. We are waiting until the legal process is completed so those can be removed or absorbed to the process.

Land acquisition process looks very slow and we have to hold up our medium term and long-term plans until the sufficient area of land is acquired. This is beyond the control of the Management.

Management has already formulated strategies to achieve the targets set by GOSL. Funding of the new investments is another issue that is on our way. Most of the Banks want significant assets to be fledged when applying for loans, but, the ownership of the lands of Pelwatte and Sevanagala is not with Lanka Sugar Company (Private) limited. However now we are in a situation where we can fund the capital projects using our own internally generated funds interndlly.

IT system at the Pelwatte has the historical and current information of the operation whereas at Sevanagala, the previous management has taken all the records of the employees, hence, the gratuity payments, provisions and any other employee related matters are on hold. The Government should take initiative to obtain the books and records from the previous Management of Sevanagala Sugar Company.

Audit Committee Report

The Members of the Audit Committee of the company are appointed by the Board of Directors. The Audit Committee comprises of thee Non- Executive Directors.

The Audit Committee Meetings were scheduled as needed under the Chairmanship of the Audit Committee, who is the Board Member representing the Treasury. The Chairman, Director/ Chief Executive Officer, Chief Operating Officers and Senior Managers participate these meetings by invitation and the meetings were coordinated by the General Manager-HR & Administration.

THE MAIN ROLE AND RESPONSIBILITY OF THE AUDIT COMMITTEE

Exercising oversight responsibilities relating to the quality and integrity of the Company"s financial statements and financial reporting process including the preparation, presentation and adequacy of disclosures in the financial statements of the company in accordance with the Sri Lanka Accounting Standards.

Exercising responsibilities over processes to ensure that the company internal control and risk management are adequate and compliance by the Company with legal and statutory requirements including circulars and guidelines issued by the General Treasury from time to time.

PROGRESS DURING THE FINANCIAL YEAR

The proceedings of the Audit Committee are regularly reported to the Board of Directors for approval and implementation.

The audit committee reviews and monitors the scope of the audit, the objectivity and its effectiveness. The committee also reviews the operations of LSCPL along with future prospects.

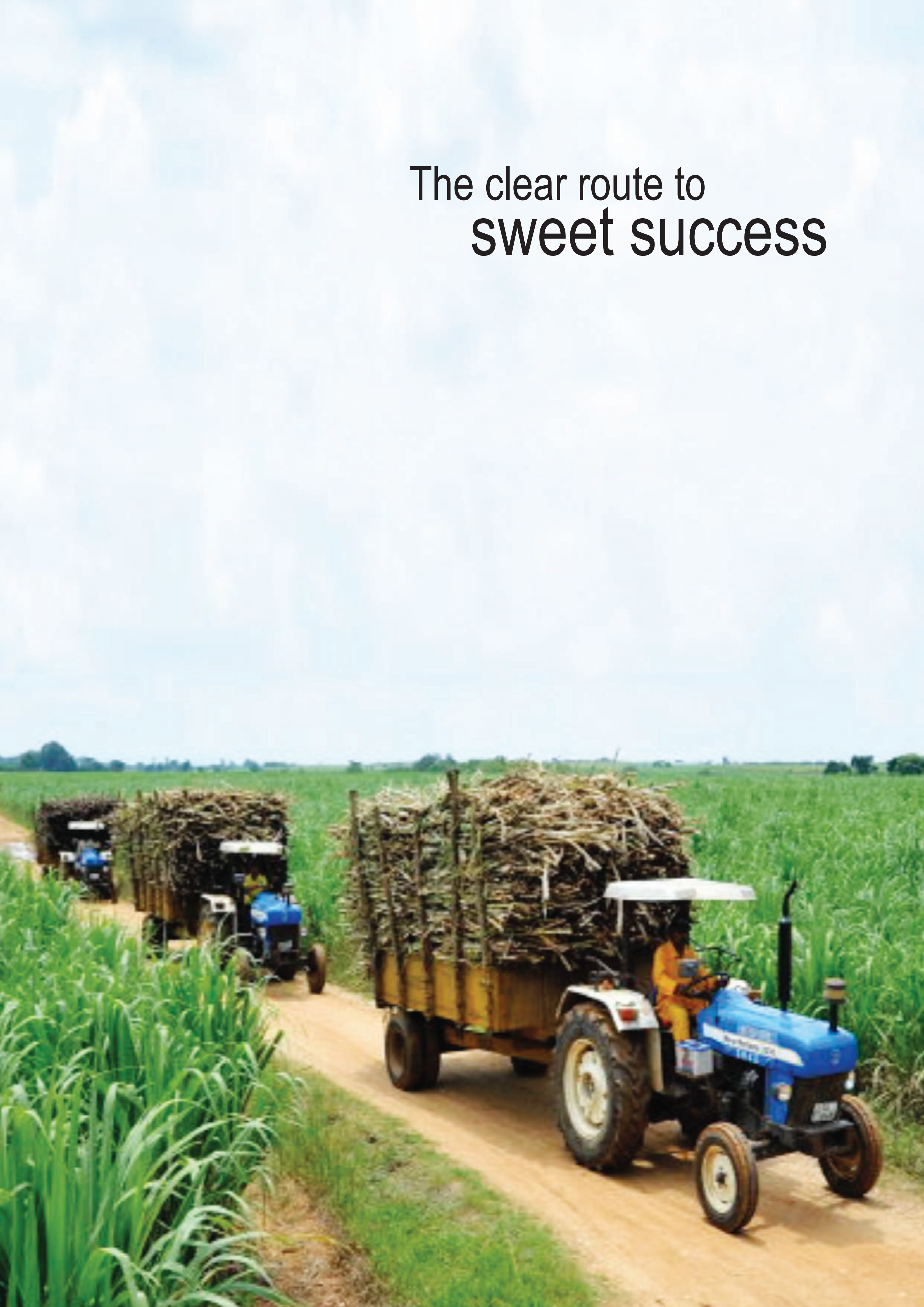
Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units/ Superintendents and corrective measures were recommended.

Report of the Auditor General on the financial statements of LSCPL for the year ended 31 December 2023, together with management"s responses, were discussed with management and the auditors and arrangements were made to rectify those unsatisfied areas highlighted by the auditors. Weaknesses of internal controls and mistakes of two (02) business units identified by internal audit division were discussed with CEO and COOs, and the significant areas were highlighted along with suitable recommendations to the Board of directors to take appropriate action.

The audit committee wishes to acknowledge with thanks the services rendered by the Internal Audit Division and their efforts to meet the requirements and expectations of the company. The contribution made by the members of the committee is acknowledged with grateful appreciation. Their competence in financial matters and relevant experience is invaluable for the company"s continuous success.

Ajantha Galhena
Chairman
Audit committee

The clear route to sweet success



Board of Directors

CHAIRMAN
Major Gen. (Retd) S.M.S.P.B. Samarakoon RWP, RSP

DIRECTOR / CHIEF EXECUTIVE OFFICER
Mr. Gamini Somachandra Rasaputhra

DIRECTOR
Mr. Ajantha Galhena

DIRECTOR
Ms. Amitha Dodanwala

DIRECTOR
Mr. Sumith Pathirana

DIRECTOR
Mr. Lohitha Weragama

DIRECTOR
Mr. Lakith Pankaja De Zoysa

Directors' Profiles

OUR CHAIRMAN

Major Gen. (Retd) S.M.S.P.B. Samarakoon RWP, RSP

Professional Experience

* He has served in the Sri Lanka Army for 37 years and lastly served as the General Officer Commanding, 11th Infantry Division.

* Chief Executive Officer - Janatha Estate Development Board - (Nov 2021 - Dec 2022)

OUR DIRECTOR / CHIEF EXECUTIVE OFFICER

Mr. Gamini Somachandra Rasaputhra

Mr. Gamini Somachandra Rasaputhra serves as the Director and CEO of Lanka Sugar Company (Pvt) Ltd. He has a Bachelor of Arts degree from the Peradeniya University and a post graduate in Management from the Institute of Education of Sri Jayawardenapura University.

Professional Experience
* Chief Executive Officer – Sri Lanka Rupavahini Corporation (2010-2015)

BOARD OF DIRECTORS

Mr. Ajantha Galhena

Mr. Ajantha Galhena is an Additional Director General attached to the Project Management & Monitoring Department of the Ministry of Finance who served as the Treasury Representative in the board of Lanka Sugar Company (Pvt) Ltd until 31.12.2023.

Professional Experience
* A senior member of the Sri Lanka Administrative Service.

Ms. Amitha Dodanwala

Ms. Amitha Dodanwala is an Additional Secretary in the Ministry of Plantation Industries. She has a Bachelor of Science degree from the University of Kelaniya. She holds a Master of Public Management from the Sri Lanka Institute of Development Administration.

Professional Experience
* A senior member of the Sri Lanka Administrative Service since 2001.

Mr. Sumith Pathirana

Mr. Sumith Pathirana is a lawyer by profession and serves as a member of the board of directors of Lanka Sugar Company (Pvt) Ltd.

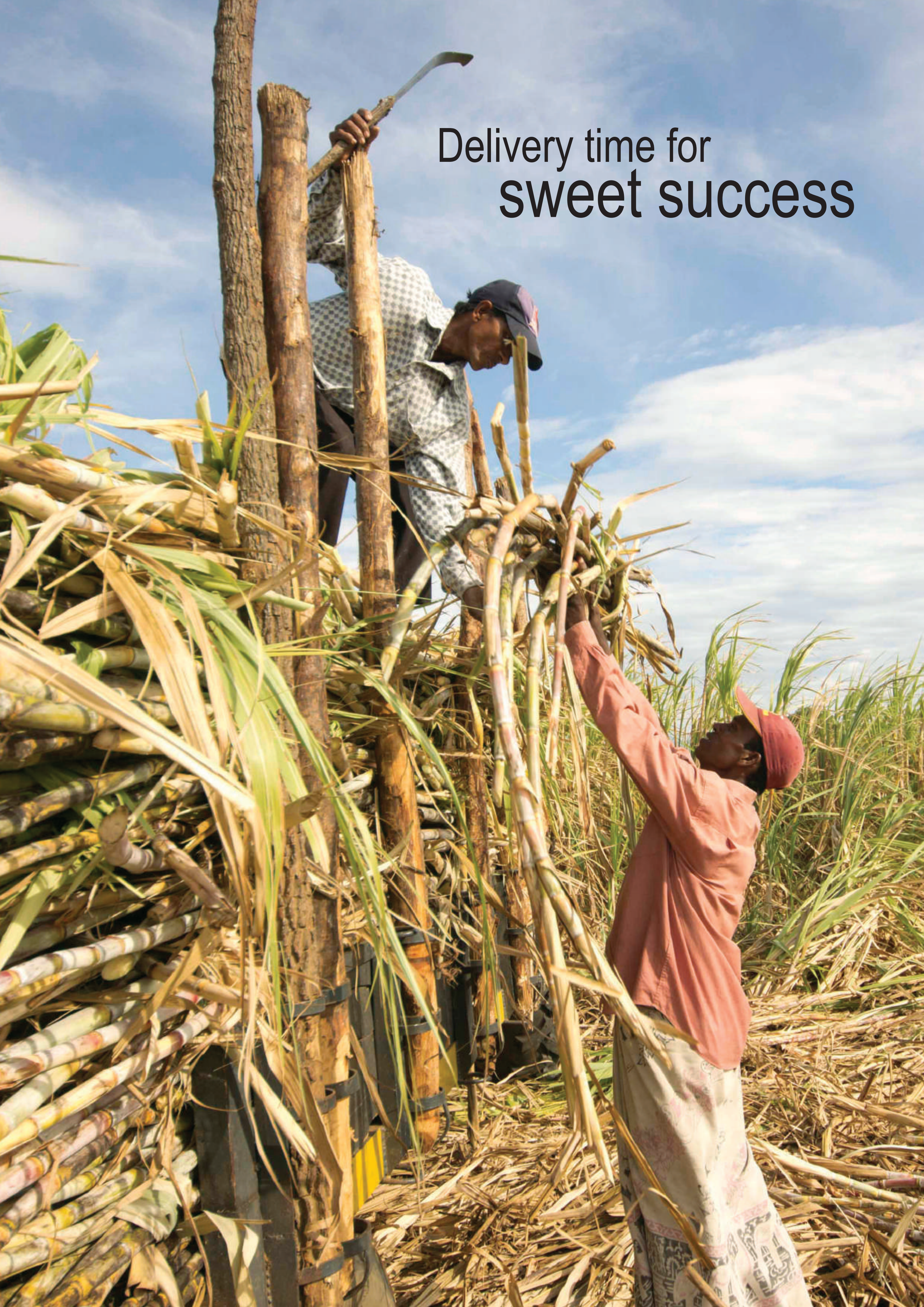
Mr. Lohitha Weragama

Mr. Lohitha Weragama serves as a member of the board of directors of Lanka Sugar Company (Pvt) Ltd.

Mr. Lakith Pankaja De Zoysa

Mr. Lakith Pankaja De Zoysa serves as a member of the board of directors of Lanka Sugar Company (Pvt) Ltd.

Delivery time for sweet success



Senior Management Team & Head Office Organization Structure

Chairman
Major Gen. (Retd) S.M.S.P.B. Samarakoon RWP, RSP

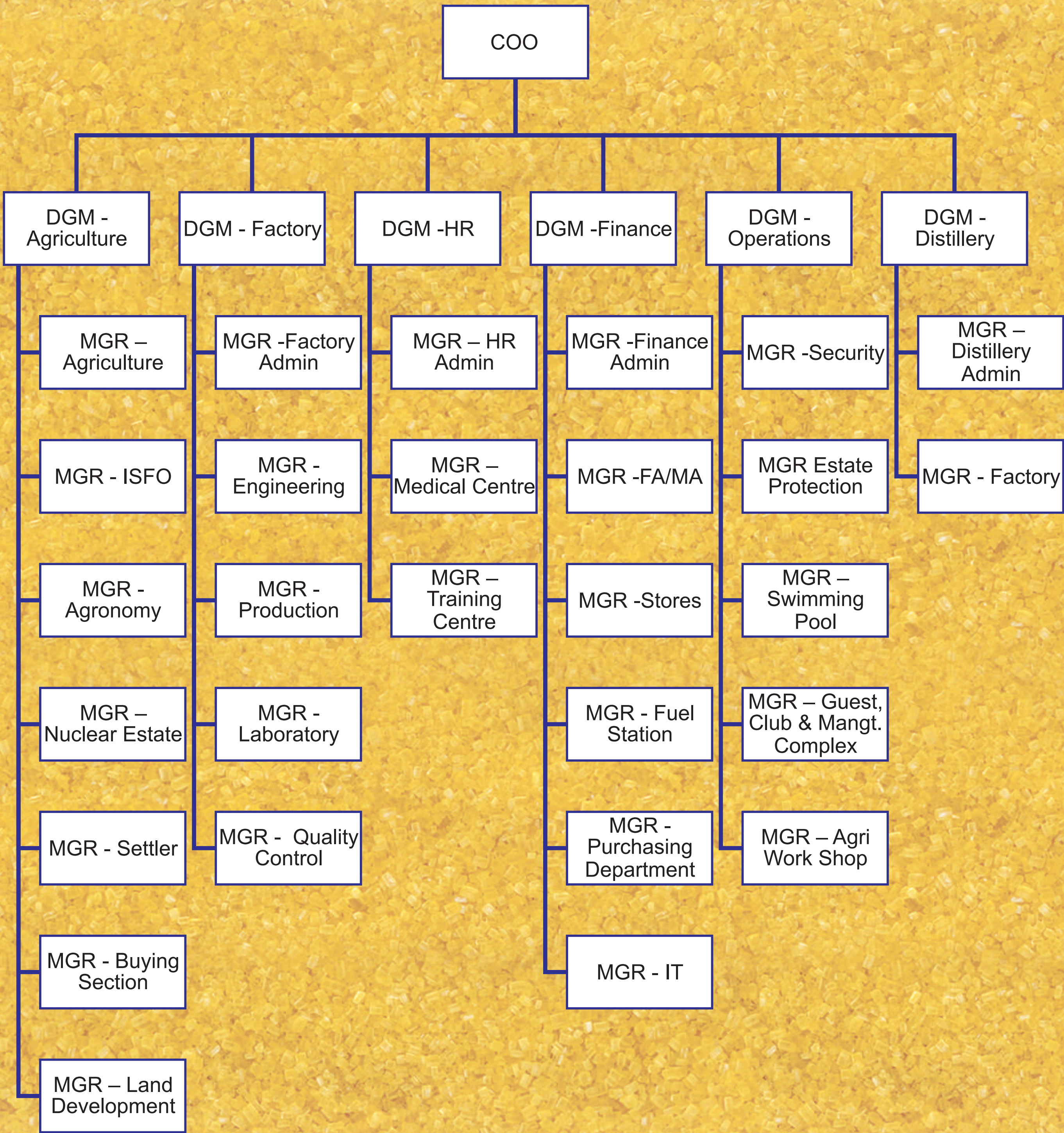
Director / CEO
Mr. Gamini Somachandra Rasaputhra

COO- Pelwatte
Mr. Saman Kumara

COO - Sevanagala
Mr. Kelum Priyankara

DGM – Finance
Mr. W.A.N. Asiri Fernando

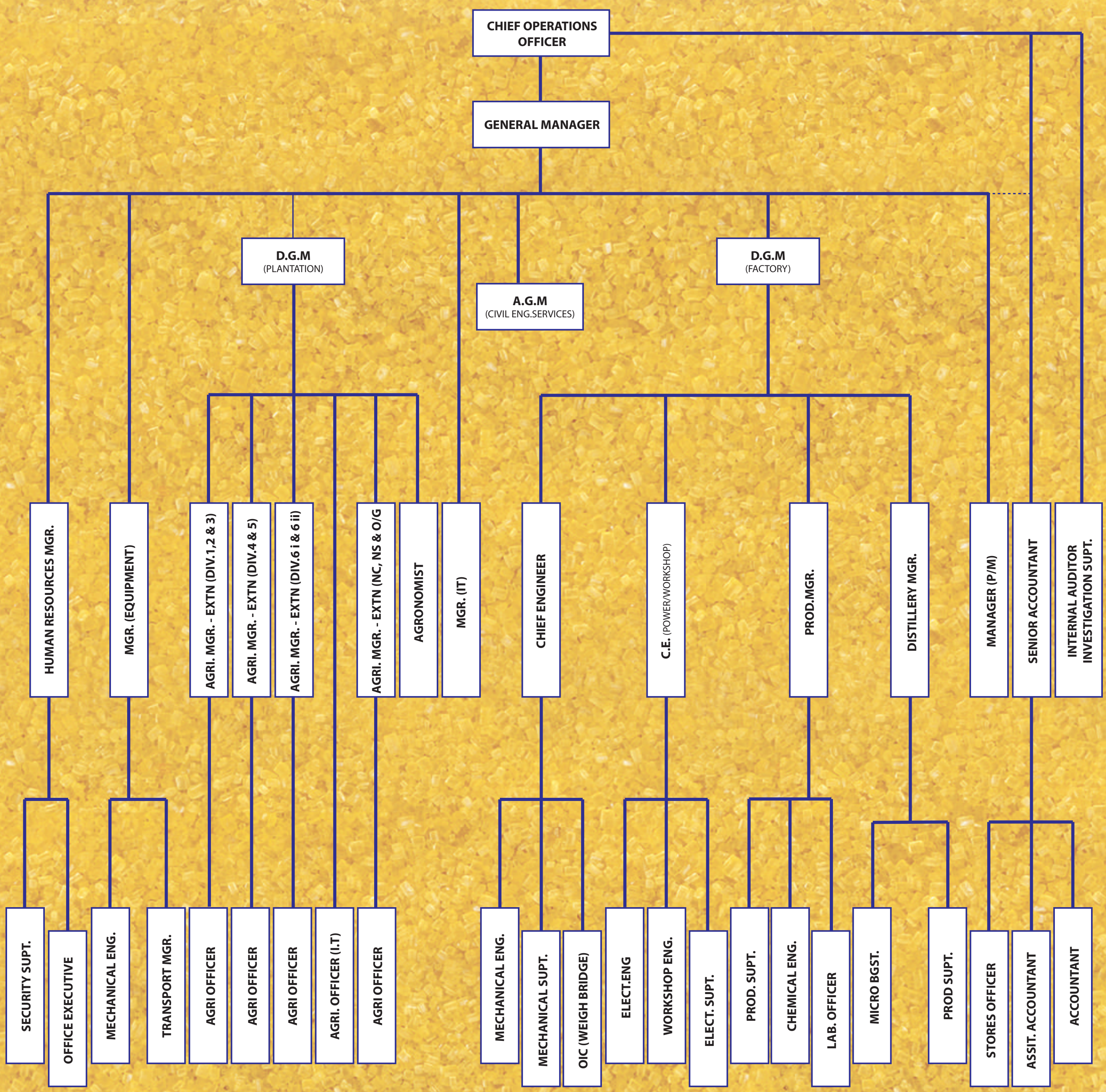
Organization Structure - Pelwatte



LANKA SUGAR COMPANY (PVT) LTD.
EXECUTIVE STAFF
PELWATTE

Row 01 (F/R)
Mr. D.M.A. Dissanayake (DGM Finance), D.M.S. Bandara (DGM Agriculture), Mr. Saman Kumara (Chief Operations Officer), Mr. S.M.S.P.B. Samarakoon RWP. RSP (Chairman) Mr. Gamini Rasaputhra (Director/Chief Executive Officer), Mr. Ravindra Hettiarachchi (DGM - Distillery), Mr. L.Galagamaarachchi (DGM HR), Mr. R.M.W. Hemakumara (DGM Factory)

Organization Structure - Sevanagala



LANKA SUGAR COMPANY (PVT) LTD.
EXECUTIVE STAFF
SEVANAGALA

Row 01 (F/R) W.A.M.Chandani (Land Officer) , P.S. Gayani Peris (Accountant), R.M Gnanawathie (Office Executive), D.K.W.De.Silva (Consultant - Factory), M.D.N. Sepala (CIA), Keerthi Pathiranage (Coo - Bio Fertilizer Project), Maj. Gen. Sarada Samarakoon (Chairman), Gamani Rasaputhra (CEO) , H.M.S.Samaraweera (Consultant - Agriculture), I.J Satharasinghe (DGM -HR) , K.D.N.Perera (DGM - Finance), J P P K Jayarathne (Chemical Engineer), P.A.Lakma (Accountant), H.N.R.Wijethunge (Manager - HR)

Row 02 (F/R) D.D.C.Pandithage (Agronomist), D.M.P.J.Rathnayake (Mechanical) , T.L. Garusinghe (Transport - Manager), G. Anura (Chemical Engineer) , W.M.P.B.K.W.Ranasinghe (Asst Manager - Procument), P.K.Anura (Security Manager), K.J.C.R.Jayasekara (Manager - Legal & Land), D.C.Hettiarachchi (DGM - Factory), R.M.D.L.Hemapala (Investigation Officer) , M.U.Kumara (Manager - Extension) , N.A.H.K.Athula Siridewa (GM), M.W.S.R.Jayalath (Mechanical Engineer - Factory WorkShop), S.V.D.S.Priyantha, (Chief Engineer) , K, G.V.Maduranga (Manager -AEWS), M.K.S.Priyantha (DGM - Agriculture) T.D.K.J.Saman Kumara (Agriculture Officer)

Row 03 (F/R) W.C.Wijenayaka (Agriculture Officer), A.W.K.G.C.K.Senavirathne(Manager Extension), M.D Chandrapala(Mechanical Superintendent), W.U.G.N.S.Wijewardane (Agriculture Officer), R.A.K.I.L.Sanjeewa (Stores Officer), K.T.R.Sampath (Mechanical Engineer), K.I.S.Darmarathne (Manager - Agriculture Work Shop), N.D.B.G.Karunarathne (Chemical Engineer), E.A.G.C.Edirisinghe (Agriculture Officer) , W.P.S.N.Warnakula (Manager Production), K. Upali (Agriculture Officer), G.R.P.Kumara (Manager Agri Extension)

Pelwatte Senior Management

DGM (Factory)
Mr. R. M. W. Hemakumara

DGM (Distillery)
Ravindra Hettiarachchi

DGM (Agriculture)
Mr. D. M. S. Bandara

Sevenagala Senior Management

DGM (Factory)
Mr. D. C. Hettiarachchi

DGM (Agriculture)
Mr. Sugath Priyantha

AUDITOR GENERAL REPORT

PAL/F/LSC/01/20/12

On 21 March 2025

Chairman
Lanka Sugar Company (Pvt) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Sugar Company (Pvt) Limited 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 Disclaimer of Opinion

The audit of the financial statements of Lanka Sugar Company (Pvt) Limited for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023.and the statement of 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. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

(a) Since the sugar stock amounting to Rs. 2,463,859,790 belonged to Pelwatte Division existed as at 31 December of the year under review had not been verified physically, the accuracy of that balance had not been confirmed in the audit.

(b) Even though the net amount of Rs. 65,386,355 to be paid to an institution, which produces dairy related products after leaving the Pelwatte Sugar Factory when the Sugar Factory is vested in the Government, for using 20 tractors owned by that institution from the year 2011 up to 31 December 2023 and an amount of Rs. 19,601,068 to be received from the institution for using official quarters owned by the Company had been indicated in the financial statements, lease agreements or balance confirmation letters to confirm those balances had not been submitted to audit.

(c) A detailed note for the administrative expenses amounting to Rs. 3,569,167,999 stated in the statement of comprehensive income submitted for the year under review had not been included in the financial statements.

(d) Since only the total of each asset class related to the fixed assets costed at Rs.760,763,818 belonged to distillery Department of the Pelwatte Division had been included in the fixed assets register, the depreciation had been calculated in the year under review based on those values. As a result, the accuracy of depreciation expenses and provision for depreciation could not be confirmed in the audit.

(e) Significant accounting policies used in the preparation of financial statements as per paragraph 117 of Sri Lanka Accounting Standards No. 01 should be disclosed. Although the amount of Rs. 7,473,696 to be recovered from Lanka Carbolic Industry Private Limited from the year 2016 in relation to Sevanagala division and Rs. 6,002,360 of Kantale Sugar Company to be recovered from the year 2014 and a sum of Rs. 6,665,725 to be recovered from SSP Badulla project had been separated as doubtful debt, the reasons for separating the doubtful debt in that manner and the relevant accounting policy had not been disclosed in the financial statements.

(f) Although it had been pointed out in the audit report of previous years that the stocks in-transit amounting to Rs. 9,475,416 and Rs. 4,904,160 respectively, which have been carried forward in the financial statements of the Sevanagala and Pelwatte divisions for more than 08 years, action had not been taken to settle those balances even at the end of the year under review.

(g) Even though the company had no freehold right over the land of Badalkumbura Sugarcane Purchase Centre that comprises of 1.212 hectares, and occupied by the Pelwatte Division, this had not been disclosed in the financial statements.

(h) Evidence was not presented to the audit that 12,792 litres of fuel oil worth Rs.5,359,848, which was transported from the Pelwatte Unit to the Sevanagala Division on 02 occasions in July 2022, was received by the Sevanagala Unit.

(i) Although the depreciation rates of field machinery and equipment, irrigation and miscellaneous equipment and factory plant and equipment costed at Rs.3,507,888,055, including leased assets belonging to the Pelwatte Division were 15 percent, 6 percent and 5 percent respectively, the assets costed at Rs.1,682,142,372 were depreciated at different rates ranging from 2 percent to 50 percent. Therefore, the accuracy of the depreciation expense and provision for depreciation related to the year under review could not be accepted.

(j) Although the useful lives of non-current assets should be reviewed annually in accordance with paragraph 51 of Sri Lanka Accounting Standards No. 16, action had not been taken accordingly. Although the property, plant and equipment costed at Rs. 386,601,213 belonging to the Sevanagala Division and the property, plant and equipment costed at Rs. 1,745,910,345 belonging to the Pelwatte Division, which were still in use had been fully depreciated by the end of the year under review. However, the estimated error had not been revised in accordance with Sri Lanka Accounting Standards No. 08 and the correct carrying amount had not been stated in the financial statements.

(k) Although the stock balance as per the physical stock survey report of the Sevanagala Division as at 31 December of the year under review had been Rs. 2,764,156,341, the closing stock had been stated as Rs. 3,675,660,095 in the financial statements, with overstating it by Rs. 911,503,754.

(l) Although the income and expenses of an institution should not be offset except as permitted or required by an accounting standard in accordance with paragraph 32 of Sri Lanka Accounting Standard No. 01, the Pelwatte Unit had offset income of amounting to Rs. 3,406,051,222 with expenses in the financial statements for the year under review.

(m) Although the expenditure incurred by the Sevanagala Division for the Enterprise Resource Planning System (ERP System) as at the end of the year under review had been Rs. 30,544,015, it had been accounted as Rs. 35,650,647.

(n) A sum of Rs. 645,635,024 had been received as government grants on 06 occasions since 2014 for the purchase and construction of capital assets and the construction/purchase of the relevant assets had been completed by the end of the year under review. However, since adjustments regarding these government grants had not been made in accordance with Sri Lanka Accounting Standard No. 20, the government grants had been overstated by that value and the retained earnings had been understated by that value.

(o) As the provision for depreciation relating to field machinery and equipment of the Sevanagala Division at the end of the year under review amounted to Rs. 103,209,010 had been accounted as irrigation and provision for other depreciation in the financial statements of the company, the value of field machinery and equipment had been overstated by Rs. 103,209,010 and the value of irrigation and other assets had been understated by an equivalent amount.

(p) At the time of taking over of the company by the government in 2012, the Ministry of Productivity Development, Monaragala and Hambantota District Secretariats had provided government grants amounting to Rs. 819,520,305 for working capital requirements. Since these government grants had not been accounted in accordance with Sri Lanka Accounting Standard No. 20, retained earnings had been understated by that amount and capital grants had been overstated by that amount.

(q) Although stock issues should be valued on the first entry, first issue basis or the weighted average method as per Sri Lanka Accounting Standard No. 02, the Pelwatte Division had issued stocks based on the last purchase price using faulty software. As a result, the difference of Rs. 25,176,099 created between the cost and issue price during the year under review had been adjusted to the financial statements by a valuation adjustment account.

(r) Since 32,136 litres of fuel oil worth Rs. 7,487,688 issued from the Pelwatte unit of the company to the Sevanagala unit on 05 occasions in April and July 2022 had not been accounted as an expense in the year 2022 and they had been debited to the intercompany account for the year under review, other receivables and retained earnings had been overstated by Rs. 7,487,688 each as at the closing date of the year under review.

(s) According to the physical stock verification reports of the year under review, a shortage of 306 inventory items worth Rs. 6,777,664 and a surplus of 429 inventory items worth Rs. 5,192,624 had been observed in the warehouses of the Sevanagala division. However, the necessary adjustments had not been made in the financial statements for this. There had been 1195 types of inventories, of which physically verified value could not be quantified and 504 inventory items worth Rs. 4,044,995 that were unusable and disposable were present in the warehouse. The necessary adjustments had not been made in respect of those inventories either in the financial statements.

As explained above, I was unable to confirm or verify the quantitative items, included in the statement of financial position, comprehensive income statement, statement of changes in equity and cash flow statement, by alternative means. As a result, I was unable to determine whether any adjustments were required to be made in respect of the recorded or unrecorded values or transactions of the values or items that made up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

1.3 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 intend 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.

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

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 I have not obtained all the information and explanation that considered necessary for the purpose of audit as per the requirements stipulated in Section 163 (2) of the Companies Act, No. 07 of 2007 and Section 12 (a) of the National Audit Act, No. 19 of 2018 and I was unable to determine from my examination that proper financial records have been maintained by the Company.

2.1.2 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.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the observations indicated in the paragraphs (d), (e), (f), (g), (j), (l), and (s) in the basis for Disclaimer of Opinion in 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 ordinary 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 the following observations;

	Reference to Laws, Rules, Directions	Observation
(a)	Regulation 30 of Part 1 of the Regulations published in the Extraordinary Gazette No. 1533/16 dated 25th January 2008 by the Minister, in terms of the powers vested by Section 23(a) of the National Environment Act, No. 47 of 1980	The annual environmental license for factories producing or refining sugar had not been obtained.
(b)	Financial Regulation No. 371(02) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Public Finance Circular No. 01/2020 dated 28 August 2021.	Although only staff officers can be granted adhoc sub imprest up to a maximum of Rs. 100,000 at a time with the approval of the Accounting Officer, an advance of Rs.5,310,000 had been given to the Civil Maintenance Manager for a construction project with the approval of the Chief Executive Officer, in contrary to that. Although 05 months had passed since the completion of the relevant work as at the date of audit, the said advance had not been paid. Furthermore, an amount of Rs.5, 130,000 had been spent at the discretion of the Civil Maintenance Manager of the Company without following the procurement procedure in purchasing construction materials for this. Accordingly, a sum of Rs. 5,310,000 of public money had been spent for the renovation of a building that was not owned by the Company and this work had been carried out with the approval of the Chief Executive Officer of the Company.

Reference to Laws / Directions	Observation
(c) The Establishments Code of the Democratic Socialist Republic of Sri Lanka	
i) Section 5.1 of Chapter XIX	House rent had not been collected for the houses of the officers of the Pelwatte Division and the repair and maintenance expenses of those houses had been borne by the Company.
(i)Paragraph 5.2 of Chapter XIX	Although the monthly house rent should have been collected as a percentage of the salary of the employee, the Sevanagala Division of the Company had not acted accordingly and had collected nominal rent at various rates ranging from Rs. 100 to Rs. 850 per month.
(ii)Paragraph 5.8 of Chapter XIX	Although the water and electricity bills should be paid by the officer, the charges were collected from the officer only when the water consumption in the Sevanagala section exceeded 60 units, and the remaining electricity bill was collected from the salary after providing a monthly concession of Rs. 250 for the electricity consumption. As a result, the funds of the company had been used to settle personal bills amounting to Rs. 11,394,170 relating to the officers of the company during the year under review.
(d) In accordance with the Public Enterprises Circular No. PED 04/2023 dated 11 December 2023	

(i) Paragraph 1.1	Although the bonus payable for the year under review for the officers of the Sevanagala Division and Head Office had been Rs. 27,225,000, Rs. 133,572,776 had been paid as bonus and incentives. Therefore, an excess of Rs. 106,347,776 had been paid contrary to the said provisions.
(ii) Paragraph 1.2	According to the paragraph referred to, the incentive payable for the year under review for the Pelwatte Division had been Rs.80, 600,000. However, a sum of Rs.319, 653,062 had been paid as incentives. Accordingly, an excess of Rs. 239,053,062 had been paid in contrary to the said provisions.
(e) Paragraph 6.9 of the Operational Manual for State Enterprises dated 11 November 2021 as amend-ed by State Enterprises Circular No. 01/2021(i) dated 16 May 2023	The Board of Directors should take steps to obtain the recommendations of the Audit and Management Committee in writing off the receivables/losses of the Company by State Enterprises in terms of the provisions of the Circular, the Company had written off a sum of Rs. 473,274,504 during the year under review without acting in accordance with the said provisions.
(f) The Public Enterprises Circular No. 01/2015 dated 14 January 2022	A volume of 34.777 litres of fuel had been provided to 22 officers in the Pelwatte and Sevanagala divisions in contrary to the provisions of the Circulars, and Rs.11,782,196 had been paid for that.

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 Audit Observations**

(a) Even though the capacity expansion project at Sevanagala Factory was initiated on 23 April 2023, the project had not been put into operation even by 07 August 2024 and the warranty period of the machinery worth Rs. 201,782,433 imported for that purpose had expired. Late fees amounting to Rs. 3,622,005 had been paid due to weaknesses in the process of importing the machinery. A machinery worth Rs.7, 723,058 had been imported without following the procurement procedure, and Rs. 2,824,704 had been spent on providing food and drinks and transportation facilities to the employees of the supplier came from India to install the machinery.

(b) The tender for the purchase of fuel oil had been awarded to an external person without purchasing it from the Ceylon Petroleum Corporation and without following the procurement procedures in purchasing fuel oil for the boilers at the Pelwatte and Sevanagala units of the Company. Accordingly, the relevant supplier had supplied unrefined black oil removed from ships and machinery instead of refined fuel oil and the company had paid Rs. 341,687,582 for that. Since the boiler was constantly out of order during the period when the black oil was used, the company had lost a production of 6000 litres of ethanol worth Rs. 300 million during the 46 days that the broiler had been out of order.

(c) Eleven (11) different projects that had been started in the year 2011 and subsequent years had been completely abandoned and Rs. 176,665,880 had been spent on those 11 projects by the end of March 2022. Although 09 to 13 years or more had passed since the relevant project was started, it had not been possible to complete the project. Accordingly, the expenditure of Rs. 176 million had become an idle expenditure and the Company had not been able to achieve the expected objectives.

(d) After the Pelwatte unit of Lanka Sugar Company (Pvt0 Limited was taken over by the government in the year 2011, the Company had not taken action to identify the staff requirement (Cadre) for that unit and submit that requirement to the Department of Management Services of the General Treasury and to get the approval for the cadre and to prepare formal schemes of recruitment and to get approval for them. Despite this situation, 159 employees were recruited informally in 2021/2022 only with the approval of the Board of Directors. Moreover, 510 employees were promoted without following a formal procedure to examine the qualification and experience.

(e) Even though an agreement was made to obtain 32,400 metric tons of steam required annually for a sum of Rs. 317,520,000 by installing a biomass boiler belonging to an external person in the company to obtain the steam required for the distillery of Sewanawagala division of the Company, formal procurement procedures had not been followed in selecting the relevant supplier. Furthermore, a cost-benefit analysis was prepared for this project by the factory consultant by entering false data and the approval had been obtained by submitting it to the Board of Directors. Even though the relevant project was not operational even by 07 August 2024, an advance amount of Rs. 48,600,000 had been paid to the supplier

(f) A sum of Rs. 10,260,433 had been spent from January 2020 to April 2022 for providing accommodation and food in the guest houses of the Company to external persons and institutions, who had no relationship with the activities of the Company.

(g) There was an amount of Rs. 4,958,247 in a current account of a Bank owned by the Sevanagala unit as at the closing date of the year under review and transactions had not been made through that account after 04 June 2013.The interest income that could have been earned by investing that amount in a fixed deposit had been lost.

(h) Action had not been taken to direct 159 farmers, who had obtained loans amounting to Rs. 1,262,363,910 from the company for sugarcane cultivation, and who had cultivated other cultivations excluding sugarcane cultivation, to sugarcane cultivation and to recover the loans. Furthermore, a sum of Rs. 61,527,826, out of the farmers' loans receivable, were loans older than 05 years and Rs. 77,719,383 were loan balances related to the period between 03 to 05 years.

(i) Action had not been taken to appropriately dispose of 2284 units of materials and equipment worth Rs. 13,041,107 related to 18 vehicles that had been removed from the use in the Sevanagala Division and 6269 units of materials and equipment worth Rs. 85,305,687 in the warehouse and which had not been used for more than 05 years, and the units had been stored in the warehouse.

(j) There was a shortage of 1486 kilograms of brass and copper with an open market value of Rs. 560,700 in the main warehouse of the Sevanagala Division.

(k) A quantity of 2626 metric tons of sugar which had been sold by the Pelwatte Division during the year under review but had not been removed by the buyers at the time of the stock verification was in the warehouse and the Company had provided storage facilities for this stock belonging to a third party for a period of 04 to 48 days. Furthermore, the Company had incurred storage costs, incurred a risk and had not recovered late charges of Rs. 7,589,750 by keeping the stock belonging to a third party with a sales value of Rs. 885,962,222 in the warehouse.

(l) A quantity of 19,695 kilograms of "sulfur" worth Rs. 1,174,216 used to whiten sugar was stored in the fertilizer warehouse owned by the Pelwatte Division and this sulfur stock had become unusable due to expiry of time.

(m) There had been 900 kilograms of Shell Grease, 60 litres of 2T Oil and 560 litres of Merofa worth Rs. 6,051,597, which were recommended for disposal, in the fuel storage premises according to the reports of the verification of goods. Accordingly, the recommendations of the goods survey boards had not been implemented.

(n) The cost of 4 lands in 4.607 hectares of the Pelwatte division of the Company amounting to Rs.44,149,728 had been indicated in the accounts, and the Company had no ownership of the lands in extent of 1.686 hectares costed at Rs.28,050,728, out of those lands, where the Pelwatte Division and the Head Office are located.

(o) In the year 2018, the Sevanagala Division had imported an evaporator worth Rs.9, 564,866 from India and paid customs duties amounting to Rs. 3,924,394. The relevant accessories (SS Tube) were returned due to non-compliance with the specifications and the Company had not taken steps to recover the customs duties paid by the Company amounting to Rs. 4,830,446 from the supplier when they were re-imported in the year 2019, and as a result, the value had become a loss to the company.

(p) Unauthorized crop cultivation had been carried out in an extent of 74.21 hectares, out of the 1072.89 hectares of the land belonging to Zone No. 04 (Kovul Ara) and Zone No. 05 (Ginigalpalessa) owned by the Sevanagala Unit, and unauthorized construction (houses and shops) had been carried out in 8.32 hectares.

(q) In the year 2023, 276,015 kilograms of sugar had been provided to the officers and farmers of the Sevanagala Unit at a price of Rs. 65 and 208,195 kilograms of sugar had been provided at a price of Rs. 170. In the year 2023, the production cost of one kilogram of sugar had been Rs. 262.69 and the company had incurred a loss of Rs. 73,863,484 by providing sugar stocks at a price that had not covered the production cost.

(r) Since warehouse items were purchased without properly assessing the requirements, 6269 warehouse items worth Rs. 85,305,687 and 1662 warehouse items worth Rs.48, 348, 295 were kept idle in the warehouse for a period of 05 years in Sevanagala and Pelwatte Divisions respectively.

(s) Pelwatte Division had spent a sum of Rs. 120,750,000 for the purchase of a crane machine worth Rs. 128,910,000 under lease facilities in the year 2013 and Rs.2, 254,850 for the supply of electricity required for it. However, due to the failure of the supplier to install the machine in the factory as agreed, the machine, which had costed at Rs. 123,004,850, remained unused and idle since the date of purchase.

(t) Although the head office of the Lanka Sugar Company (Pvt) Limited had paid Rs.4,445,682 as license fee to the Department of Import and Export Control in the year 2022 for the import of 5000 metric tons of molasses, the company had not exported the molasses and therefore, the expenditure incurred for that had been an idle expense.

W. P. C. Wickramaratne
Auditor General

Lanka Sugar Company (Private) Limited
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2023

	Note	2023 Rs.	2022 Rs.
Revenue	4	16,095,088,733	19,287,059,633
Cost of Sales		(10,514,186,029)	(10,550,156,934)
Gross Profit		5,580,902,704	8,736,902,699
Other Income and Gains	5	233,273,792	207,049,922
Administrative Expenses		(3,566,423,815)	(3,352,575,449)
Finance Cost	6	(69,120,741)	(87,338,394)
Finance Income	6	656,487,028	541,537,093
Profit/(Loss) before tax	7	2,835,118,969	6,045,575,871
Income Tax Expense	8	(502,837,242)	(1,131,502,649)
Profit/(Loss) for the year		2,332,281,727	4,914,073,222
Other Comprehensive Income for the period, net of tax		(199,122,893)	(125,052,954)
Total Comprehensive Income/ (Expense) for the period, net of tax		2,133,158,834	4,789,020,268
Earnings/(Loss) Per Share	9	23,322,817	49,140,732

The Accounting Policies and Notes on pages 42 to 62 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

ASSETS	Note	2023	2022
		Rs.	Rs.
Non-Current Assets			
Property, Plant and Equipment	10	3,640,993,724	2,435,563,340
Non Current Investments	8	-	43,544,918
		3,640,993,724	**2,479,108,258**
Current Assets			
Inventories	11	8,311,492,472	4,961,314,936
Biological Assets	12	707,948,224	890,667,065
Trade and Other Receivables	13	1,036,246,085	611,771,676
Advances and Prepayments		182,674,824	148,669,124
Loans Due from Farmers	14	1,559,543,843	1,463,467,286
Amounts due from Related Parties	25.1	-	-
Investments	15	2,033,318,775	1,237,947,390
Cash and Cash Equivalents	21	1,155,347,328	3,972,130,456
		14,986,571,552	13,285,967,934
		18,627,565,275	**15,765,076,191**
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	1,000	1,000
Government Grant	17	4,674,488,363	4,674,488,363
Accumulated Profits		6,635,015,716	6,573,568,061
Total Equity		**11,309,505,079**	**11,248,057,424**
Non-Current Liabilities			
Deferred Tax Liability	8	744,153,029	580,381,458
Retirement Benefit Liability	19	1,118,049,383	814,574,021
Interest Bearing Loans and Borrowings	18	40,773,733	128,784,134
		1,902,976,146	1,523,739,613
Current Liabilities			
Interest Bearing Loans and Borrowings	18	95,585,542	128,842,356
Trade and Other Payables	20	3,659,478,097	2,292,075,108
Income Tax Payable		1,168,506,338	1,207,048,360
Amounts due to Related Parties		142,084,771	(634,686,671)
Bank Overdraft		349,429,306	-
		5,415,084,054	2,993,279,153
Total Equity and Liabilities		**18,627,565,275**	**15,765,076,191**

……………………………………..
Deputy General Manager - Finance

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

……………………………………..
Major Gen. (Retd) S.M.S.P.B. Samarakoon RWP, RSP
Chairman / Director
Lanka Sugar Company (Pvt) Ltd.

……………………………………..
Gamini Somachandra Rasaputhra
CEO / Director
Lanka Sugar Company (Pvt) Ltd.

19th November 2024
Colombo

The Accounting Policies and Notes on pages 42 to 62 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2023

	Stated Capital Rs.	Government Grant Rs.	Accumulated Profits Rs.	Total Rs.
As at 1 January 2022	1,000	4,674,488,363	1,535,883,363	6,210,372,726
Repayment of Government Grant	-		-	-
Write Back NBT Liability	-	-	109,138,256	109,138,256
Write Back of provision for Farmer Company Benefits	-	-	139,526,174	139,526,174
Dividends Paid	-	-		-
Profit/(Loss) for the year	-	-	4,914,073,222	4,914,073,222
				-
Other Comprehensive Income	-	-	(125,052,954)	(125,052,954)
Total comprehensive income	-	-	4,789,020,268	4,789,020,268
As at 31 December 2022	1,000	4,674,488,363	6,573,568,061	11,248,057,424
Receipt of Government Grant	-	-		-
Dividends Payment -2020	-		(351,570,485)	(351,570,485)
Dividends Payment -2021			(245,918,727)	(245,918,727)
Dividends Payment -2022	-		(1,474,221,967)	(1,474,221,967)
Profit for the year	-		2,332,281,727	2,332,281,727
Funds Received from the Ministry -2020/21				-
Other Comprehensive Income			(199,122,893)	(199,122,893)
Total comprehensive income	-	-	2,133,158,834	2,133,158,834
As at 31 December 2023	1,000	4,674,488,363	6,635,015,716	11,309,505,079

The Accounting Policies and Notes on pages 42 to 62 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
STATEMENT OF CASH FLOWS
Year ended 31 December 2023

Cash flows From / (Used in) Operating Activities	**Note**	**2023 Rs.**	**2022 Rs.**
Profit/(Loss) before Taxation		2,835,118,969	6,045,575,871
Adjustments for,			
Depreciation	10	445,264,798	378,551,821
Loss on sale of property, plant and equipment			-
Finance Income	6	(656,487,028)	(541,537,093)
Finance Cost	6	69,120,741	87,338,394
Provision for Retirement Benefit Liability	19	206,549,761	122,333,520
Provision for farmer loans	11	(458,330,841)	(3,618,596)
Prior Year Ajustments		-	248,664,430
Bad Debts			
Operating Profit before Working Capital Changes		2,441,236,399	6,337,308,347
(Increase)/Decrease in Inventories		(3,350,177,536)	(2,345,626,124)
Increase in Trade and Other Receivables		(458,480,109)	(337,845,786)
Decrease in Loans Due from Farmers		362,254,284	(450,055,042)
Increase/(Decrease) in Related Party Payables		776,771,442	(612,498,720)
Increase/(Decrease) in Trade and Other Payables		861,460,804	(15,920,581)
Net Cash From Operating Activities		633,065,284	2,575,362,094
Income Tax Paid		(345,887,473)	-
Retirement Benefit Liability Paid	19	(102,197,292)	(23,809,975)
Net Cash Flows From Operating Activities		184,980,519	2,551,552,119
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment		(1,650,695,183)	(864,985,546)
Net (increase)/decrease in investments in Fixed Deposits		(751,826,467)	1,253,981,953
Investment in Biological Assets		182,718,841	(101,178,776)
Proceeds from the sale of Property, Plant and Equipment		-	-
Finance Income Received	6	656,487,028	541,537,093
Net Cash Flows Used in Investing Activities		(1,563,315,780)	829,354,724
Cash Flows From / (Used in) Financing Activities			
Loans/Finance Leases obtained		-	-
Loans settlements	18	-	(8,106,458)
Government Grants Received		-	
Principle payments under finance lease obligation	18	(121,267,215)	(103,220,945)
Interest paid	6	(69,120,741)	(87,338,394)
Dividends paid		(1,597,489,212)	-
Net Cash Flows Used in Financing Activities		(1,787,877,168)	(198,665,797)
Net Increase/(Decrease) in Cash and Cash Equivalents		(3,166,212,429)	3,182,241,046
Cash and Cash Equivalents at the beginning of the year	21	3,972,130,454	789,889,406
Cash and Cash Equivalents at the end of the year	21	805,918,022	3,972,130,454

The Accounting Policies and Notes on pages 42 to 62 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

1. CORPORATE INFORMATION

1.1 General

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

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

The financial statements of Lanka Sugar Company (Private) Limited for the year ended 31st December 2023 were authorized for issue, in accordance with a resolution of the Board of Directors on 19th November 2024.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

2. GENERAL POLICIES

2.1 BASIS OF PREPARATION

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

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

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

2.1.1 Statement of Compliance

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

2.1.2 Going Concern

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.2.1 Functional and Presentation Currency

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

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

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

2.2.2 Revenue recognition

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

Sale of Goods

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

Interest income

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

Gains and losses on Disposal of Assets

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

2.2.3 Taxation

Current Taxes

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

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

Sales tax

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

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

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

Deferred tax

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

2.2.4 Expenses

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

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

2.2.4.1 Borrowing Cost

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

2.2.4.2 Finance Cost

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

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

2.2.5 Property, Plant and Equipment

Owned Assets

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

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

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

Leased Assets

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

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

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

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

Subsequent expenditure

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

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

De-recognition

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

Depreciation

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

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

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

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

2.2.6 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formula : -

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

2.2.7 Financial Instruments – initial recognition and subsequent measurement

Financial Assets

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

Loans and Receivables

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

De-recognition

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

* The rights to receive cash flows from the asset have expired
* The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The company has transferred substantially all the risks and rewards of the asset, or
(b) The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

Impairment of financial assets

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

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

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

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

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

Financial Liabilities

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

Loans and Borrowings

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

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

De-recognition

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

2.2.8 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand and demand deposits that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

2.2.9 Impairment of Non- Financial Assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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

2.2.10 Liabilities and Provisions

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

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

2.2.10.1 Employee Benefits

Defined Contribution Plan

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

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

Defined Benefit Plans

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

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

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

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

The liability is not externally funded.

Short Term Benefits

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

2.2.10.2 Government Grant

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

2.2.10.3 Provisions

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

2.2.10.3 .1 Farmer Loan Provisions

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

Full provisions is made for short term loans which are over 03 years and mid term loans which are over 05 years.

2.2.11 Changes in Accounting Policies

The accounting policies adopted are consistent with prior year.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

2.3 USE OF ESTIMATES AND JUDGEMENTS

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

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

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

Impairment of Non-Financial Assets

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

Depreciation of Property, Plant and Equipment

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

Impairment of Receivables

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

		2023 Rs.	2022 Rs.
4.	**REVENUE**		
4.1	**Summary**		
	Sales of Goods	16,095,088,733	19,287,059,633
		16,095,088,733	19,287,059,633
4.2	Revenue is derived from the following:		
	Sugar	10,025,896,548	9,325,955,975
	Molasses	456,658,828	13,431,087
	ENA	5,612,533,357	9,947,672,571
	Hand Sanitizer	-	
		16,095,088,733	19,287,059,633

4.3 Segment Information

	Head Office Rs.	Pelwatte Division Rs.	Sevanagala Division Rs.	Elimination Rs.	Total Rs.
Segment Revenue	56,400,000	10,579,181,490	5,515,907,243	(56,400,000)	16,095,088,733
Segment Results					
Gross Profit /(Loss)	56,400,000	2,810,751,331	2,770,151,374	(56,400,000)	5,580,902,705
Other					
Capital Expenditure	626,045	988,281,843	977,462,452	-	1,966,370,340
Depreciation	790,689	288,148,413	156,325,696	-	445,264,798
Segment Assets					
Non Current Assets	12,393,068	2,384,169,491	1,244,431,164	-	3,640,993,723
Current Assets	172,553,220	7,795,765,100	8,130,039,663	(1,111,786,427)	14,986,571,556
Segment Liabilities					
Non Current Liabilities	866,835	1,458,916,222	443,193,089	-	1,902,976,146
Current Liabilities	244,370,963	3,492,033,147	2,790,466,371	(1,111,786,427)	5,415,084,054

		2023 Rs.	2022 Rs.
5.	**OTHER INCOME AND GAINS**		
	Other Service Income	135,300,917	175,430,759
	Sundry Income	97,972,876	31,619,163
		233,273,792	207,049,922

6. FINANCE COST AND INCOME

		2023 Rs.	2022 Rs.
6.1	**Finance Cost**		
	Interest Expenses on Bank Loans	33,592,329	48,865,753
	Interest Expenses on Bank Overdrafts	15,749,344	6,162,674
	Finance Charges on Lease Liabilities	19,779,068	32,309,967
		69,120,741	87,338,394
6.2	**Finance Income**		
	Interest Income on Fixed Deposits	656,478,858	541,534,373
	Other Interest Income	8,170	2,720
		656,487,028	541,537,093

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

7. PROFIT BEFORE TAX

Stated after Charging	2023 Rs.	2022 Rs.
Included in Cost of Sales		
Employee Benefits including the following		
- Defined Contribution Plan Costs - EPF and ETF	392,479,052	323,336,509
Depreciation	348,644,028	378,551,821
Provision on Farmer Loans	(1,263,414)	(3,618,596)
Included in Administrative Expenses		
Employee Benefits including the following		
- Defined Benefit Plan Costs - Gratuity	206,389,343	122,173,101
- Defined Contribution Plan Costs - EPF and ETF	125,957,579	103,415,629
Depreciation	95,830,086	86,146,079
Management Fee	56,400,000	48,300,000
Audit Fee	960,000	850,000

8. INCOME TAX EXPENSE/(REVERSAL)

	2023 Rs.	2022 Rs.
Current Income Tax	339,065,670	901,348,746
Deferred Tax Charge/ (Reversal) (Note 8.2)	163,771,572	230,153,903
	502,837,242	1,131,502,649

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

	2023	2022
Accounting profit /(loss) before tax	2,835,118,969	6,045,575,871
Exempt Income /Interest Income/Adjustments	-	(2,573,877,312)
Adjusted accounting profit/(loss) before tax	-	3,471,698,559
Aggregate disallowed items	-	451,904,703
Aggregate allowed items	-	(256,005,921)
Adjustment for Other Income	-	(704,179,471)
Business profit/(Loss) for tax purpose	-	2,963,417,870
Less : Losses from business		-
Total Assessable Income from business income	1,130,218,899	2,963,417,870
Total Assessable Income from investment income	-	704,179,471
Total Assessable Income	1,130,218,899	3,667,597,341
Tax losses utilized during the year		-
Taxable Income	1,130,218,899	3,667,597,341
Income Tax at @ 18%	-	266,707,608
Income Tax at @ 24%	-	84,501,536
Income Tax at @ 30%	339,065,670	550,139,602
	339,065,670	901,348,746

8.2 Deferred Tax Assets

	Statement of Financial Position		Statement of Profit and Loss	
	2023	2022	2023	2022
Deferred Tax Liability	Rs.	Rs.	Rs.	Rs.
On Property, Plant & Equipment	(1,081,275,232)	(823,667,805)	257,607,427	363,828,290
	(1,081,275,232)	(823,667,805)	257,607,427	363,828,290
Deferred Tax Asset				
On Property , Plant & Equipment	-	-	-	-
On Retirement Benefit Obligation	335,414,815	244,372,206	(91,042,609)	(137,992,652)
On Tax Loss /Provisions	1,707,668	(1,085,579)	(2,793,247)	4,318,265
	337,122,483	243,286,627	(93,835,856)	(133,674,387)
			163,771,571	230,153,903
Deferred Income Tax reversal	-	-		
Net Deferred Tax Asset/(Liability)	(744,152,749)	(580,381,178)		

9. EARNINGS/(LOSS) PER SHARE

9.2 Amounts Used as Numerator:	2023 Rs.	2022 Rs.
Net Profit/(Loss) Attributable to Ordinary Shareholders for Earnings Per Share	2,332,281,727	4,914,073,222

Numbers of Ordinary Shares Used as Denominator:	2023 Number	2022 Number
Weighted average Number of Ordinary Shares Applicable to Basic Earnings/(Loss) Per Share	100	100

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

	Balance As at 01.01.2023 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2023 Rs.
Land	44,149,728	-	-	44,149,728
Land Development	188,466,925	-	-	188,466,925
Factory Buildings	244,364,780	-	-	244,364,780
Buildings Others	276,472,685	-	-	276,472,685
Field Machinery and Equipment	707,527,983	106,727,151	-	814,255,134
Irrigation and Miscellaneous Equipment	268,176,442	10,957,131	-	279,133,573
Factory Plant and Equipment	3,328,739,217	253,709,085	-	3,582,448,302
Other Plant and Machinery	153,158,403	-	-	153,158,403
Storage Tank	63,398,475	-	-	63,398,475
Roads and Bridges	111,855,516	-	-	111,855,516
Laboratory Equipment	49,291,526	-	-	49,291,526
Motor Vehicles	228,172,205	27,936,245	-	256,108,450
Furniture, Fittings and Equipment	223,657,970	30,680,344	-	254,338,315
Settler Zone Infrastructure	73,193,739	-	-	73,193,739
	5,960,625,594	430,009,956	-	6,390,635,550
Assets on Finance Leases				
Motor Vehicles	53,645,000	-	-	53,645,000
New Holland Tractor	-	-	-	-
Tractors	136,867,000	-		136,867,000
Cane Loaders	69,552,000	-		69,552,000
Field Machinery and Equipment	325,774,160	-	-	325,774,160
	585,838,160	-	-	585,838,160
In the Course of Construction				
Land Development	11,921,421	22,980,315	-	34,901,736
Building - Others	58,339,565	55,181,055	-	113,520,620
Bio Fertilizer Factory Building	309,357,726	545,242,398	(309,357,726)	545,242,398
Bio Fertilizer Factory - Machinery	-	807,829,638		807,829,638
Factory Plant and Equipment	84,676,675	35,935,668	(11,509,772)	109,102,571
Furniture, Fittings and Equipment	-	-		-
Hotel Project	37,410,797	-	-	37,410,797
Compost Plant	1,897,609	-	-	1,897,609
Irrigation Project / Tube Well	15,969,604	2,996,648	(5,020,925)	13,945,327
Power Generation Project	2,008,690	-	-	2,008,690
ERP Project	-	76,407,927	-	76,407,927
	521,582,087	1,546,573,649	(325,888,423)	1,742,267,313
In the Course of Construction - On Finance Leases				
Factory Plant and Equipment	120,750,000	-	-	120,750,000
	120,750,000	-	-	120,750,000
Total Gross Carrying Amount	7,188,795,841	1,976,583,605	(325,888,423)	8,839,491,023

10.2 Depreciation

	Balance As at 01.01.2023 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2023 Rs.
Land Development	85,308,018	3,936,757	-	89,244,775
Factory Buildings	174,251,679	5,476,710	-	179,728,389
Buildings Others	146,593,738	7,136,008	-	153,729,746
Field Machinery and Equipment	476,838,088	21,831,902	-	498,669,990
Irrigation and Miscellaneous Equipment	274,151,129	40,178,634	-	314,329,763
Factory Plant and Equipment	2,582,431,768	235,088,492	-	2,817,520,260
Other Plant and Machinery	124,325,215	6,518,437	-	130,843,652
Storage Tank	40,581,015	2,967,660	-	43,548,675
Roads and Bridges	110,287,086	1,205,594	-	111,492,680
Laboratory Equipment	49,291,526	-	-	49,291,526
Motor Vehicles	192,470,725	11,678,634	-	204,149,359
Furniture, Fittings and Equipment	172,607,794	17,238,274	-	189,846,068
Settler Zone Infrastructure	71,343,768	167,747	-	71,511,515
	4,500,481,549	353,424,849	-	4,853,906,398
Assets on Finance Leases				
Motor Vehicles	51,350,333	-	-	51,350,333
New Holland Tractor	-	-	-	-
Tractors	37,556,419	23,964,501	-	61,520,920
Cane Loaders	17,388,000	13,910,400	-	31,298,400
Field Machinery and Equipment	146,456,200	53,965,048	-	200,421,248
	252,750,952	91,839,949	-	344,590,902
Total Depreciation	4,753,232,501	445,264,798	-	5,198,497,299

Lanka Sugar Company (Private) Limite
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

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

10.3 Net Book Values

	2023 Rs.	2022 Rs.
Land	44,149,728	44,149,728
Land Development	99,222,150	103,158,907
Factory Buildings	64,636,391	70,113,101
Buildings Others	122,742,939	129,878,947
Field Machinery and Equipment	315,585,144	230,689,895
Irrigation and Miscellaneous Equipment	(35,196,190)	(5,974,687)
Factory Plant and Equipment	764,928,041	746,307,449
Other Plant and Machinery	22,314,751	28,833,188
Storage Tank	19,849,800	22,817,460
Roads and Bridges	362,836	1,568,430
Laboratory Equipment	-	-
Motor Vehicles	51,959,091	35,701,480
Furniture, Fittings and Equipment	64,492,247	51,050,176
Settler Zone Infrastructure	1,682,224	1,849,971
	1,536,729,152	1,460,144,045
Assets on Finance Lease		
Motor Vehicles	2,294,667	2,294,667
New Holland Tractor	-	-
Tractors	75,346,080	99,310,581
Cane Loaders	38,253,600	52,164,000
Field Machinery and Equipment	125,352,912	179,317,960
	241,247,258	333,087,208
In the Course of Construction		
Land Development	34,901,736	11,921,421
Building - Others	113,520,620	58,339,565
Bio Fertilizer Factory Building	545,242,398	309,357,726
Bio Fertilizer Factory - Machinery	807,829,638	-
Factory Plant and Equipment	109,102,571	84,676,675
Furniture, Fittings and Equipment	-	
Hotel Project	37,410,797	37,410,797
Compost Plant	1,897,609	1,897,609
Irrigation Project	13,945,327	15,969,604
Power Generation Project	2,008,690	2,008,690
ERP Project	76,407,927	-
	1,742,267,313	521,582,087
In the Course of Construction - On Finance Leases		
Factory Plant and Equipment	120,750,000	120,750,000
	120,750,000	120,750,000
Total carrying amount of Property, Plant and Equipment	3,640,993,724	2,435,563,340

10.4 During the financial period, the company acquired Property, Plant and Equipment to the aggregate value of Rs.1,650,695,183 (2022 - Rs.1,001,722,827/-)

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

	2023	2022
Land Development	50 Years	50 Years
Factory Buildings	50 Years	50 Years
Buildings Others	50 Years	50 Years
Field Machinery and Equipment	5 - 6.67 Years	5 - 6.67 Years
Irrigation and Miscellaneous Equipment	16.67 Years	16.67 Years
Factory Plant and Equipment	10-20 Years	10-20 Years
Other Plant and Machinery	5 - 20 Years	5 - 20 Years
Roads and Bridges	20 Years	20 Years
Motor Vehicles	2 - 5 Years	2 - 5 Years
Furniture, Fittings and Equipment	4 - 5 Years	4 - 5 Years
Settler Zone Infrastructure	3 - 50 Years	3 - 50 Years

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

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

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

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

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

	Pelwatte Division Rs.	Sevanagala Division Rs.
Buildings	766,250,000	3,757,500,000
Plant and Machinery	1,399,000,000	769,500,000
Motor Vehicles	390,600,000	-
Agri Equipment	72,000,000	330,700,000

11. INVENTORIES

	2023 Rs.	2022 Rs.
Produced Inventory (11.1)	5,819,178,872	2,486,004,294
Other Inventory (11.2)	2,492,313,600	2,475,310,642
	8,311,492,472	4,961,314,936

11.1 Produced Inventory

	2023 Rs.	2022 Rs.
Sugar	3,068,588,992	925,505,450
Molasses	1,750,349,956	1,280,106,810
ENA	1,000,239,924	280,392,034
	5,819,178,872	2,486,004,294

11.2 Other Inventory

	2023 Rs.	2022 Rs.
Fuel and Lubricants	279,986,944	314,934,083
Factory Chemicals	42,562,304	28,658,819
Production Items Distillery	7,618,307	10,017,404
Bags and Liners	6,141,000	108,064,233
Fertilizers	513,034,010	561,644,514
General	119,280,391	89,261,493
Agriculture Spares	378,057,025	253,043,731
Stationery	5,111,210	6,772,941
Factory Spares	834,877,912	719,786,068
Other Inventory	2,232,785	4,831,870
Tires and Tubes	177,285,623	140,034,903
Other Inventory	-	-
	2,366,187,511	2,237,050,059
Less: Provision for Obsolete Stocks	-	(9,251,437)
	2,366,187,511	2,227,798,622
Goods-in-Transit	126,126,089	247,512,020
	2,492,313,600	2,475,310,642

12. BIOLOGICAL ASSETS

	2023 Rs.	2022 Rs.
Standing Cane	707,948,224	890,667,065
	707,948,224	890,667,065

13. TRADE AND OTHER RECEIVABLES

	2023 Rs.	2022 Rs.
Trade Receivables	3,611,050	3,340,350
Other Receivables	874,278,248	363,123,083
WHT Receivable	258,928	-
VAT Receivable	281,563	-
Staff Loans (13.1)	157,816,296	245,308,243
	1,036,246,085	611,771,676

13.1 Staff Loans

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	245,284,243	28,759,443
Loans granted during the year	155,007,972	357,617,054
Repayments made during the year	(242,475,919)	(142,046,254)
Balance at the end of the year	157,816,296	244,330,243

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

14. LOANS DUE FROM FARMERS

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	2,017,532,190	1,567,477,148
Loans granted during the year	1,901,747,986	1,745,641,329
Loans recovered during the year	(1,799,979,203)	(377,951,861)
Loans Written Off	(464,023,067)	-
Total Loans Granted	1,655,277,906	2,017,532,190
Less: Provision for Doubtful Recoveries	(95,734,063)	(554,064,904)
Balance at the end of the year	1,559,543,843	1,463,467,286

15. INVESTMENTS

	2023 Rs.	2022 Rs.
Current		
Fixed Deposits	2,033,318,775	1,237,947,390
	2,033,318,775	1,237,947,390

16. STATED CAPITAL

	2023 Number	2023 Rs.	2022 Number	2022 Rs.
Fully Paid Ordinary Shares	100	1,000	100	1,000

17. GOVERNMENT GRANT

	2023 Rs.	2022 Rs.
As at beginning of the period	4,674,488,363	4,047,943,334
Received During the year	-	626,545,029
	4,674,488,363	4,674,488,363

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

18. INTEREST BEARING LOANS AND BORROWINGS

	2023			2022		
	Amounts Repayable Within 1 Year Rs.	Amounts Repayable After 1 year Rs.	Total Rs.	Amounts Repayable Within 1 Year Rs.	Amounts Repayable After 1 year Rs.	Total Rs.
Bank Loans (18.1)	-	-	-	58,725,348	101,792,568	160,517,916
Finance Leases (18.2)	95,585,542	40,773,733	136,359,275	70,117,008	26,991,566	97,108,574
	95,585,542	40,773,733	136,359,275	128,842,356	128,784,134	257,626,490

18.1 Bank Loan

	As at 01.01.2023 Rs.	New Loans Obtained Rs.	Repayments Rs.	As at 31.12.2023 Rs.
Bank of Ceylon	-			-
Sampath Bank				-
NDB Bank	-			-
	-	-	-	-

18.2 Finance Leases

	As at 01.01.2023 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.12.2023 Rs.
Bank of Ceylon	290,101,065		(141,046,284)	149,054,781
Gross Liability	290,101,065	-	(141,046,284)	149,054,781
Finance Charges Allocated to Future Periods	(32,474,575)		19,779,069	(12,695,506)
Net Liability	257,626,490	-	(121,267,215)	136,359,275

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

19.	RETIREMENT BENEFIT LIABILITY	2023 Rs.	2022 Rs.
	As at the beginning of the period	814,574,021	590,997,522
	Interest Cost	146,496,169	64,949,668
	Current service cost	60,053,592	57,383,852
	Benefit Paid	(102,197,292)	(23,809,975)
	Actuarial (Gain)/Loss	199,122,893	125,052,954
	As at the end of the period	1,118,049,383	814,574,021

19.1 Messers Actuarial and Management Consultation (Private) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 December 2023. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

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

	2023	2022
Pelawatte Division		
Discount Rate	13.00%	18.00%
Rate of Salary Increase	8.00%	10.00%
Retirement Age	60 Years	60 Years
Sevanagala Division		
Discount Rate	13.00%	11.00%
Rate of Salary Increase	Fixed amount	Fixed amount
Retirement Age	60 Years	60 Years

20.	TRADE AND OTHER PAYABLES	2023 Rs.	2022 Rs.
	Trade Payables (20.1)	664,467,878	317,383,067
	Advances Received from customers	1,582,722,737	585,551,037
	Other Payables (20.2)	525,002,629	58,995,906
	Sundry Creditors including Accrued Expenses (20.3)	802,707,695	1,245,567,943
	Distilleries Company of Sri Lanka PLC	24,784,659	24,784,659
	Recovered from Farmers	59,792,499	59,792,499
		3,659,478,097	2,292,075,111
20.1	**Trade Payables**		
	Trade Creditors	664,467,878	317,383,067
		664,467,878	317,383,067
20.2	**Other Payables**		
	VAT Payable	29,840,782	32,817,299
	NBT Payable	-	-
	Dividend Payable	474,221,967	-
	Social Security Contribution Levy	20,939,880	26,178,607
		525,002,629	58,995,906
20.3	**Sundry Creditors including Accrued Expenses**		
	Sundry Creditors	186,086,530	598,103,993
	Accrued Expenditure	616,621,165	647,463,950
		802,707,695	1,245,567,943

21.	CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT		
	Components of Cash and Cash Equivalents	2023 Rs.	2022 Rs.
21.1	**Favorable Cash and Cash Equivalents Balances**		
	Cash and Bank Balances	256,493,478	2,228,543,278
	Investment below 03 months	898,853,850	1,743,587,178
		1,155,347,328	3,972,130,456
21.2	**Unfavorable Cash and Cash Equivalent Balances**		
	Bank Overdrafts	349,429,306	-
	Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	805,918,022	3,972,130,456

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

22. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

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

At the end of year 2023, Pelwatte Division had 19 legal cases filed by the employees and out side parties against the company and a provision of Rs. 8,500,000 has been made in the financial statements for contingent liability.Sevanagala Division had 07 legal cases in various courts, that were filed by the employees and out side parties against the company. However the Company is unable to confirm any contingency payment that require adjustments or disclosures in the Financial Statements.

23. Assets Pledged

		Rs.	
Fixed Deposits	Overdraft facility of A/C No 73947899 Bank Of Ceylon	202,694,999	Investment
Fixed Deposits	Overdraft facility of A/C No 75751012 Bank Of Ceylon	349,641,944	Investment
Fixed Deposits	Fertilizer Project of A/C No 73927950 Bank Of Ceylon	390,061,826	Investment

24. EVENTS OCCURRING AFTER THE REPORTING DATE

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

25. RELATED PARTY DISCLOSURES

25.1 Amounts due from Related Parties

	2023 Rs.	2022 Rs.
Receivable from Kanthale Sugar Industries	8,831,204	8,831,204
Receivable from Hingurana Sugar Industries	548,134	548,134
Ministry Of Sugar Industry Receivable	3,453,231	3,453,231
SSP Project - Badulla	6,665,725	6,665,725
	19,498,293	19,498,293
Provision for Bad Debts	(19,498,293)	(19,498,293)
	-	-

25.2 Transactions with Key Management Personnel of the Company

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

Key Management Personnel Compensation	2023 Rs.	2022 Rs.
Directors Fee	1,012,500	820,000

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

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

Credit risk

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

Trade receivables

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

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

Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years
Interest- bearing loans and borrowings	(349,429,306)	-	95,585,542	40,773,733
Trade and other payables	3,659,478,097	-	-	-
	3,310,048,791	-	95,585,542	40,773,733

Capital management

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

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2023.

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

Interest Bearing Borrowings	(213,070,031)
Trade and Other Payables	3,659,478,097
Less: Cash and Cash Equivalents	(1,155,347,328)
Net Debt	2,291,060,737
Equity	11,309,505,079
Total Capital	11,309,505,079
Gearing ratio	16.85%

27. FAIR VALUE MEASUREMENT

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

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

28. EVENTS AFTER THE REPORTING PERIOD

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

29. RELATED PARTY DISCLOSURE

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

29.1 Transactions with Key Management Personnel

29.1.1 Loans to Directors

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

29.1.2 Other Transactions With Key Management Personnel

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

30. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and assets reported during the financial year ended 31.12.2023 except those mentioned under Note No 22 to the Financial Statement.

31. AGRICLUTURE

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

Segmental Financial Information - Pelwatte Division

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 Rs.	2022 Rs.
Revenue	10,579,181,490	11,958,503,245
Cost of Sales	(7,768,430,159)	(7,615,845,279)
Gross Profit	2,810,751,331	4,342,657,966
Other Income and Gains	103,304,276	58,899,924
Administrative Expenses	(1,628,847,306)	(1,633,245,603)
Finance Cost	(61,545,600)	(72,875,706)
Finance Income	310,240,231	221,265,942
Profit / (Loss) before tax	1,533,902,932	2,916,702,523
Income Tax Reversal / (Expense)	(177,228,561)	(597,323,203)
Profit / (Loss) for the year	1,356,674,371	2,319,379,320
Other Comprehensive Income for the period, net of tax		
Actuarial Gain / (Loss)	(144,412,088)	(137,873,296)
Total Comprehensive Income for the period, net of tax	1,212,262,283	2,181,506,024

Segmental Financial Information - Pelwatte Division

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2023

ASSETS	2023 Rs.	2022 Rs.
Non-Current Assets		
Property, Plant and Equipment	2,384,169,491	1,700,566,758
Non-Current Investments	-	43,544,918
	2,384,169,491	1,744,111,676
Current Assets		
Inventories	4,639,764,901	2,691,258,707
Biological Assets	707,948,224	890,667,065
Trade and Other Receivables	128,274,706	228,223,504
Advances and Prepayments	103,659,669	105,624,879
Loans Due from Farmers	1,177,588,218	1,003,784,009
Amounts Due from Related Parties	57,842,778	-
Investments	80,404,764	30,250,182
Cash and Cash Equivalents	900,281,840	2,109,149,337
	7,795,765,100	7,058,957,682
Total Assets	10,179,934,591	8,803,069,358
EQUITY AND LIABILITIES		
Capital and Reserves		
Government Grant	3,849,593,707	3,705,405,777
Accumulated Profit	1,379,391,515	1,079,728,673
Total Equity	5,228,985,222	4,785,134,450
Non-Current Liabilities		
Deferred Tax Liability	474,795,638	480,153,940
Retirement Benefit Liability	943,571,187	706,171,981
Interest Bearing Loans and Borrowings	40,549,397	101,792,568
	1,458,916,222	1,288,118,489
Current Liabilities		
Bank Overdraft	349,429,306	-
Interest Bearing Loans and Borrowings	61,243,171	58,725,348
Trade and Other Payable	1,903,404,442	1,513,322,416
Income Tax Payable	166,182,242	232,144,005
Amounts Due to Related Parties	1,011,773,986	925,624,650
	3,492,033,147	2,729,816,419
Total Equity and Liabilities	10,179,934,591	8,803,069,358

Segmental Financial Information - Pelwatte Division

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Government Grant Rs.	Retained Earnings/(Loss) Rs.	Total Rs.
As at 01 January 2022	3,705,405,777	(1,350,441,781)	2,354,963,996
Profit for the year	-	2,319,379,320	2,319,379,320
Write-back of Long outstanding NBT Liability		109,138,256	109,138,256
Write-back of provision for farmer & company benefits		139,526,174	139,526,174
Total Other Comprehensive Income for the year, net of tax	-	(137,873,296)	(137,873,296)
As at 31 December 2022	3,705,405,777	1,079,728,673	4,785,134,450
Profit/(Loss) for the year		1,356,674,371	1,356,674,371
Dividend Payment - 2020		(153,992,701)	(153,992,701)
Dividend Payment - 2021		(62,772,656)	(62,772,656)
Dividend Payment - 2022		(695,834,085)	(695,834,085)
Transferred Government Grant to Head Office (BIO Fertilizer)	(85,000,000)	-	(85,000,000)
Transferred Government Grant from Head Office (BIO Fertilizer)	229,187,930	-	229,187,930
Actuarial (Loss)		(144,412,088)	(144,412,088)
As at 31 December 2023	3,849,593,707	1,379,391,515	5,228,985,222

Segmental Financial Information - Pelwatte Division

STATEMENT OF CASH FLOWS

As at 31 December 2023

	2023 Rs.	2022 Rs.
Cash Flows From / (Used in) Operating Activities		
Profit / (Loss) before Taxation	1,533,902,932	2,916,702,523
Adjustments for,		
Depreciation	288,148,413	250,211,880
Finance Income	(289,175,549)	(176,571,191)
Finance Cost	61,545,600	72,875,706
Provision for Loans from Farmers	5,692,226	(1,263,414)
Write-off of provision for farmer loans	273,046,435	-
Write-back of Long outstanding NBT Liability	-	109,138,256
Write-back of provision for farmer & company benefits	-	139,526,174
Provision for Retirement Benefit Liability	175,311,476	93,258,292
Operating Profit/(Loss) before Working Capital Changes	2,048,471,532	3,403,878,225
(Increase)/Decrease in Inventories	(1,765,787,353)	(1,701,843,552)
(Increase)/Decrease in Trade and Other Receivables	101,914,008	(138,994,972)
Increase in Loans Due from Farmers	(179,496,435)	(298,992,924)
Decrease in Amounts Due from Related Party	(57,842,778)	-
Increase/(Decrease) in Amounts due to Related Parties	86,149,336	68,902,700
Increase/(Decrease) in Trade and Other Payables	117,035,592	283,372,290
Net Cash From Operating Activities	350,443,903	1,616,321,768
Finance Cost Paid	(61,545,600)	(72,875,706)
Income Tax Paid	(248,548,627)	-
Retirement Benefit Liability Paid	(82,324,358)	(20,775,605)
Net Cash From/ (Used in) Operating Activities	(41,974,681)	1,522,670,458
Cash Flows From / (Used in) Investing Activities		
Acquisition of Property, Plant and Equipment	(971,751,145)	(400,714,560)
(Investments)/Withdrawals in/of Fixed Deposits	(6,609,665)	433,225,512
Proceeds from Disposal of Fixed Assets	-	-
Finance Income Received	289,175,549	176,571,191
Net Cash Flows Used in Investing Activities	(689,185,261)	209,082,143
Cash Flows From / (Used in) Financing Activities		
Found Received form the Ministry	-	-
Financing obtained during the period	-	-
Principle Payments under Finance Lease Liabilities	(58,725,348)	(53,081,998)
Principle Payments under Bank Loan Liabilities	-	-
Transf. Government Grant to Head Office (BIO Fertilizer)	(85,000,000)	-
Transf. Government Grant from Head Office (BIO Fertilizer)	229,187,930	
Dividends Paid	(912,599,442)	-
Net Cash Flows Used in Financing Activities	(827,136,860)	(53,081,998)
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,558,296,802)	1,678,670,603
Cash and Cash Equivalents at the beginning of the year	2,109,149,337	430,478,733
Cash and Cash Equivalents at the end of the year	550,852,535	2,109,149,337

Segmental Financial Information - Sevanagala Division

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 Rs.	2022 Rs.
Revenue	5,515,907,244	7,357,719,027
Cost of Sales	(2,745,755,869)	(2,934,311,655)
Gross Profit	2,770,151,374	4,423,407,372
Other Income and Gains	116,308,705	111,637,702
Finance Income	344,775,849	311,433,672
Administrative Expenses	(1,907,909,495)	(1,703,277,969)
Finance Cost	(7,575,141)	(14,462,689)
Profit before tax	1,315,751,291	3,128,738,088
Incentive Provision for the Employees & Farmers	-	-
Income Tax Expense	(325,608,681)	(534,179,444)
Profit for the year	990,142,610	2,594,558,644
Other Comprehensive Income/ Loss	(54,710,805)	12,820,342
Other Comprehensive Income for the year, net of tax		
Total Comprehensive Income for the year, net of tax	935,431,805	2,607,378,986

Segmental Financial Information - Sevanagala Division

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2023

	2023	2022
ASSETS	**Rs.**	**Rs.**
Non-Current Assets		
Property, Plant and Equipment	1,244,431,164	423,294,407
Non Current Investments	-	-
	1,244,431,164	423,294,407
Current Assets		
Inventory	3,671,727,571	2,270,056,229
Allotees/Farmers Receivables	381,955,624	459,683,277
Amounts Due from Related Parties	1,053,943,649	1,648,161,307
Advances and Prepayments	76,032,263	9,574,698
Other Receivable	906,924,393	382,584,769
Investment in Fixed Deposits	1,925,354,011	1,184,697,208
Cash and Cash Equivalents	114,102,150	1,771,593,401
	8,130,039,663	7,726,350,889
Total Assets	**9,374,470,827**	**8,149,645,296**
EQUITY AND LIABILITIES		
Capital and Reserves		
Government Grant	824,894,656	579,082,586
Retained Earnings	5,315,916,711	5,539,596,642
Total Equity	6,140,811,367	6,118,679,228
Non Current Liabilities		
Deferred Tax Liability	269,357,392	100,227,518
Retirement Benefit Liability	173,611,362	107,695,624
Interest Bearing Loans and Borrowings	224,336	26,991,566
	443,193,090	234,914,708
Current Liabilities		
Interest Bearing Loans and Borrowings	34,342,371	70,117,008
Trade and Other Payables	1,753,799,904	751,030,008
Income Tax Payable	1,002,324,096	974,904,355
	2,790,466,370	1,796,051,371
Total Equity and Liabilities	**9,374,470,827**	**8,149,645,296**

Segmental Financial Information - Sevanagala Division

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Government Grant	Retained Earnings	Total
	Rs.	Rs.	Rs.
As at 01 January 2022	579,082,586	2,932,217,655	3,511,300,242
Profit/Loss for the year		2,607,378,986	2,607,378,986
Adjustment of Previous Year IT		-	-
As at 31 December 2022	579,082,586	5,539,596,642	6,118,679,228
Profit/Loss for the year		935,431,806	935,431,806
Government Grants	245,812,070	-	245,812,070
Dividends paid during the year - 2020		(197,577,784)	(197,577,784)
Dividends paid during the year - 2021		(183,146,071)	(183,146,071)
Dividends paid during the year - 2022		(304,165,915)	(304,165,915)
Adjustment of Previous Year Dividends - 2022		(474,221,967)	(474,221,967)
As at 31 December 2023	824,894,656	5,315,916,711	6,140,811,367

Segmental Financial Information - Sevanagala Division

STATEMENT OF CASH FLOWS

As at 31 December 2023

Cash flows From Operating Activities	**2023**	**2022**
Profit before Taxation	1,315,751,292	2,594,558,644
Adjustments for,		
Depreciation	156,325,696	138,015,407
Finance Income	(38,995,592)	(50,092,137)
Finance Cost	7,575,141	14,462,689
Provision for Loans from Farmers	-	7,501,296
Previous Year NBT Tax	-	-
Provision for Incentive for Employees & Farmers	183,333,505	
Provision for Retirement Benefit Liability	31,077,867	28,914,809
Operating Profit/(Loss) before Working Capital Changes	1,655,067,908	2,733,360,708
(Increase)/Decrease in Inventories	(1,401,671,342)	(744,961,357)
Increase in Trade and Other Receivables	(513,069,537)	(320,228,810)
Increase in Amounts due from Related Parties	594,217,658	(694,155,122)
Increase/(Decrease) in Trade and Other Payables	329,898,836	200,801,918
Decrease in Amounts due from Related Parties		
Finance Cost Paid	(7,575,141)	(14,462,689)
Income Tax Paid	(113,743,468)	
Benefit Paid	(19,872,934)	(3,034,370)
Net Cash From Operating Activities	523,251,981	1,157,320,279
Cash Flows From Investing Activities		
Acquisition of Property, Plant and Equipment	(731,650,383)	(163,484,281)
Proceeds from the sale of Property, Plant and Equipment	-	
Investment in Fixed Deposits	(740,656,803)	(562,347,734)
Finance Income Received	38,995,592	50,092,137
Repayment of Government Grant	-	-
Net Cash Flows Used in Investing Activities	(1,433,311,594)	(675,739,877)
Cash Flows From Financing Activities		
Proceeds from Interest Bearing Loans and Borrowings		-
Repayment of Interest Bearing Loans and Borrowings	-	(8,106,458)
Principle Payment under Finance Lease Liabilities	(62,541,867)	(50,138,947)
Payment of Dividends	(684,889,770)	-
Net Cash Flows From/ (Used in) Financing Activities	(747,431,637)	(58,245,405)
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,657,491,251)	423,334,996
Cash and Cash Equivalents at the beginning of the year	1,771,593,401	1,348,258,405
Cash and Cash Equivalents at the end of the year	114,102,150	1,771,593,401

TEN YEAR SUMMARY

	2023 Rs. (000)	2022 Rs. (000)	2021 Rs. (000)	2020 Rs. (000)	2019 Rs. (000)	2018 Rs. (000)	2017 Rs. (000)	2016 Rs. (000)	2015 Rs. (000)	2014 Rs. (000)
Revenue	16,095,089	19,287,060	12,284,073	8,977,745	7,545,539	6,242,954	7,616,940	7,728,890	4,881,638	5,539,305
Profit/(Loss) before tax	2,835,118	6,045,576	1,250,587	937,507	(1,312,213)	144,342	402,703	1,006,288	(1,052,440)	(211,013)
Income Tax Expense	(502,837)	(1,131,503)	(430,858)	234,395	(50,160)	(307,729)	(275,043)	(177,050)	(14,861)	60,176
Profit/(Loss) for the year	2,332,281	4,914,073	819,729	1,171,902	(1,362,373)	(163,387)	127,660	829,237	(1,067,301)	(150,837)
CAPITAL EMPLOYED										
Stated Capital	1	1	1	1	1	1	1	1	1	1
Government Grant	4,674,488	4,674,488	4,674,488	4,047,853	4,047,853	4,047,990	4,047,990	4,047,943	4,047,990	4,048,080
Accumulated Profits	6,635,015	6,573,568	1,535,883	732,432	(436,689)	917,568	997,226	750,427	(122,645)	924,011
Non-Current Liabilities	1,902,976	1,523,739	1,233,476	761,027	922,327	813,146	656,734	531,114	556,987	555,802
	13,212,479	12,771,796	7,443,848	5,541,313	4,533,492	5,778,705	5,701,951	5,329,485	4,482,333	5,527,894
ASSET EMPLOYED										
Property, Plant and Equipment	3,640,994	2,435,563	1,949,130	1,779,607	1,871,931	1,980,452	2,203,255	2,425,649	2,599,759	2,792,378
Non Current Investments	-	43,545	143,545	-	-	-	-	92,167	85,518	86,067
Current Assets	14,986,571	13,285,967	8,144,563	6,401,263	4,917,274	6,484,253	5,201,620	5,209,490	4,001,976	4,768,295
Current Liabilities	(5,415,084)	(2,993,279)	(2,793,390)	(2,639,557)	(2,255,713)	(2,686,000)	(1,702,924)	(2,397,821)	(2,204,920)	(2,118,846)
	13,212,479	12,771,796	7,443,848	5,541,313	4,533,492	5,778,705	5,701,951	5,329,485	4,482,333	5,527,894
CASH FLOW										
Net cash flows generated from / (Used in) Operating Activities	184,980	2,551,552	1,842,787	572,306	676,384	(1,121,422)	817,205	373,505	(669,217)	1,076
Net cash flows generated from / (Used in) investing Activities	(1,563,316)	829,355	(1,163,241)	(476,256)	58,624	74,350	(138,040)	(271,891)	629,766	(237,213)
Net cash flows generated from / (Used in) finacing Activities	(1,787,877)	(198,666)	390,627	219,845	(721,585)	376,513	(117,724)	(68,284)	(105,763)	(160,442)
Net Increase / (decreased) in Cash and Cash Equivalents during the Year	(3,166,212)	3,182,241	1,070,173	315,895	13,423	(670,559)	560,966	33,282	(141,043)	(396,579)
KEY INDICATORS										
Earnings per Share (Rs.)	23,322,817	49,140,732	8,197,291	11,719,016	(13,623,731)	(1,633,870)	1,276,598	8,292,375	(10,673,005)	(1,508,370)
Current Ratio	2.77	4.43	2.92	2.43	2.18	2.41	3.05	2.17	1.82	2.25

Sustainability Report

Our sustainability roadmap is structured around five pillars: Sustainable agriculture; Protection of the environment; Positive industry; Responsible, healthy and quality nutrition and Employees and local development.

SUSTAINABLE AGRICULTURE
Combine environmentally friendly agricultural practices with the economic viability of our growers' farms.

PROTECTION OF THE ENVIRONMENT
Conserve biodiversity and minimize our waste by making the most of our agricultural raw materials.

POSITIVE INDUSTRY
Optimize water and energy consumption in our plants and reduce our carbon footprint.

RESPONSIBLE, HEALTHY AND QUALITY NUTRITION
To become a leading partner for our customers in reformulation and to develop education programs on the sensible consumption of sugar.

EMPLOYEES AND LOCAL DEVELOPMENT
Protect the health and safety of our employees and partners. Promote diversity and equal opportunities and fight against discrimination. Help make the areas in which we operate more attractive.

The success of our business is tied to the land, the climate, and people. Sustainability is at the core of our strategy and we recognize that improving our supply chain with this mindset is an ongoing effort. We are passionate about transforming agricultural practices. Through continuous investments and a focus on process excellence, we are developing solutions to build a more sustainable economy with less waste and reduced greenhouse gas emissions. This is our approach to processing sugarcane into sugar, ethanol and other byproducts.

We currently have nearly 15,000 hectares of sugarcane fields. There are around 10,000 sugarcane farmers. Our close collaboration with them is key to the success and sustainability of our business. We work to create value, together. We experiment new varieties with superior yields as part of our plan to improve sugarcane yields, alongside other initiatives such as crop management methods and technology-enabled harvesting.

We are constantly seeking innovative solutions that meet society's needs and make the most of our raw materials. We are fully committed to sustainable agriculture, and work towards implementing and promoting environmentally responsible farming practices across our value chain. We share insights, challenges and progress to track and manage environmental and social issues.

Recognizing that raw materials are scarce and valuable, we are constantly scanning our entire value chain for value-adding opportunities. We are dedicated to sustainable agricultural practices and makes full use of our raw materials, ensuring that nothing is wasted but is instead transformed into valuable products

Our continuous improvement process works towards reducing water and energy consumption and developing new ways to reuse non-food waste in our factories. To achieve these objectives, we have placed the circular economy at the center of our efforts—our industrial waste is converted into electricity and organic fertilizers, creating a positive industry model.

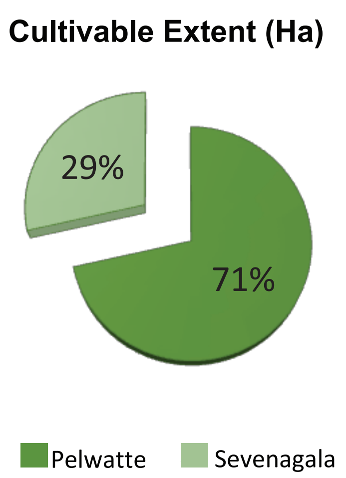
Climate change is high on our agenda as it directly affects our business and industry. This makes it essential that we manage and reduce our greenhouse gas emissions and air pollutants, identify risks and opportunities related to climate change.

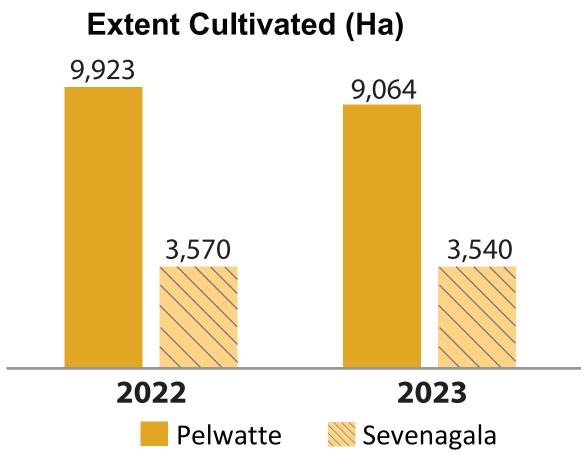
We have an extensive supply chain, covering the entire spectrum from raw materials such as sugarcane to agricultural, industrial and general supplies. Most of our suppliers are located in the Monaragala district, where our operations are based. We provide farmers with advice on planting, harvesting, crop management and product quality

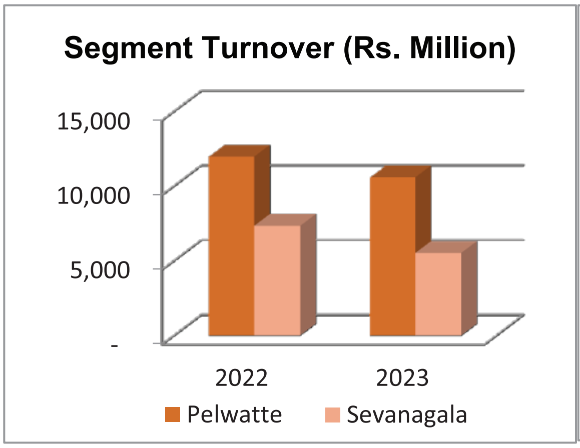
The agribusiness sector is faced with the complex task of expanding agricultural production while tackling climate change. Lanka Sugar Ltd is rising to this challenge by increasingly leveraging innovation and technology. We are constantly deploying new technology to become more competitive. Some of our main innovation fronts include new sugarcane varieties, pest and weed control, crop management and harvesting,

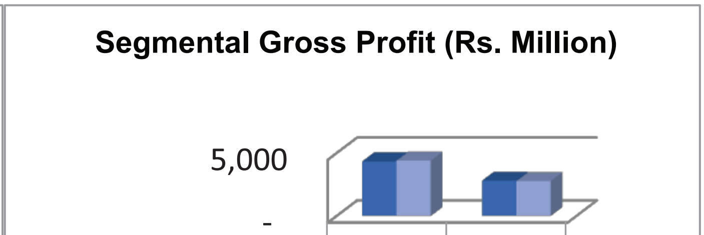
We recognize that people are key to our success. That is why we work to foster a culture that values our employees, and invest in our in-house talent to provide opportunities for professional development and career growth. We are committed to providing a safe and healthy work environment for all employees, a number one priority for Lanka Sugar Ltd.

Graphical Segmental Comparison

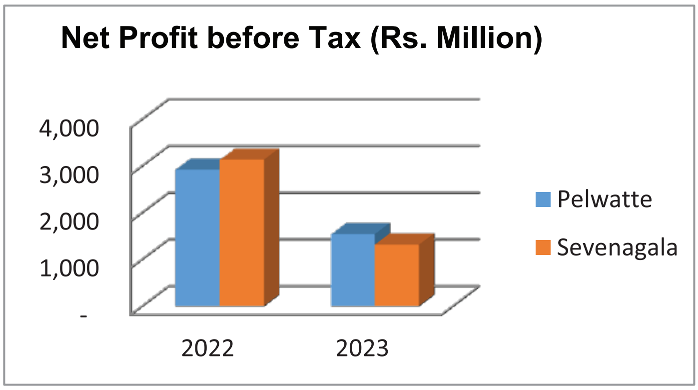








	2022	2023
Pelwatte	4,343	2,811
Sevenagala	4,394	2,767



Progress Report - 2023

INDUSTRY OVERVIEW

It is estimated that the overall domestic sugar production in 2023 was 66,013 Metric Tons and sufficient to meet 10 per cent of the total sugar requirement of the country. Meanwhile, imports of sugar increased by 29.5 percent to 595,800 metric tons in 2023 from 460,000 metric tons in 2022.

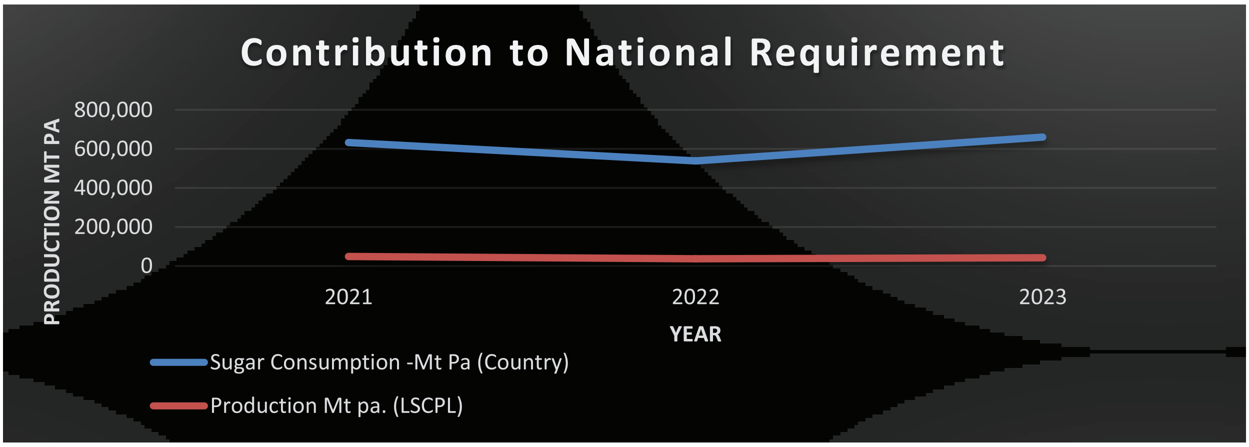
Considering the potential for the expansion of the domestic sugar production and the significant amount of foreign exchange incurred in importing sugar, it is crucial to revitalize the sugar industry with the use of modern technology, high yielding sugar cane varieties and better crop management practices.

OUR CONTRIBUTION TO THE NATIONAL ECONOMY

2023 was indeed challenging with many macro and micro economic factors affecting the performance. During the year, sugar cane yield per hectare decreased from 61.21 MT to 50.84 MT, however, sugar extraction rate increased from 6.33% to 6.59% and the total sugar production increased from 36,738 MT in year 2022 to 41,860 MT in year 2023, which was 6.33% of the domestic sugar requirement.

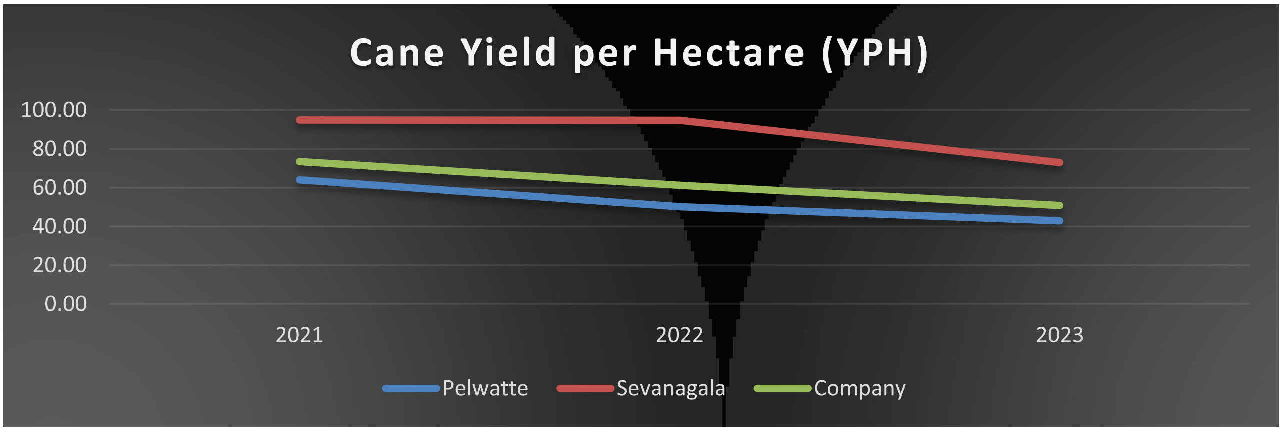
CONTRIBUTION TO THE NATIONAL ECONOMY

Description	2021	2022	2023
Sugar Consumption -Mt Pa (Country)	633,641	538,870	661,813
Production Mt pa. (LSCPL)	48,177	36,738	41,860
Contribution to the Economy	7.60%	6.82%	6.33%



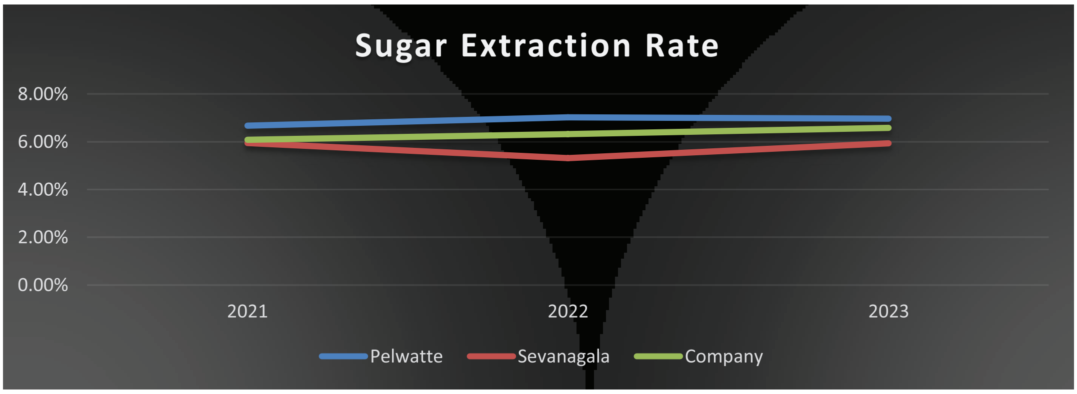
Yield per Hectare (MT)

Division	2021	2022	2023
Pelwatte	64.16	50.24	42.94
Sevenagala	95.00	94.80	73.01
Company	73.55	61.21	50.84



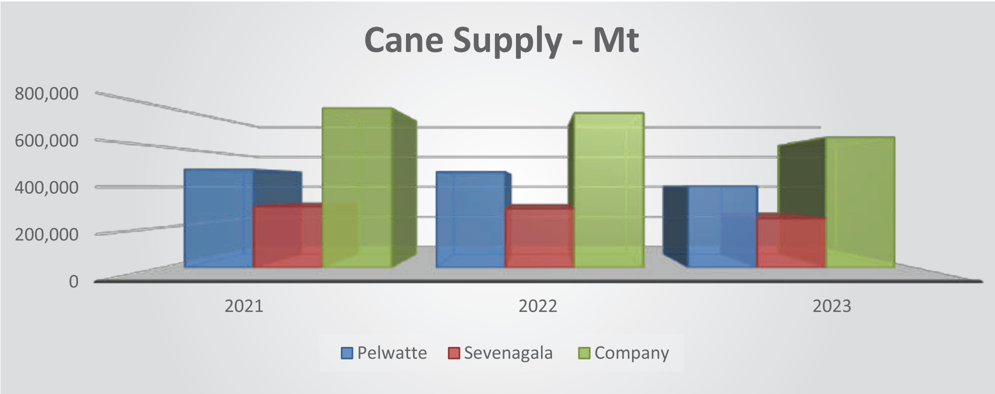
Sugar Extraction Rate (Mt/Cane)

Division	2021	2022	2023
Pelwatte	6.68%	7.03%	6.97%
Sevanagala	5.95%	5.32%	5.94%
Company	6.09%	6.33%	6.59%



Cane Supply (MT)

Division	2021	2022	2023
Pelwatte	488,166	474,739	402,813
Sevanagala	303,122	292,833	243,992
Company	**791,288**	**767,572**	**646,805**

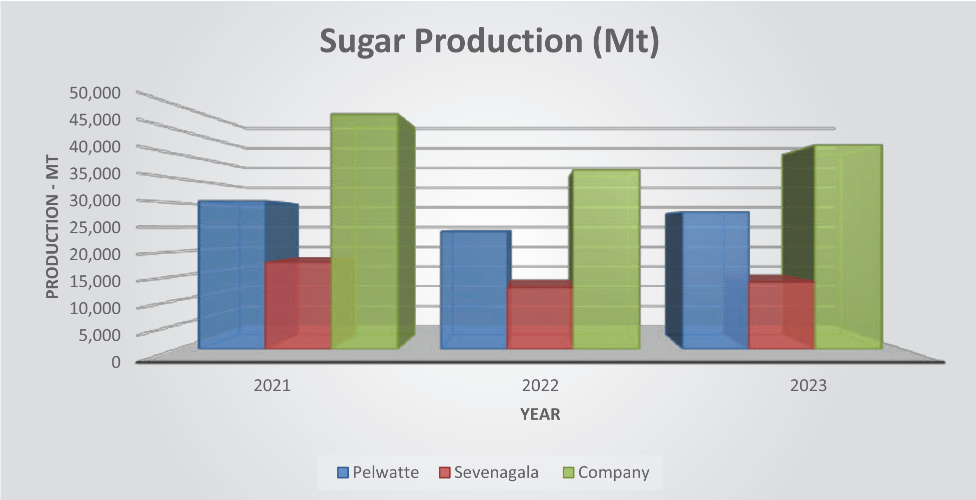


Company Performance

Sugar production has decreased from 36,738 metric tons in the year 2022 to 41,860 metric tons in the year 2023. The Pelwatte factory reported 16.4 per cent increase in production, to 28,077 metric tons in 2023. The Pelwatte factory, which accounted for 65 per cent of the total sugar production in 2022, increased its share to 67 per cent. The Sevanagala factory recorded 9 per cent increase in sugar production from 12,628 metric tons in 2022 to 13,783 metric tons in 2023. Meanwhile, Ethanol production has decreased from 11,790,195 liters in the year 2022 to 7,521,979 liters in the year 2023.

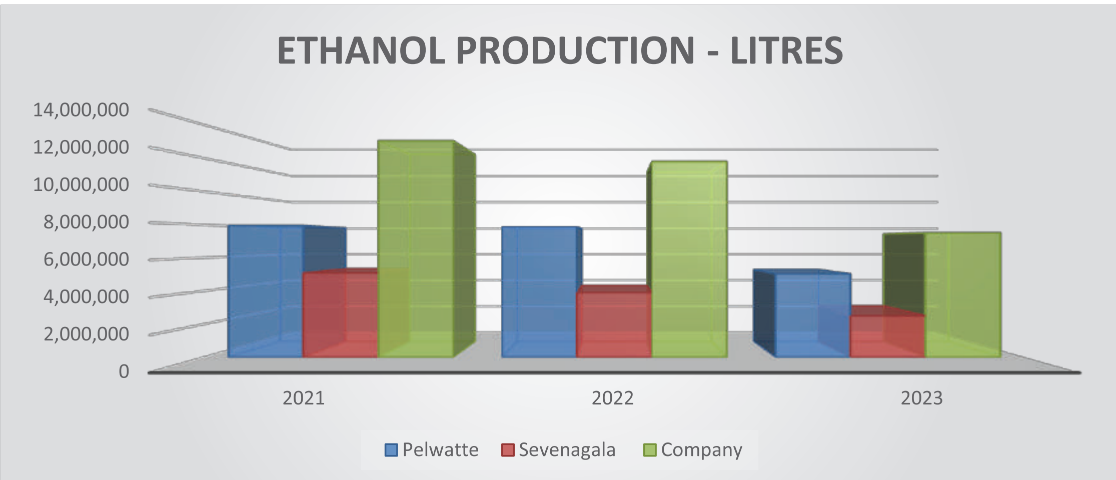
Sugar Production

Division	2021	2022	2023
Pelwatte	30,381	24,110	28,077
Sevenagala	17,796	12,628	13,628
Company	48,177	36,738	41,860



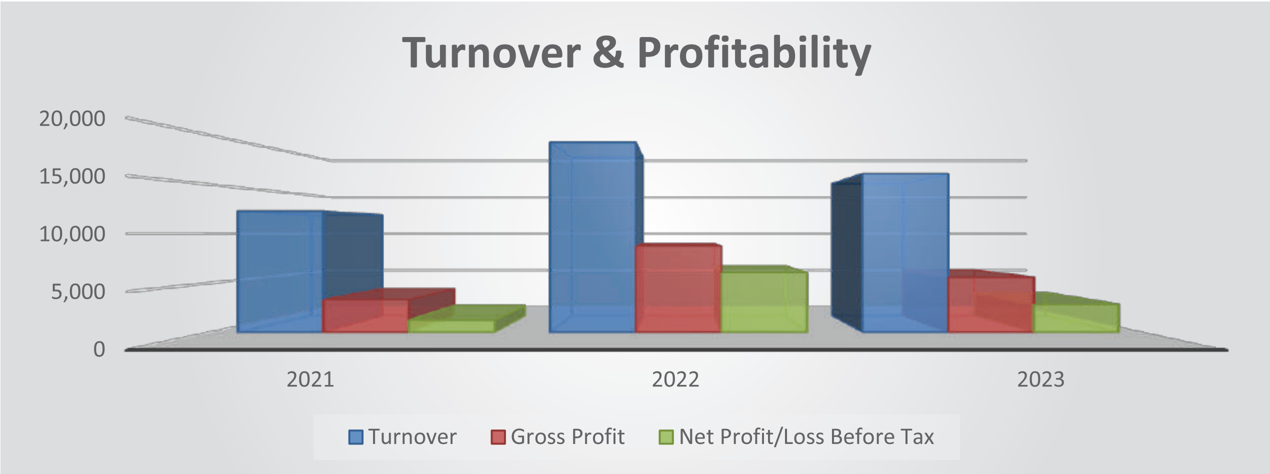
Ethanol Production (Liters)

Division	2021	2022	2023
Pelwatte	7,954,732	7,886,247	5,019,333
Sevenagala	5,082,475	3,903,948	2,502,646
Company	13,037,207	11,790,195	7,521,979



During the financial year under review, the Company recorded revenue amounting to Rs.16,095 Million compared to the revenue of Rs.19,287 Million recorded in the previous year. The Company recorded Rs.2,835 Million Net Profit before Tax for the year 2023 and it is a 53 per cent decrease compared to Net profit before tax of Rs.6,045 Million recorded in the year 2022.

Year (Rs. Million)	2021	2022	2023
Turnover	12,284	19,287	16,095
Gross profit	3,303	8,737	5,581
Net profit / (loss) before tax	1,250	6,045	2,835



Corporate Information

Name of the Company
Lanka Sugar Company (Private) Limited.

Legal Form
A company with limited liability, incorporated as a private company in Sri Lanka on 24th August 2012 under the Companies Act No. 07 of 2007.

Ownership
100% owned by the Government of Sri Lanka.

Registered Office
No.27, Melbourne Avenue,
Colombo 04, Sri Lanka.
Telephone: 011-5232583
Fax : 011-2500674
E-Mail : infosugarsrilanka@gmail.com
Website: www.lankasugar.lk

Company Registration Number
PV 87884

Tax Payer Identification Number
174878846

Bankers
Bank of Ceylon
People's Bank

Auditors
Auditor General's Department
No.306/72,
Polduwa Road,
Battaramulla.

Secretary
Mr. Pasindu Prabath Widyananda
(Attorney-at-Law),
Notary Public & Company Secretary,
No 11/2, 1st Lane, Old Nawala Road,
Nawala.

Directorate

Maj. Gen. (Retd) S.M.S.P.B. Samarakoon - Chairman
Gamini Rasaputhra - Director / Chief Executive Officer
Ajantha Galhena – Director
Amitha Dodanwala –Director
Sumith Pathirana – Director
Lohitha Weragama - Director
Lakith Pankaja De Soyza- Director

Management Team - Head Office

Maj. Gen. (Retd) S.M.S.P.B. Samarakoon - Chairman
Gamini Rasaputhra - Director / Chief Executive Officer
Nishantha Asiri Fernando - DGM (Finance)

Management Team - Pelwatte

Samam Kumara – Chief Operations Officer
D.M.S. Bandara - DGM Agriculture
R.M.W. Hemakumara - DGM Factory
Ravindra Hettiarachchi - DGM (Distillery)
D.M.A. Dissanayake- D.G.M. (Finance)
L. Galagamaarachchi- DGM (HR)
K..B. Vidurasinghe - Divisional Manager Outgrower
M.B. Chandana - Chief Engineer – Agri. Workshop
H.M.I.A.K. Katugaha - Production Manager
G.B. Ranaweera - Electrical Engineer
O.N. Vipulasiri- Engineering Manager
S. K. Kottege - Management Accountant
Anura Wijesinghe- Manager (Procurement)
K.P.W. Lakmal - Land Development Manager
R.A.M. Chandana - Senior Agronomist
L.A.C. Prasanna - NE Manager
J.A.N. Kumara - Settler Estate Manager
A. Masachchi - Chief Internal Auditor
J.P.D.P. Pragnaseela - Harvesting & Buying Section Manager
G.N. Wickramasinghe - Legal Officer
D.M.P.S. Bandara - Security Manager (Covering)

Management Team - Sevanagala

Kelum Priyankara Liyanage - Chief Operations Officer
D. C. Hettiarachchi – D.G.M. (Factory)
Sugath Priyantha – D.G. M. (Agriculture)
K.D.N. Perera – D. G. M. (Finance)
I.J. Satharasinghe –D. G. M. (HR & Admin)
K.G.C. Seneviratne -Manager (Agriculture Extension)
W.P.S.N. Warnakula – Manager (Production)
D.D.C. Pandithage - Agronomist
G.R. Priyantha -Manager (Agriculture Extension)
R.M.C. Pushpakumara - Manager (Procurement)
S.V.D.S. Priyantha - Chief Engineer
K.G.V. Maduranga – Manager (AEWS)
A.A. Prasanga - Manager (Civil Engineering)
Nilantha Thushara – Manager (Land Development)
Asanka Wishwanath – Manager (IT)
K.J.C.R. Jayasekara – Manager (Legal & Land)
T.L. Garusinghe - Manager (Transport)
P.K. Anura – Security Manager