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இனிமையான வெற்றி
Sweet Success

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வருடாந்த அறிக்கை -2013
Annual Report -2013

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சீனி உற்பத்தி அபிவிருத்தி அமைச்சு
Ministry of Sugar Industry Development

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லங்கா சீனி நிறுவனம் லிமிட்டெட்
Lanka Sugar Company (Private) Limited.

Ministry of Sugar Industry Development

ANNUAL REPORT 2013

Lanka Sugar Company (Private) Limited.
27, Melbourne Avenue, Colombo 4, Sri Lanka
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Email: 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 a sugar based farming and industry.

Our Vision

To become self sufficient in sugar by 2019

Our Objectives

Mission 333 - Short term (3 years by 2015)

1). Achieve 300,000 Mt of sugar production
2). To support 50,000 farmer families
3). To provide 9,000 direct employments
4). To increase farmer family net income to Rs. 25,000 per month
5). To contribute 50% of national sugar requirement
6). Achieve Rs. 3 Bn net profit
7). To save Rs. 30 Bn foreign exchange
8). Co generate 75 MW of power

Mission 777 - Long term objectives (7 years by 2019)

1). Achieve 700,000 Mt of sugar production
2). To support 100,000 farmer families
3). To provide 18,000 direct employments
4). To increase farmer family net income to Rs. 35,000 per month
5). To be self sufficient
6). Achieve Rs. 7 Bn net profit
7). To save Rs. 70 Bn foreign exchange
8). Co generate 200 MW of power

Strategies

1). Out grower based growing model.
2.) Yield improvement with high yielding varieties , better agricultural practices with efficient extension services and ensuring better returns to farmers.
3). Farmer motivation through quantity and quality productivity incentives.
4). Staff motivation based on performance based schemes and incentives on productivity.

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.

Message from His Excellency President Mahinda Rajapaksa

During the recent years, farmers engaged in sugar cane cultivation in many areas lost their livelihood as the sugar production of the local requirement declined to less than 5 percent.

It is at this juncture, the Government intervened and reengineered these underutilized assets in the interest of the nation and has revived the Pelwatte and Sevanagala Sugar Factories.

Sri Lanka spends about Rs. 55 Billion annually for the importation of sugar. The development of this industry will help save a vast outflow of foreign exchange. Further more, in addition to sugar, Biofuel and many other by-products could also be obtained from sugarcane. The average net income that could be earned from a hectare of cultivation is estimated to be about Rs. 30,000/= per month per farmer family.

The Government has identified 130,000 hectares of cultivable land in several districts for sugar cane farming, through smallholders to make Sri Lanka self-sufficient in year 2019 by producing 700,000 MT.

Message from Hon. Minister Basil Rajapaksa

Sri Lanka produces only 8% of the sugar requirement and to bridge this gap we are importing sugar spending in excess of Rs. 55 billion every year. As a country we cannot afford this type of expenditure as it is a drain on our economy. It is to overcome this situation Lanka Sugar Company (Private) Limited was established to spear head development in this field.

Sugar cane being a plant with high water economy could be established in the dry zone and in marginal lands of Sri Lanka where further development could take place. There are large tracks of land available for sugar cane cultivation in the dry zone. Sugar cane will also give a substantial income to farmers that will no doubt improve their socio-economic status.

Further production of sugar will give food security and sugar cane Bagasse could be utilized to generate power and Sri Lanka could produce Bio Fuel to supplement expensive fossil fuel. Further the economy will gain as we could save Rs. 55 billion in foreign exchange which could be used for other development initiatives. The potential of this crop is multifaceted and it could improve the economy, save foreign exchange, improve rural livelihood and produce sugar and Bio Fuel.

Message from Hon. Minister Lakshman Senawiratne

The annual sugar requirement in Sri Lanka is 650,000 Mt with a per capita consumption of 32 kgs per annum. By 2020 the sugar requirement will peak to 1 million Mt. Presently Sri Lanka produces only 8% of the requirement with a vast potential to increase production. Large tracks of lands are available in the dry zone which are marginally suitable and could be utilized to grow sugar cane.

Having duly understood the necessity and the potential, His Excellency the President has allocated 130,000 hectares of land for sugar cane cultivation. These lands will be cultivated by farmers and they will obtain a steady income that will improve their living standards.

Sugar cane cultivation has a great potential not only to produce sugar but also to produce electricity, bio-ethanol, plastic, compost and many other by-products. Cultivation of 130,000 hectares could spearhead the development of the rural economy and make our farmers economically sound. Further, saving the country large amounts of foreign exchange which no doubt will have a positive impact on the national economy.

Message from Hon. Minister Lakshman Senawiratne

Based on the "Mahinda Chintana" vision for the future, the government has taken large number progressive steps for the promotion of local sugarcane industry as a strong section of the Sri Lankan economy. One of the main objectives of this programme was to retain in this country 60,000 million rupees spent in foreign exchange annually for the import of 600,000 M.T. of sugar required for the local consumption.

Even by that time, the local sugar factories like Pelwatta, Sevanagala, Hingurana and Kantale were inoperative while Pelwatta and Sevanagala were being managed by private entrepreneurs. Even those two factories had to be vested in the government due to inefficiency under, Under operative enterprises or underutilized Assets Rehabilitation Act No 43 of 2011 and in order to manage these two factories fully government owned Lanka Sugar (pvt) Co. Ltd was established. Accordingly, the government had taken action to vest the lands owned by the two companies in the above company on 99 years lease basis. Hingurana Sugar Industry Institute which had been closed down for about 10 years, was re commissioned by Galoya Plantations (pvt) Ltd which was established in 2012 with 51% of shares belonging to the Treasury and 49% shares to the private sector.

The management of Sevanagala and Pelwatta factories was vested in the government with the objective of making sugarcane related industry a permanent industry and between the period from 11.11.2011 to 1.9.2012 it was managed by the Cabinet appointed competent Authority and was controlled by the Ministry of Productivity Promotion on 1.9.2012 the fully Treasury owned Lanka Sugar (pvt) Co. Ltd was established and having entrusted its management to the new company, the production commenced in the year 2012.

During the above period, Sevanagala Sugar Company had been able to make a profit of Rs. 361 million. During this period, Pelwatta Sugar Company was running at a loss due to weaknesses in private company management but by the year 2013, having overcome the loss of Rs. 192 million incurred in 2012, it was able to make a profit of Rs. 784 million.

With the creation of the Ministry of Sugar Industry Development on 28th January 2013 by the Gazette Extra Ordinary No. 1795/43, Pelwatte and Sevanagala Sugar Industries as well as Lanka Sugar (pvt) Co. Ltd, the mother company, started functioning under the said Ministry Similarly Supervising of Galoya Plantations (pvt) Ltd too was taken over by the new Ministry.

As such, I take this opportunity to extend my grateful thanks to the officials of the Ministry, the Competent Authority and the Chairman, The Chief Executive Officer and all other officials of Sevanagala and Pelwatta Industries for taking over of these institutes in the first place which were being ruined under the private sector management and rehabilitating them and bringing to a profit making level.

Lakshman Senewiratne (MP)
Minister of Sugar Industry Development

Message form the Secretary

By the year 2011, the sugar factories of Kantale and Hingurana operated in relation to local sugarcane industry were in a state of defunct while Sewanagala and Pelwatte factories were being managed by the private sector entrepreneurs. Even these two had to be acquired under under Operational Enterprises or underutilized Assets Rehabilitation Act No. 43 of 2011. Accordingly, the fully government owned Lanka Sugar (pvt) Co. Ltd. was established for the management of the two sugar factories. At this time, the subject of sugarcane Industry was being operated by two Ministries namely Export Crops Promotion and Productivity Promotion Ministry.

Sevanagala and Pelwatta Sugar Industries vested in the government were being managed by a appointed Competent Authority during that period it was possible to rebuild the management of the two institute making a profit of Rs. 361 million by the Sevanagala factory and Rs. 784 million in 2013 by the Pelwatta as against a loss of Rs. 192 million during the previous year. During this period, there was a new awakening in the local sugarcane industry and the government took steps to establish a separate new Ministry for Sugar Industry Development.

Accordingly, in terms of the Extra — Ordinary Gazette Notification No. 1795/43 dated 28th January, 2013 "Ministry of Sugar Industry Development" was established and Lanka Sugar (pvt) Co. Ltd and the two companies of Pelwatta and Sevanagala functioning under it were brought under the Ministry.

Pelwatta and Sevanagala Sugar Factories, were brought under a Competent Authority during the period 11.11.2011 to 30.09.2012 and the progress achieved during that period was further strength under the Ministry of Sugar Industry Development and accordingly during the year 2013 Pelwatte Sugar Industry Institute made a profit of Rs. 784 million while Sevanagala made a profit of Rs. 607 million.

In this manner, it was possible to give a new life to the Sugar Industry and while increasing the production, it was possible to increase the income of the farmer families who were involved in the sugarcane industry.

While extending my grateful thanks to the Hon. Minister for providing the leadership and guidance to raise the efficiency of the two companies, I wish to thank the entire staff of the two companies who strived hard to achieve success.

Udaya R. Seneviratne
Secretary
Ministry of Sugar Industry Development


Fertile richness for
sweet success

Lanka Sugar Company (Private) Limited

FINANCIAL & OPERATIONAL HIGHLIGHTS - 2013

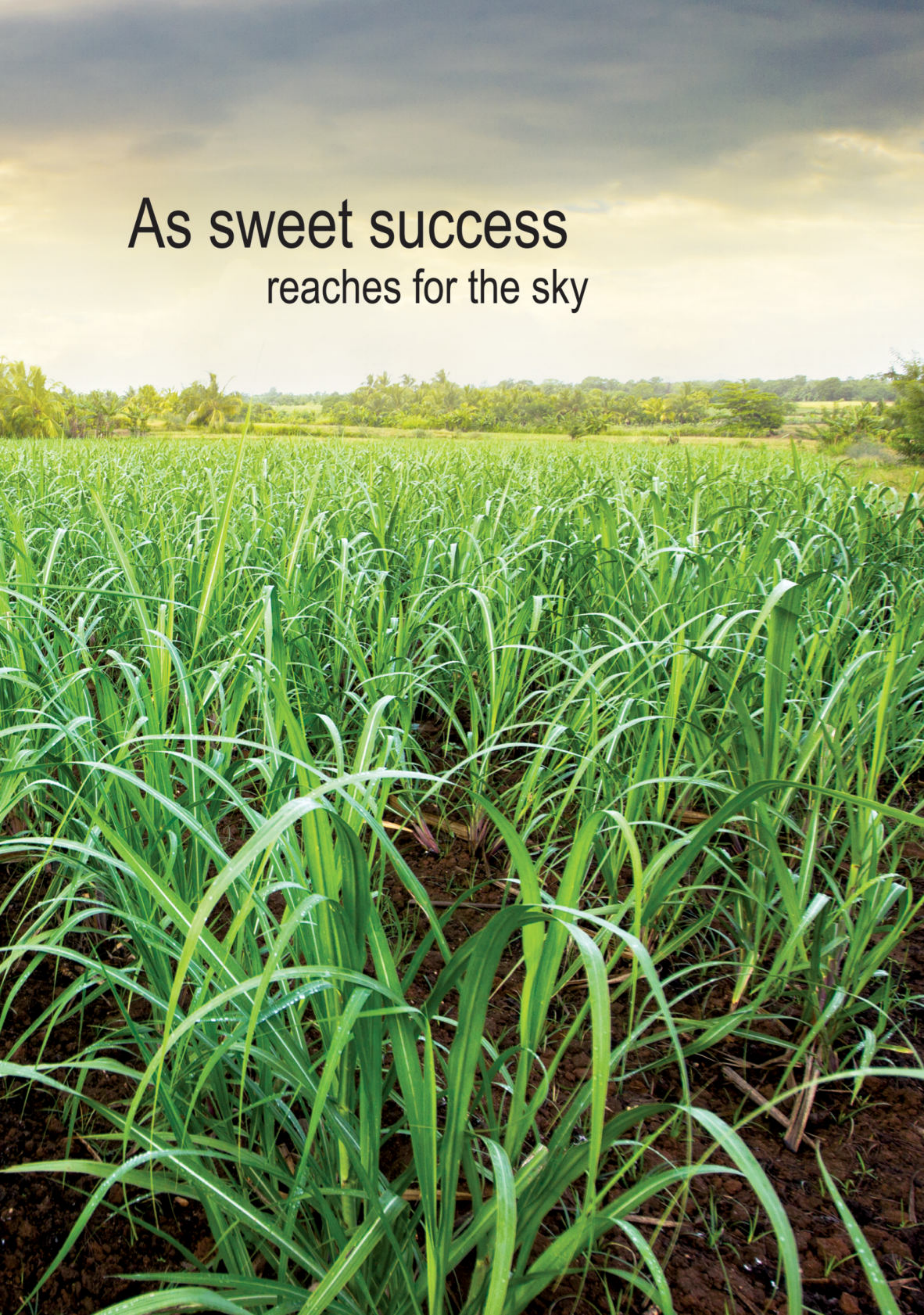
(Figures are in Rupees Million)	2013		
Financial Highlights	Pelwatte	Sevanagala	Combined & Head Office
Turnover Value	3,689.65	2,057.39	5,747.05
Cost of Sales	(2,540.03)	(1,293.72)	(3,833.75)
Gross profit	1,149.62	763.67	1,913.30
Net Profit before tax & other income	734.97	606.93	1,345.72
Other comprehensive income	48.68	-	48.68
Net Profit before tax & after other income	783.64	606.93	1,394.39

Operational performance	2013		
Land cultivation	Pelwatte	Sevanagala	Combined
Cultivatable (Hectare)	13,284	4,215	17,499
Cultivated (Hectare) 31/12	9,188	3,311	12,499
% of cultivated area	69%	79%	71%
Increase of cultivated area (Hectare) compared to 2012	1,283	861	2,144
Increase of cultivated area compared to 2012	16%	35%	21%

Harvesting Programme - 2013	Pelwatte	Sevanagala	Combined
Cane harvested (MT)	332,635	177,469	510,104
Percentage of Increase over 2012	29%	48%	35%
Sugar recovery	8.5%	8.0%	8.34%

Sugar Production	Pelwatte		Sevanagala	
	2013	2012	2013	2012
Metric Tonnes	28,358	22,712	14,191	9,631

Human Resource	Pelwatte		Sevanagala	
	2013	2012	2013	2012
Permanent	1,283	1,353	347	265
Contract	336		400	350
Casual	2,520	3,305	10	
Seasonal	685			
Trainees	25	356	16	
Total	4,849	5,014	773	615
Production per head (MT)	5.85	4.53	18.36	15.66


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 the Financial Statement for the year ended 31st December 2013 of Lanka Sugar (Private) Limited.

Financial and Operational Performance.

During the Financial year under review, the Company recorded Rs. 1.39 Billion operating profit before tax. As this is the first complete financial year of the Company, there were no figures to compare the profitability. However, the operational information shows significant improvement in the performance. During this year, 2144 Ha were newly cultivated and cane harvest increased by 131,662 MT which is an increase of 34.79% compared to the year 2012. Sugar production went up by 10,206 MT and was a 31% increase.

"Under the Mahinda Chinthana, we were able to double the sugar production in two years and aim to become self-sufficient in 2019 by producing 700,000 MT"

	2012		2013		Increment of Sugar Production (MT)	Increment of Sugar Production (%)
	Sugar Production (MT)	Cane Harvested (MT)	Sugar Production (MT)	Cane Harvested (MT)		
Pelwatte	22,712	258,191	28,358	332,635	5,646	25%
Sevanagala	9,631	120,251	14,191	177,469	4,560	47%
Total	32,343	378,442	42,549	510,104	10,206	31%

Achievements

Management was able to address the long standing issues related to farmers and employees successfully and the Company paid 10% incentives to the employees and another 10% to the farmers. We were privileged to invite and were honored by His Excellency Mahinda Rajapaksa, the President of Democratic Socialist Republic of Sri Lanka with his participation for the ceremonial event of the payment of the Incentive for the farmers and employees.

Future of Lanka Sugar Company

Our vision is to be self-sufficient in sugar by the year 2019. This needs more dedication from the Board as well as other stake holders such as farmers, employees, management team and the Government. The Board 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 our vision. Acquire new lands and increasing productivity of our own plantation is also important. In addition to the main product, we are focusing on development of by-products to reap maximum benefit of the operation. We have evaluated Co-generation projects for Sevanagala and Pelwatte and will generate 10 MW per hour and 15 MWH per hour respectively. Commissioning a new factory to produce food grade Carbon Dioxide at Sevanagala and Water treatment plant are some of the new projects.

Appreciation

I wish to thank my colleagues on the Board of Directors for their continued support during the year and Management and the staff for the valuable contribution extended during the year 2013.

I also, thank the sugar cane farmers, employees, customers and the Banks and other Government Institutions. Last, but not least, I thank the Honorable Lakshman Senewirathne, the Minister of Sugar Industry Development and the Secretary to the Ministry, Mr. Udaya R. Senevirathne and the staff for their continued support and the guidance extended during this period.

Mr. Keerthi B. Kotagama
Chairman,
May 12, 2014

Director / Chief Executive Officer's Statement

With the formation of Lanka Sugar Company (Private) Limited (LSCPL), Pelwatte and Sevanagala Sugar Industries came under the purview of this newly established Company. The main objective of the Company is to run these two sugar factories at full capacity and develop the Sugar Industry so that Sri Lanka will become self-sufficient in sugar.

To achieve this objective His Excellency the President has allocated 130,000 Ha of land to be brought under sugarcane cultivation. LSCPL has identified these lands and is in the process of surveying and demarcating the boundaries of the lands. We have also sought foreign Investments for the development of sugar industries and we are in the process of establishing a few sugar mills in the coming year.

Development of Sugarcane Industry will not only benefit the country as a whole but also will benefit the rural farmers and the district. We also have a herculean task to develop Pelwatte and Sevanagala sugar industries where major overhaul of plant and machinery is required urgently. We have after facing many hurdles, commenced overhauling the machines and equipment at the above locations.

After overhauling Sevanagala factory, crushing capacity will be increased from 1250 Mt to 2000 Mt per day and will generate 10MW of power with the objective of exporting 6 - 8 MW of power to the National Grid. Pelwatte will maintain the same capacity but will generate 15 MW of power and will export 10 - 12 MW of power to the National Grid. From both Pelwatte and Sevanagala 16 - 20 MW of power will be exported to the National Grid and most importantly, the power will be supplied at a time when the Hydro power supply will diminish due to weather conditions.

Nevertheless it is our aim to develop this industry to be a money spinner for the country but also a way to uplift the socio - economic standards of the rural farmers thereby to improve the macroeconomic standards of the Monaragala District.

During the year 2013 Lanka Sugar Company made a profit before tax & incentives of Rs.1.59 billion and of this amount 20% or Rs. 278 Mn was distributed among farmers and staff as an incentive payment to motivate and encourage them to increase productivity.

I take this opportunity to thank the Board of Directors for their assistance and corporation extended to make our task easier. I also thank the Chief Operations Officers of Sevanagala and Pelwatte, the Management Committee, All the Senior Managers, Managers and the staff for a job well-done !

Mr. D.H.V. Perera
Director / CEO,
May 12, 2014

Risk Management

Type of Risk	Description	Action Plan
Operational Risk	Sourcing of lands for Sugar Cane cultivation.	◆ Increasing the Sugar Cane Price from Rs.3,200/- to Rs. 4,200/-. ◆ 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.	Given more responsibilities to the staff for recovering.
Inflation Risk	Potential impact on profitability due to the increased cost of Inputs and overheads.	Focusing on increase productivity and decreasing of cost of production.
Market Risk	Import of sugar by the local sugar Suppliers at a low price.	Increase 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 on 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 stake holders of the company. This is a critical factor in Sevanagala, that they have only a limited amount of land for their own cultivation as almost all the land is cultivated by the farmers.

The average income from a hectare of cane cultivation is estimated at around Rs.30,000 per month. Farmers 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 on to other cultivations. Lanka Sugar identified the situation at the very inception and took many initiatives to help the farmers to increase their income. Presently, a farmer is paid Rs.4,200/= per MT of cane where as it was Rs 3,200/= per MT before the takeover. Thus, by now, LSCPL is the highest payer for a Metric Ton of cane in the history of sugar cane cultivation. In order to encourage the farmer, in 2013, the Management decided to allocate 10% of its profit for farmer incentives. Another incentive scheme which is focused to increase the yield per hectare (YPH) is underway. In addition to that LSCPL provides the farmers with the fertilizer, weedicide, seed cane and technical knowhow and transport services.

OUR CUSTOMER

Our customer is our hope. Over 20 million of our population is our customers. Providing them with quality and organic sugar at a reasonable price is our prime purpose. Per capita sugar consumption of a Sri Lankan per year is between 30 to 35 kg. As our production capacity remains at a low rate of 6%, the balance 94% has to be imported. More than 500 million US Dollars are being spent annually for the importation of sugar. This is a major negative impact on our National Income. We will make every effort to achieve our vision that “our country will be self-sufficient in sugar by the year 2019”.

OUR EMPLOYEE

Our employee is our wealth. No organization can be successful without loyal and motivated employees. Operational results is a reflection of the level of dedication and effort of our employees. The human resource is in 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, promotions etc,. Knowing these facts, Lanka Sugar began to address the issues as priority. At Sevanagala, 200 contract employees were offered permanent employment. Employees who were on casual basis for years were offered contract employment. We were able to remove the anomalies of salaries of all the levels, change the scales to suit with the relevant job ranks and to promote the employees who have fulfilled relevant qualifications for each position. During the year, salaries of all the employees at Pelwatte were increased by Rs. 2,500/= and the Management has decided to give a further 10% of the net profit before tax as incentives to the employees. All the employees and their family members are covered with life and medical insurance with Sri Lanka Insurance Corporation Limited.

GOOD GOVERNANCE

Audit of Financial Statements of LSCPL was completed within three months. Our Statutory Auditors were M/s Ernst & Young (Chartered Accountants).

In addition to the external Auditors, both Pelwatte and Sevanagala Divisions have internal Audit Departments and are reporting directly to the Chief Executive Officer. Also, Magamage & Company, a firm of Chartered Accountants was appointed as the Independent Internal Auditors and reports directly to the Director / Chief Executive Officer and the Chairman.

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 new 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 lands are 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 investment is another issue that is on our way. Most of the Banks want significant assets to be fledged where the ownership of the lands of Pelwatte and Sevanagala is not with Lanka Sugar Company (Private) limited.

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 and hence, the gratuity payments, provisions and any other employee related matters are on hold. The Government should take the initiative to obtain the books and records from the previous Management of Sevanagala Sugar Company.

Audit Committee Report

MAGAMAGE & Co.

CHARTERED ACCOUNTANTS
T.S. Magamage A.C.A., B.Sc.

REPORT OF THE INTERNAL AUDITORS

We were appointed as Internal Auditors of Lanka Sugar Company (Private) Limited for the year of 2013,on 5th August 2013.Accordingly we carried out quarterly Internal Audits from 1st January 2013 to 31st December 2013 in Lanka Sugar-Pelwatte Division and Sevanagala Division which are managed by Lanka Sugar Company (Private) Limited.

ROLE OF THE INTERNAL AUDITOR

The role and responsibility of the Internal Auditors are to assist Board of Directors in reporting shortcomings, weaknesses, and deviations together with recommendations of good practices to strengthen internal control & risk management systems of the Company, compliance with legal and regulatory requirements, to review internal operation systems and analyse performance of the Company.

With a view to bringing any relevant issues to the attention of the Boards of Directors, following matters were taken into our attention:

- System audit in the Company to ensure systems and controls are adequately exercised and introduce new systems where necessary.
- Review whether proper procurement procedures are followed to obtain the goods and services at reasonable price and good quality.
- Review whether the management instructions and circular instructions are followed by the two entities properly.
- Review Accounting Package and the other packages that are in existing are adequately covered the requirements of the business and see any weaknesses on the same.
- Report any of the weaknesses have caused for malpractices, frauds or any losses incurred.
- Physical verification of inventory and other assets at random where necessary.

RISK MANAGEMENT AND INTERNAL CONTROL

Evaluating the efficacy of internal controls, we reviewed the actions taken to control and mitigate operational and business risks and monitor and report on the compliance of Company with statutory requirements and company's accounting and operational policies. In assessing the Internal Control, as the Internal Auditors, we independently reviewed the risks and control processes operated by management and provide an overview of the risk profile of the company reviewed. We carried out independent audits in accordance with the agreement with the Board of Directors and issued quarterly reports.

Internal audit reports include recommendations to improve internal controls together with management comments to resolve the issues raised. In the subsequent quarterly Internal Audit Reports, we reported progress of implementation of the recommendations to the Board of Directors.

MAGAMAGE & Co.

CHARTERED ACCOUNTANTS
T.S. Magamage A.C.A., B.Sc.

INTERNAL AUDIT FUNCTION

The Internal Audit functions were programmed for the year 2013 complying with the scope given by the Board of Directors. Accordingly we carried out quarterly Internal Audits and reviewed implementation of recommendations given for issues observed by us and reported to the Board of Directors. To the best of our knowledge, we acted independently with the Company in carrying out Internal Audit functions.

EVALUATION OF EFFECTIVENESS OF THE INTERNAL AUDIT

As per our subsequent quarterly observations, most of recommendations which were given to control and mitigate business & operational risk and develop efficiency of operations were implemented in satisfactory level with the commitment of the management. However we have repeatedly highlighted the requirement of Integrated ERP system to be implemented in both the entities.

CONCLUSION

We wish to acknowledge with thanks the assistance rendered by staff of Lanka Sugar Company (Private) Limited to achieve requirements of our Internal Audit.

MAGAMAGE & CO
32, Papiliyana Road, Nugegoda
Chartered Accountants

M & Co

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Magamage & Co,
Chartered Accountants
14th May 2014


The clear route to
sweet success

Board of Directors

CHAIRMAN
Mr. Keerthi Bandara Kotagama
B.Sc (Agric.) Sp, MBA (Finance & Management of Technology) AIT

DIRECTOR / CHIEF EXECUTIVE OFFICER
Mr. D.H.V.Perera
Dip. In Agri, B.Sc (Hons), M.Sc

DIRECTOR
Mr. Thisath Wijayagunawardane
Attorney-at-Law

DIRECTOR
Mr. Awantha Amaraweera
B.Com (Sp) Hons

DIRECTOR
Mr. Hiran Wijesuriya

Directors' Profiles

OUR CHAIRMAN

Mr. Keerthi Bandara Kotagama - B.Sc (Agric.) Sp, MBA (Finance & Management of Technology) AIT

Our Chairman, Mr. Keerthi Bandara Kotagama is a professional Executive in the Agriculture & Business Management Fields. He was first appointed to the Board on October 1, 2012. He is the Managing Director/CEO of CIC Agri Businesses.

Mr. Kotagama has obtained a B.Sc in Agriculture (Hons) in Sri Lanka and Master of Business Administration (Finance & Management of Technology) from Asian Institute of Technology, Thailand.

In addition, he serves in the following Ministries / Committees / Organisations:

- Member of the National Pay Commission appointed by His Excellency the President
- Media Secretary to the Hon Minister of Education
- Member of the Board of Directors of Coconut Cultivation Board appointed by the Ministry of Coconut Development & Janatha Estate Development
- Board Member of CSR Sri Lanka
- Member of the National Science Foundation Working Committee on Biotechnology & Bioethics
- Member of the Steering Committee on Food Security - National Thematic Research Programme of National Science Foundation Sri Lanka

Mr. Kotagama has been awarded and recognised for quality and services by several Local and International Organisations. Some of his main achievements are:

- **Asia Pacific Entrepreneurship Awards (APEA) 2012**, presented by The Enterprise Asia, India
- **Outstanding Entrepreneurship Award 2012**, presented by The Enterprise Asia, Sri Lanka

OUR DIRECTOR / CHIEF EXECUTIVE OFFICER

Mr. D.H.V.Perera – Dip. In Agri, B.Sc (Hons), M.Sc

Our Chief Executive Officer Mr. D.H.V.Perera is a Professional Executive in the Management Field, He served as the General Manager for National Livestock Development Board for 27 years and prematurely retired to undertake the appointment as the Director/ Chief Executive Officer of Lanka Sugar Company (Private) Limited.

Mr. Perera has obtained his diploma in Agriculture, B.Sc (Hons.) in Animal Husbandry from the University of Agriculture, Faisalabad – Pakistan and M.Sc in Agriculture from the University of Queensland, Brisbane Australia. Mr. Perera has contributed his experience and professionalism to Green Productivity.

He held a position as a Senior Advisor to the Ministry of Productivity Promotion before he took over his appointment as the Director / Chief Executive Officer at Lanka Sugar Company (Private) Limited. He is also serving as the Director of Sugar Research Institute

Board of Directors:

Mr. Thisath Wijayagunawardane - Attorney –at – Law

Mr. Thisath Wijayagunawardane obtained a Masters Degree in Law from the University of Reading, England. He serves as the Director/ Consultant of Chancellor Consultancies (Pvt) Limited and J T S Power Company (Private) Limited. He was appointed to the Board on 01st October 2012 and serves up to date.

Mr. Awantha Amaraweera - B.Com (Sp) Hons

Mr. Awantha Amaraweera was appointed to the Board in August 2013. He serves as a Project Officer attached to the Presidential Secretariat.

Mr. Hiran Wijesuriya

Mr. Hiran Wijesuriya was appointed to the Board in August 2013. He serves as the Private Secretary to Hon. Namal Rajapaksa MP.

Delivery time for sweet success

Senior Management Team & Organization Structure

Chairman
Mr. Keerthi B. Kotagama

Director / CEO
Mr. D.H.V. Perera

COO – Pelwatte
Mr. D.L.D. Jayantha

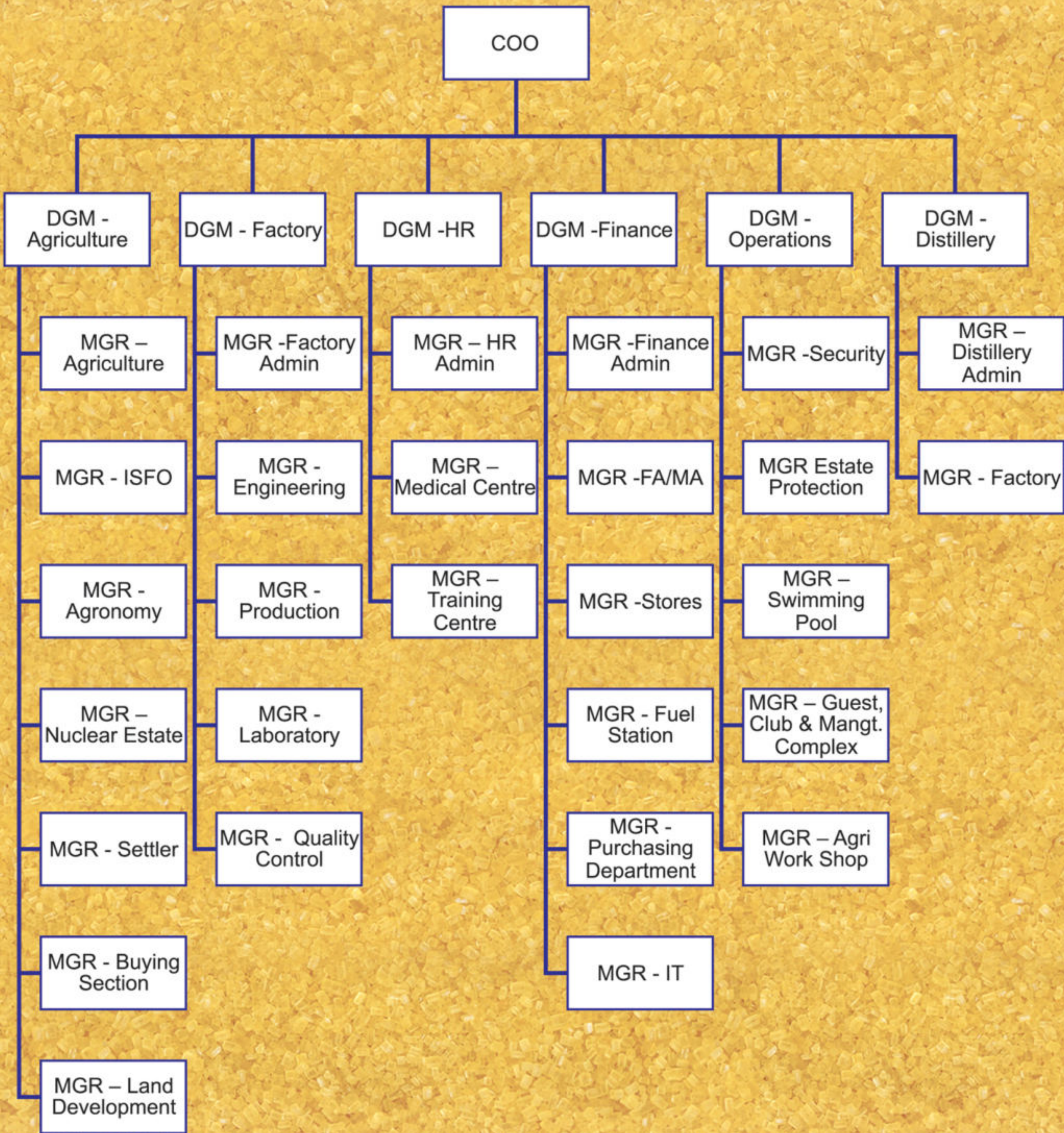
COO – Sevanagala
Mr. C.E. Amunugama

GM – Proc / Marketing
Mr. W.M. Karunaratne

GM – Finance
Mr. N.H.S. Navaratne

GM-HR / Monitoring
Mr. M. Jayakody

Organization Structure - Pelwatte



Pelwatte Management Team

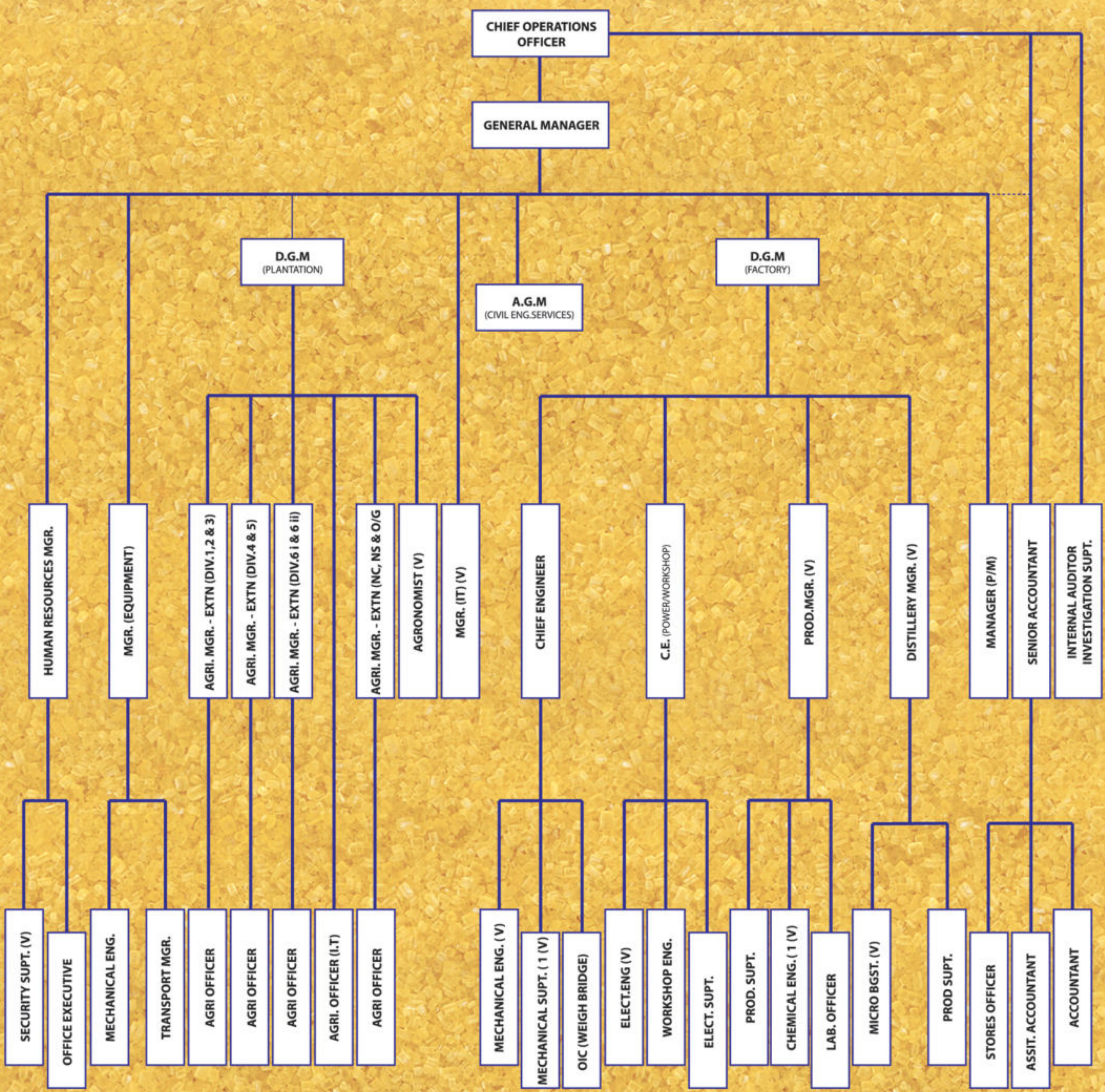
First Row (From Left to Right) :

Mrs. M.P.N. Sandaruwani (Acting DGM (Finance)), **Mr.D.N.Dayaratne** (DGM – Factory) , **Mr. M.M.D.S.N. Perera** (DGM (Agriculture)), **Mr. D.L.D. Jayantha** (Chief Operations Officer), **Mr. B.A.G.N. Illangakoon** (DGM (Operations)), **Ms. Lily M. Hettiarachchi** (Executive – Corporate Information).

Second Row (From Left to Right) :

Mrs. M.E. Kosgahakumbura (Management Accountant), **Mr. L.A.C. Prasanna** (Acting NE Manager), **Mr. Anura Wijesinghe** (Purchasing Manager), **Mr. E.P. Suranga** (Factory Manager), **Mr. Malinda De Silva** (Assistant Estate Protection Manager), **Mr. S. Weerasekera** (Golf and Resort Manager), **Mr. N. Wimalasena** (Chief Investigation Officer), **Mr. K. B. Vidurasinghe** (Harvesting & Buying Station Manager), **Mr. H.M.I.A.K. Katugaha** (Production Manager), **Mr. D.A. Chandraraj** (Electrical Engineer), **Mr. R.M. J. Bandara** (Production Manager – Distillery), **Mr. A. Masachchi** (Chief Internal Auditor), **Mr. W.S.K. Ratnayake** (Land Development Manager), **Mr. R.A.M. Chandana** (Junior Agronomist), **Mr. D.M.S. Bandara** (Outgrower Manager), **Mr. K.A.G.S. Sisiwath** (Engineering Manager (Factory)), **Mr. M. B. Chandana** (Chief Engineer – Agric. Workshop), **Mrs. Aruni Gamage** (Legal Officer).

Organization Structure - Sevanagala



V- VACANT POSITIONS

Sevanagala Management Team

Seated from left to right

Mr. N.A. Wimalaratne (Acting Manager-Equipment), **Mr. J.R. Malalgoda** (Asst. General Manager-Civil Engineering Services), **Mr. D. K. W. De Silva** (Deputy General Manager – Factory), **Mr. C.E. Amunugama** (Chief Operations Officer), **Mr. K.A. Walter** (General Manager), **Mr. H.M.S. Samaraweera** (Deputy General Manager – Agriculture), **Mr. S.V.D.S. Priyantha** (Chief Engineer)

Standing from right to left

Mr. S W Kodithuwakku (Manager Agriculture Extension), **Mr.P.A.K. Nandadewa** (Manager Agriculture Extension), **Mr. M. Upul Kumara** (Manager Agriculture Extension), **Mr. Athula Siridewa** (Manager Agriculture Extension), **Mr. D.C. Hettiarachchi** (Chief Engineer – Power & Workshop), **Mr.Jayantha Fernando** (Senior Manager - HR), **Mr. Sapumal Pihillegedera** (Manager (Procurement & Marketing), **Mr. M Shantha Weerasiri** (Internal Auditor/Investigation Supdt.), **Mr. Kingsly Pathirana** (Senior Accountant).

CSR Activities

Fulfilling Social Obligations...

In commemoration of His Excellency the President's Birthday and 3rd Anniversary of the 2nd Term in Office, Pelwatte and Sevanagala sugar mills fulfilled social obligations in repairing and refurbishing schools and hospitals in the area.

Helping hand for education..,

Children of employees and farmers who have received admission to the University were given a scholarship of Rs. 10,000/ - on 6th January 2014 at Sevanagala auditorium.

Under this program 26 scholarships were awarded among the children of employees and farmers.

Foreign and local tour for the best farmers of the year 2013

10 best farmers from Sevanagala and 10 farmers from Pelwatte were given an opportunity for a foreign tour and 30 farmers will be taken on a local tour.

"Divinaguma" home gardening competition 2013

The winners of the "Divinaguma" home gardening competition 2013, were awarded cash prices and certificates on 6th January 2014 at Sevanagala auditorium.

A society filled with religious knowledge…,

To invoke blessings on the Company and staff of Pelwatte a Dharma Deshana program was held on 8th March 2014.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

MPDC/RD/SDS/EBO

INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF LANKA SUGAR COMPANY (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Sugar Company (Private) Limited, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statements of changes in equity and statements of cash flow for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Qualified Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Lanka Sugar Company (Private) Limited is the succeeding company of managing the property owned by Pelwatte Sugar Industries PLC and Sevenagala Sugar Industries Limited, which was taken over by the Government of Sri Lanka under the Revival of Underperforming Enterprises or Underutilized Assets Act, No. 43 of 2011. During the process of taking over, the land together with other immovable assets on the said property was vested with the Competent Authorities representing the Government of Sri Lanka (GOSL) being Pelwatte Sugar Industries and Sevenagala Sugar Industries respectively. Subsequently on 01 October 2012 all the assets vested with the Competent Authorities were transferred to Lanka Sugar Company (Private) Limited. Furthermore the management of the property which was overlooked by the Competent Authorities was transferred to the Board of Directors of Lanka Sugar Company (Private) Limited which is now responsible for running the establishment.

Due to unexplained reasons much of the assets taken over in physical form lacked documentation to substantiate valuations on the date of takeover , and the competent authority where ever possible attempted to obtain such values, through other collaborative means, some of which were accepted as audit evidence where ever possible . Much of the accuracy relating to opening balances obtained to were later based on management representation and other collaborative audit evidence that was disclosed by the competent authority to Ernst & Young. However the matter referred to in the paragraph A – B has to be taken into consideration on the take over which forms the basis of the opinion.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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Building a better working world

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

A. With the effect of the Revival of Underperforming Enterprises and Underutilised Assets Act No. 43 of 2011 the Company has taken over the immovable assets vested at the Pelwatte and Sevenagala premises: However the Company had not carried out a detailed assessment to identify the fair value of the assets acquired. Therefore the Government grant stated in the balance sheet which amounts to Rs. 3,554,855,177/- does not reflect the fair value and further we were unable to obtain alternative audit evidence to support this. Further the Company has not prepared a fixed asset register to determine assets vested from previous owners as at 11 November 2011. Accordingly the Company must recognise each assets useful life time and value the assets for the financial statements.

   Without proceeding as above the Pelwatte Division has taken continuing book balances of both movable and immovable assets of its previous owners to their books and adopted depreciation rates accordingly, whilst the Sevanagala Division has not accounted for assets/liabilities transferred from the previous owners including property, plant and equipment, opening inventory balances, retirement benefit obligation, depreciation of property, plant and equipment and deferred tax assets/liabilities.

   We were therefore unable to obtain sufficient audit evidences to justify the reasonability of the value of assets, depreciation rates/ depreciation expense charged to the Income Statements as well as the relating deferred tax asset/liability of the Pelwatte Division as at 31 December 2013. Further, we were unable to obtain sufficient audit evidences to justify the completeness of property, plant and equipment, opening inventory balances, retirement benefit obligation, depreciation and opening deferred tax assets/liabilities of the Sevanagala Division.

B. The Revival of Underperforming Enterprises or Underutilised Assets Act No.43 of 2011 has empowered the Cabinet of Ministers to appoint a tribunal to address issues pertaining to valuation of assets and liabilities for purpose of compensation to the former owner/shareholders. Any potential liability by way of claims, demand requests etc resulting from the takeover will be dealt by the said tribunal which is an independent body not aligned or related to Lanka Sugar (Private) Limited. Other than the content included in the act, no documentation is available with the entity to assess any claims, or other liability, that could crystallize on the said acquisition, in these financial statements.

Opinion

In our opinion, except notes A-B and the effect on the financial statements of the matters referred therein, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2013 and its performance and cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Sections 151(2) of the Companies Act No. 7 of 2007.

4 April 2014
Colombo

Lanka Sugar Company (Private) Limited
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 Rs.	3 Months Period Ended 31.12.2012 Rs.
Revenue	4	5,747,048,373	1,474,174,439
Cost of Sales		(3,833,756,677)	(1,529,985,269)
Gross Profit/(Loss)		1,913,291,696	(55,810,830)
Other Income and Gains	5	53,278,760	18,061,501
Administrative Expenses		(724,583,331)	(136,376,821)
Finance Cost	6.1	(32,313,316)	(1,219,246)
Finance Income	6.2	136,043,131	20,559,857
Profit before tax	7	1,345,716,941	(154,785,540)
Income Tax (Expense)/Reversal	8	(528,888,640)	-
Profit for the period		816,828,301	(154,785,540)
Other Comprehensive Income for the period, net of tax		48,678,394	(19,538,278)
Total Comprehensive Income for the period, net of tax		865,506,695	(174,323,818)
Earnings Per Share - Basic	9	8,655,067	(1,743,238)

The Accounting Policies and Notes on pages 32 to 52 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

ASSETS	Note	2013	2012
		Rs.	Rs.
Non-Current Assets			
Property, Plant and Equipment	10	2,183,552,013	2,125,531,634
Deferred Tax Asset	8	1,442,469	-
		2,184,994,482	2,125,531,634
Current Assets			
Inventories	11	1,664,308,155	905,876,284
Biological Assets	12	416,610,125	364,361,161
Trade and Other Receivables	13	58,635,978	48,988,026
Advance and Prepayments		129,350,987	78,432,222
Loans Due from Farmers	14	764,202,986	533,472,015
Current Investments	15	1,568,902,957	744,520,039
Cash and Cash Equivalents	21	58,983,083	22,235,492
		4,660,994,271	2,697,885,240
Total Assets		6,845,988,753	4,823,416,874
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	1,000	1,000
Government Grant	17	3,554,855,177	3,579,880,177
Accumulated Profits		1,095,710,269	230,203,574
Total Equity		4,650,566,446	3,810,084,751
Non-Current Liabilities			
Retirement Benefit Liability	19	396,335,846	393,418,893
Interest Bearing Loans and Borrowings	18	43,713,223	52,268,573
		440,049,069	445,687,466
Current Liabilities			
Interest Bearing Loans and Borrowings	18	64,855,479	81,426,676
Trade and Other Payables	20	1,181,460,446	486,217,980
Income Tax Payable		509,057,313	-
		1,755,373,238	567,644,657
Total Equity and Liabilities		6,845,988,753	4,823,416,874

....
General Manager - Finance

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

....
Director

....
Director

The Accounting Policies and Notes on pages 32 to 52 form an integral part of these financial statements.

04 April 2014
Colombo

Lanka Sugar Company (Private) Limited
STATEMENTS OF CHANGES IN EQUITY
Year ended 31 December 2013

	Stated Capital Rs.	Government Grant Rs.	Accumulated Profits Rs.	Total Rs.
As at 01 October 2012	-	3,454,181,666	404,527,392	3,858,709,058
Issue of Ordinary shares for non cash consideration	1,000	(1,000)	-	-
Granted amount during the period	-	111,110,422	-	111,110,422
Adjustment made in respect of write back of Creditors		14,589,089	-	14,589,089
Loss for the Period	-	-	(154,785,540)	(154,785,540)
Other Comprehensive Income			(19,538,278)	(19,538,278)
Total comprehensive income	-	-	(174,323,818)	(174,323,818)
As at 31 December 2012	1,000	3,579,880,177	230,203,574	3,810,084,751
Repayment of Government Grant	-	(25,000,000)	-	(25,000,000)
Paid by Company on behalf of previous owner	-	(25,000)	-	(25,000)
Profit for the Period	-	-	816,828,301	816,828,301
Other Comprehensive Income			48,678,394	48,678,394
Total comprehensive income	-	-	865,506,695	865,506,695
Total comprehensive income	-	-	865,506,695	865,506,695
As at 31 December 2013	1,000	3,554,855,177	1,095,710,269	4,650,566,446

The Accounting Policies and Notes on pages 32 to 52 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

Cash flows From / (Used in) Operating Activities	**Note**	**2013 Rs.**	**2012 Rs.**
Loss before Taxation		1,345,716,941	(154,785,540)
Adjustments for,			
Depreciation	10	200,080,374	46,752,626
Loss on sale of property, plant and equipment		12,325,714	-
Finance Income		(136,043,131)	(20,559,857)
Finance Cost		32,313,316	1,219,246
Provision for Retirement Benefit Liability		77,094,525	10,772,201
Operating Loss before Working Capital Changes		1,531,487,738	(116,601,324)
(Increase)/Decrease in Inventories		(810,680,834)	1,037,118,700
Increase in Trade and Other Receivables		(60,566,717)	(34,434,947)
Decrease in Loans Due from Farmers		(230,730,971)	(152,661,487)
Increase/Decrease in Trade and Other Payables		727,555,782	(306,238,337)
Net Cash From Operating Activities		1,157,064,997	427,182,605
Income Tax Paid		(21,273,794)	-
Retirement Benefit Liability Paid		(25,499,179)	(8,105,331)
Net Cash Used in Operating Activities		1,110,292,024	419,077,274
Cash Flows Used in Investing Activities			
Acquisition of Property, Plant and Equipment	10	(263,126,468)	(27,604,876)
Net increase/decrease in investments in Fixed Deposits		(824,382,918)	(542,845,529)
Finance Income Received		136,043,131	20,559,857
Net Cash Flows Used in Investing Activities		(951,466,254)	(549,890,548)
Cash Flows From / (Used in) Financing Activities			
Loans obtained		(32,313,316)	58,203,000
Loans settlements		(9,671,298)	-
Payment made on behalf previous owner		(25,000)	(160,435)
Repayment of government grant		(25,000,000)	-
Principle payment under lease obligation		(1,914,878)	-
Interest paid		(32,313,316)	(1,219,246)
Net Cash Flows From / (Used in) Financing Activities		(101,237,808)	56,823,319
Net Increase/(Decrease) in Cash and Cash Equivalents		57,587,962	(73,989,954)
Cash and Cash Equivalents at the beginning of the year	21	(53,256,758)	20,733,197
Cash and Cash Equivalents at the end of the year	21	4,331,205	(53,256,758)

The Accounting Policies and Notes on pages 32 to 52 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

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 the Entity is located at No. 27, Melbourne Avenue, Colombo 04, and the principal place of business is situated in Ambilipitiya and Buttala.

After being incorporate 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 01 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 31 December 2013 were authorized for issue, in accordance with a resolution of the Board of Directors on 04 April 2014.

Lanka Sugar Company (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2. GENERAL POLICIES

2.1 BASIS OF PREPARATION

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka.

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 Limited have been prepared in accordance with Sri Lanka Accounting Standards ("SLFRS/LKAS"). 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.

2.1.3 Comparative Information

The financial statement for the current period comprises results for the 12 months period from 1 January 2013 to 31 December 2013. Initial period consist of 3 months period ended from 1 October 2012 to 31 December 2012. In this circumstance the comparative amounts for statement of comprehensive income, statement of cash flows, changes in equity and related notes are not comparable with each other.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.2.1 Functional and Presentation Currency

The Company's Financial Statements are presented in Sri Lanka Rupees, which is the functional and presentation currency of the Company. Transactions in foreign currencies are translated to the functional currency at exchange rulings applicable on the dates of the transaction.

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement.

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 2013

2.2.2 Revenue recognition

Revenue is recognised 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 recognised 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 income statement.

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 Income. 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 and 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 adjustments 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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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 and 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

Property, plant and equipment are stated at cost, net of accumulated depreciation and /or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Depreciation is recognised in the Statement of Income 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.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with SLFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

Lanka Sugar Company (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2.2.6 Leases

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.

Company as a lessee

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 income statement.

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 recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.2.7 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 balance sheet date
Other Stocks	-	At actual cost
Goods in Transit	-	At actual cost

2.2.8 Financial Instruments – initial recognition and subsequent measurement

i) 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.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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, unquoted financial instruments and derivative financial instruments.

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 income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

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 2013

ii) 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.

Financial assets carried at amortised cost

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 income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans 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 credited to finance costs in the income statement.

iii) 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:

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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 income statement 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 income statement.

Derecognition

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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

* There is a currently enforceable legal right to offset the recognised amounts And
* There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

* Using recent arm's length market transactions.
* Reference to the current fair value of another instrument that is substantially the same.
* A discounted cash flow analysis or other valuation models.

2.2.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

2.2.10 Impairment of non- financial assets

The carrying amounts of the Company's non financial 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

Lanka Sugar Company (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2.2.11 Calculation of recoverable amount

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.

2.2.11.1 Impairment/ Reversal of impairment

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 profit and 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.2.12 Provisions

2.2.12.1 General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.2.12.2 Post Employment Benefits

i) Defined Benefit Plan - Gratuity

The Company operates a defined benefit plan as prescribed in Gratuity act No.12 of 1983. These benefits are unfunded. The cost of benefits under the defined benefit plans is determined using the projected unit credit method. Actuarial gains and losses for both defined benefit plans are recognised in full in the period in which they occur in the income statement. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on government bonds), less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled.

ii) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated 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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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 cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. 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.

Retirement Benefit Obligation

The cost of retirement benefit obligation and the present value of the retirement benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of long term government bonds, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are given in Note 19.1

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the financial statements are given below. The company will adopt these standards when they become effective. Pending a detailed review the financial impact is not reasonably estimable as at the date of publication of these financial statements.

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 10 - Consolidated Financial Statements

SLFRS 11- Joint Arrangements

SLFRS 12 - Disclosure of Interest in Other Entities

SLFRS 13 - Fair Value measurement

SLFRS 9 will be effective for financial periods beginning on or after 01 January 2015 whilst SLFRS 10, 11, 12 and 13 will be effective for financial periods beginning on or after 01 January 2014.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

4. REVENUE

		2013 Rs.	3 Months Period Ended 31.12.2012 Rs.
4.1	**Summary**		
	Sales of Goods	5,747,048,373	1,474,174,439
		5,747,048,373	1,474,174,439

4.2 Revenue is derived from the following:

	2013 Rs.	3 Months Period Ended 31.12.2012 Rs.
Sugar	2,811,827,420	1,180,426,793
Molasses	19,171,770	257,920
ENA	2,916,049,183	293,489,726
	5,747,048,373	1,474,174,439

5. OTHER INCOME AND GAINS

	2013 Rs.	3 Months Period Ended 31.12.2012 Rs.
Other Service Income	42,795,184	15,490,096
Sundry Income	7,393,906	15,391
Profit on Transferring ENA to the previous management	3,089,670	2,556,013
	53,278,760	18,061,501

6. FINANCE COST AND INCOME

		2013 Rs.	3 Months Period Ended 31.12.2012 Rs.
6.1	**Finance Cost**		
	Interest Expenses on Bank Loans	3,837,782	-
	Interest Expense on Bank Overdrafts	28,289,975	859,333
	Finance Charges on Lease Liabilities	185,559	359,914
		32,313,316	1,219,246
6.2	**Finance Income**		
	Interest Income on Loans Due from Farmers	25,241,963	2,160,873
	Interest Income on Deposits	110,791,383	18,396,523
	Other Interest Income	9,786	2,461
		136,043,131	20,559,857

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

		2013	3 Months Period Ended 31.12.2012
7.	**PROFIT BEFORE TAX**		
	Stated after Charging	Rs.	Rs.
	Included in Cost of Sales		
	Employee Benefits including the following		
	- Defined Contribution Plan Costs - EPF and ETF	191,702,397	45,729,784
	Depreciation	189,605,767	11,096,680
	Included in Administrative Expenses		
	Employee Benefits including the following		
	- Defined Benefit Plan Costs - Gratuity	28,416,132	31,063,002
	- Defined Contribution Plan Costs - EPF and ETF	27,804,508	7,751,537
	Depreciation	9,997,137	682,267
	Audit Fees	2,216,600	650,000
	Bad Debts on Farmers Loans	23,925,477	310,155,130
	Directors Emoluments	3,315,000	450,000

		2013
8.	**INCOME TAX EXPENSE/(REVERSAL)**	Rs.
	Current Income Tax	530,331,109
	Deferred Tax Charge/ (Reversal) (Note 8.2)	(1,442,469)
		528,888,640

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

Accounting loss before tax	1,341,898,939
Adjustment for prior year profits	733,478,503
Adjusted accounting loss before tax	2,075,377,442
Aggregate disallowed items	368,313,455
Aggregate allowed items	(203,860,596)
Tax loss utilized	(477,477,114)
Business Profit for tax purpose	1,762,353,187
Interest Income	131,686,487
Income Tax on Business Profits @ 28%	493,458,893
Income Tax on Interest Income @ 28%	36,872,216
	530,331,109

8.2 Deferred Tax is solely derived from temporary differences relating to accelerated depreciation of Property, Plant and Equipment.

9. EARNINGS PER SHARE

9.1 Basic Earnings Per Share is calculated by dividing the net profit/(Loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

		2013	2012
9.2	**Amounts Used as Numerator:**	Rs.	Rs.
	Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	865,506,695	(174,323,818)

	2013	2012
Numbers of Ordinary Shares Used as Denominator:	Number	Number
Weighted average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	100	100

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

	Balance As at 01.01.2013 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2013 Rs.
Land	44,149,728	-	-	44,149,728
Land Development	126,303,161	-	-	126,303,161
Factory Buildings	234,179,323	-	-	234,179,323
Buildings Others	205,802,676	-	-	205,802,676
Field Machinery and Equipment	361,627,327	35,184,888	(3,758,579)	393,053,636
Irrigation and Miscellaneous Equipment	176,850,825	-	-	176,850,825
Factory Plant and Equipment	1,928,204,747	76,608,182	-	2,004,812,929
Other Plant and Machinery	120,143,704	17,056,482	-	137,200,186
Storage Tank	63,398,475	-	-	63,398,475
Roads and Bridges	111,179,516	-	-	111,179,516
Laboratory Equipment	49,078,526	-	-	49,078,526
Motor Vehicles	89,008,459	62,414,500	(7,565,732)	143,857,227
Furniture, Fittings and Equipment	110,962,421	15,383,722	-	126,346,143
Settler Zone Infrastructure	69,525,819	-	-	69,525,819
Total Value of Depreciable Assets	3,690,414,706	206,647,773	(11,324,311)	3,885,738,168

Assets on Finance Leases	Balance As at 01.01.2013 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2013 Rs.
Motor Vehicles	-	7,300,000	-	7,300,000
	-	7,300,000	-	7,300,000

In the Course of Construction	Balance As at 01.01.2013 Rs.	Incurred During the period Rs.	Transfer Rs.	Balance As at 31.12.2013 Rs.
Land Development	6,155,529	9,595,404	-	15,750,933
Factory Plant and Equipment	12,508,814	42,958,446	(12,325,715)	43,141,545
Hotel Project	37,410,797	-	-	37,410,797
Compost Plant	571,361	-	-	571,362
Irrigation Project	-	2,347,750	-	2,347,750
Power Generation Project	-	1,577,094	-	1,577,094
	56,646,501	56,478,694	(12,325,715)	100,799,481
Total Gross Carrying Amount	3,747,061,207	263,126,468	(23,650,026)	3,986,537,649

10.2 Depreciation

	Balance As at 01.01.2013 Rs.	Charge for the period Rs.	Disposals Rs.	Balance As at 31.12.2013 Rs.
Land Development	53,579,109	2,526,063	-	56,105,172
Factory Buildings	121,457,346	4,683,586	-	126,140,932
Buildings Others	99,634,808	3,995,133	-	103,629,941
Field Machinery and Equipment	354,832,815	10,456,331	(3,758,579)	361,530,567
Irrigation and Miscellaneous Equipment	122,631,826	5,695,018	-	128,326,844
Factory Plant and Equipment	491,069,082	134,904,488	-	625,973,570
Other Plant and Machinery	24,797,458	7,616,131	-	32,413,589
Storage Tank	10,904,415	2,967,660	-	13,872,075
Roads and Bridges	94,029,934	1,785,524	-	95,815,458
Laboratory Equipment	17,013,650	4,455,558	-	21,469,208
Motor Vehicles	66,721,108	14,344,573	(7,565,732)	73,499,949
Furniture, Fittings and Equipment	98,947,710	6,151,160	-	105,098,870
Settler Zone Infrastructure	65,910,312	255,815	-	66,166,127
Total Depreciation	1,621,529,573	199,837,040	(11,324,311)	1,810,042,302

Assets on Finance Leases	Balance As at 01.01.2013 Rs.	Charge for the period Rs.	Disposals Rs.	Balance As at 31.12.2013 Rs.
Motor Vehicles	-	243,333	-	243,333
	-	243,333	-	243,333

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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

10.3 Net Book Values

	2013 Rs.	2012 Rs.
Land	44,149,728	44,149,728
Land Development	70,197,988	72,724,052
Factory Buildings	108,038,391	112,721,977
Buildings Others	102,172,734	106,167,868
Field Machinery and Equipment	31,523,069	6,794,512
Irrigation and Miscellaneous Equipment	48,523,981	54,218,999
Factory Plant and Equipment	1,378,839,359	1,437,135,665
Other Plant and Machinery	104,786,597	95,346,246
Storage Tank	49,526,400	52,494,060
Roads and Bridges	15,364,058	17,149,582
Laboratory Equipment	27,609,318	32,064,876
Motor Vehicles	70,357,278	22,287,351
Furniture, Fittings and Equipment	21,247,273	12,014,711
Settler Zone Infrastructure	3,359,691	3,615,507
	2,075,695,866	2,068,885,133
Assets on Finance Lease		
Motor Vehicles	7,056,667	-
	7,056,667	-
In the Course of Construction		
Land Development	15,750,933	6,155,529
Factory Plant and Equipment	43,141,545	12,508,814
Hotel Project	37,410,797	37,410,797
Compost Plant	571,362	571,361
Irrigation Project	2,347,750	-
Power Generation Project	1,577,094	-
	100,799,481	56,646,501
Total carrying amount of Property, Plant and Equipment	2,183,552,013	2,125,531,634

10.4 During the financial period, the company acquired Property, Plant and Equipment to the aggregate value of Rs.206,647,773/- (2012 - 27,604,915/-) for cash.

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

	2013	2012
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	20 Years	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 2013

11.	**INVENTORIES**	**2013 Rs.**	**2012 Rs.**
	Produced Inventory (Note 11.1)	1,245,435,560	557,603,524
	Other Inventory (Note 11.2)	418,872,595	348,272,760
		1,664,308,155	905,876,284
11.1	**Produced Inventory**		
	Sugar	1,100,816,393	80,138,527
	Molasses	104,204,231	366,878,051
	ENA	40,414,936	110,586,946
		1,245,435,560	557,603,524
11.2	**Other Inventory**		
	Fuel and Lubricants	32,522,894	12,694,797
	Furnace Oil	-	3,876,660
	Factory Chemicals	4,258,391	3,135,885
	Production Items Distillery	1,412,922	-
	Bags and Liners	5,683,925	6,358,051
	Fertilizers	43,489,396	34,047,647
	General	25,447,247	25,830,345
	Agriculture Spares	97,676,072	84,638,420
	Stationery	1,603,237	1,903,755
	Factory Spares	138,308,168	142,394,846
	Tires and Tubes	6,863,523	4,770,865
		357,265,773	319,651,269
	Less: Provision for Obsolete Stocks	(1,057,392)	(1,057,392)
		356,208,381	318,593,877
	Goods-in-Transit	62,664,213	29,678,883
		418,872,595	348,272,760

12.	**BIOLOGICAL ASSETS**	**2013 Rs.**	**2012 Rs.**
	Standing Cane	416,610,125	364,361,161
		416,610,125	364,361,161

13.	**TRADE AND OTHER RECEIVABLES**	**2013 Rs.**	**2012 Rs.**
	Trade Receivables	313,473	986,684
	Other Receivables	54,893,800	44,575,722
	Staff Loans (Note 13.1)	3,428,706	3,425,620
		58,635,978	48,988,026

Trade receivables are non interest bearing and on 30 days credit terms. As at 31 December 2013, there were no any overdue balances.

13.1	**Staff Loans**		
	Balance at the beginning of the period	3,425,620	8,485,129
	Loans granted during the period	47,102,213	4,793,568
	Repayments made during the period	(47,099,127)	(9,853,077)
	Balance at the end of the period	3,428,706	3,425,620

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

14. LOANS DUE FROM FARMERS

	2013 Rs.	2012 Rs.
Balance at the beginning of the period	843,627,145	647,520,868
Loans granted during the period	1,081,266,915	313,029,018
Loans recovered during the period	(842,916,066)	(116,922,741)
Identified loans relating to previous management	16,305,599	-
Loans written off	(19,208,373)	-
Total Loans Granted	1,079,075,219	843,627,145
Less: Provision for Doubtful Recoveries	(314,872,233)	(310,155,130)
Balance at the end of the period	764,202,986	533,472,015

15. INVESTMENTS

	2013 Rs.	2012 Rs.
Current		
Fixed Deposits	1,568,902,957	744,520,039
	1,568,902,957	744,520,039

16. STATED CAPITAL

	2013 Number	2013 Rs.	2012 Number	2012 Rs.
Fully Paid Ordinary Shares	100	1,000	100	1,000

	2013 Number	2013 Rs.	2012 Number	2012 Rs.
Shares at the beginning of the period	100	1000	-	-
Shares issued for non cash consideration	-	-	100	1,000
	100	1,000	100	1,000

17. GOVERNMENT GRANT

	2013 Rs.	2012 Rs.
As at beginning of the period	3,579,880,177	3,454,181,666
Adjustment made in respect of write back of Creditors	-	14,589,089
Repayments	(25,025,000)	
Granted amount during the period	-	111,110,422
Converted to Ordinary shares	-	(1,000)
	3,554,855,177	3,579,880,177

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

	2013			2012		
	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 (Note 18.1)	8,574,925	39,956,777	48,531,702	5,934,427	52,268,573	58,203,000
Bank Overdrafts (Note 15.2)	54,651,878	-	54,651,878	75,492,249	-	75,492,249
Finance Leases (Note 19.2)	1,628,676	3,756,446	5,385,122	-		-
	64,855,479	43,713,223	108,568,702	81,426,676	52,268,573	133,695,249

18.1 Bank Loan

	As at 01.01.2013 Rs.	New Loans Obtained Rs.	Repayments Rs.	As at 31.12.2013 Rs.
Bank of Ceylon - Pelwatte	17,790,000	-	(3,558,000)	14,232,000
Bank of Ceylon - Sevanagala	40,413,000	-	(6,113,298)	34,299,702
	58,203,000	-	(9,671,298)	48,531,702

18.2 Finance Lease

	As at 01.01.2013 Rs.	New Loans Obtained Rs.	Repayments Rs.	As at 31.12.2013 Rs.
Vallibal Finance PLC	-	7,709,380	(640,437)	7,068,943
Gross Liability	-	7,709,380	(640,437)	7,068,943
Finance Charges Allocated to Future Periods	-			(1,683,821)
Net Liability	-			5,385,122

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

19. RETIREMENT BENEFIT LIABILITY	**2013 Rs.**	**2012 Rs.**
As at the beginning of the period	393,418,895	363,108,416
Interest Cost	47,682,370	10,434,772
Current service cost	29,412,155	8,442,759
Benefit Paid	(25,499,179)	(8,105,331)
Actuarial (Gain)/Loss	(48,678,394)	19,538,277
As at the end of the period	396,335,846	393,418,893

19.1 Messers Actuarial & Management Consultation (Private) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 December 2013. Appropriate and compatible assumption were used in determining the cost of retirement benefits.

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

	2013	**2012**
Discount Rate	12%	12%
Rate of Salary Increase	5%	8%
Retirement Age	55 Years	55 Years

19.2 The Retirement Benefit Liability represents the balance pertaining to Pelwatte Division and this balance does not reflect the Retirement Benefit Liability of Sevenagala Division.

20. TRADE AND OTHER PAYABLES	**2013 Rs.**	**2012 Rs.**
Trade Payables (Note 20.1)	159,608,818	117,539,345
Advances Received from customers	443,165,935	64,867,646
Other Payables (Note 20.2)	189,314,516	124,878,073
Sundry Creditors including Accrued Expenses (Note 20.3)	314,388,422	97,231,129
Distilleries Company of Sri Lanka PLC	24,784,659	47,957,181
Recovered from Farmers	50,198,095	33,744,606
	1,181,460,446	486,217,980
20.1 Trade Payables		
Trade Creditors	159,608,818	117,539,345
	159,608,818	117,539,345
20.2 Other Payables		
VAT Payable	63,787,945	60,734,730
NBT Payable	125,526,571	64,143,346
	189,314,516	124,878,076
20.3 Sundry Creditors including Accrued Expenses		
Sundry Creditors	95,278,532	67,878,581
Accrued Expenditure	219,109,890	29,352,547
	314,388,422	97,231,129

21. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	**2013 Rs.**	**2012 Rs.**
21.1 Favorable Cash and Cash Equivalents Balances		
Cash and Bank Balances	58,983,083	22,235,492
21.2 Unfavorable Cash and Cash Equivalent Balances		
Bank Overdrafts	(54,651,878)	(75,492,249)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	4,331,205	(53,256,758)

Lanka Sugar Company (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

22. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

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

23. ASSETS PLEDGED

Nature of Assets	Nature of Liability	Carrying Value Rs.	Included under
Fixed Deposits	Permanent Overdraft	200,000,000	Short Term Deposits
Fixed Deposits	Interest Bearing Loans and Borrowings	45,000,000	Short Term Deposits
Fixed Deposits	Overdraft Facility of A/C No. 7041902 Bank Of Ceylon	47,787,578	Investments
Fixed Deposits	Overdraft Facility of A/CNo. 73947899 Bank Of Ceylon	324,778,511	Investments

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 Transactions with Key Management Personnel of the Group or its parent

The key management personnel of the Group are the members of its Board of Directors and that of its parent.

Key Management Personnel Compensation

During the period the entity did not pay any compensation to it's key management personnel except the following

Total remuneration for (Chairman & Director / CEO)	3,000,000.00
Directores Fee (Monthly Meeting)	315,000.00
Total	**3,315,000.00**

Lanka Sugar Company (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

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 the arrive directly from its operation.

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 risk 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 retes relates primarily to the Company's operating activities.

Lanka Sugar Company (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

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 tradereceivables 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 anindividual 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	-	54,651,878	10,203,601	43,713,223
Trade and other payables	1,181,460,446	-	-	-
	1,181,460,446	54,651,878	10,203,601	43,713,223

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 ratio 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 2013.

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	108,568,702
Trade and Other Payables	1,181,460,446
Less: Cash and Cash Equivalents	(58,983,083)
Net Debt	1,231,046,065
Equity	4,650,566,446
Total Capital	4,650,566,446
Gearing ratio	20.93%

Segmental Financial Information - Pelwatte Division

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 Rs.	3 Months Period Ended 31.12.2012 Rs.
Revenue	3,689,654,381	1,049,199,845
Cost of Sales	(2,540,032,185)	(1,178,237,690)
Gross Profit	1,149,622,196	(129,037,845)
Other Income and Gains	9,802,439	2,594,404
Administrative Expenses	(507,567,221)	(105,171,688)
Finance Cost	(23,492,458)	(930,265)
Finance Income	106,600,726	16,223,476
Profit / (Loss) before tax	734,965,683	(216,321,918)
Income Tax Expense	(245,547,030)	-
Profit / (Loss) for the Period	489,418,653	(216,321,918)
Other Comprehensive Income for the period, net of tax		
Acturial Gain / (Loss)	48,678,394	(19,538,278)
Total Comprehensive Income for the period, net of tax	538,097,047	(235,860,196)

Segmental Financial Information - Pelwatte Division

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

ASSETS	**2013**	**2012**
	Rs.	**Rs.**
Non-Current Assets		
Property, Plant and Equipment	2,090,940,899	2,099,432,802
	2,090,940,899	2,099,432,802
Current Assets		
Inventories	1,223,422,199	569,638,291
Biological Assets	416,610,125	364,361,161
Trade and Other Receivables	48,205,282	48,343,529
Advances and Prepayments	52,948,527	40,896,084
Loans Due from Farmers	510,745,172	406,544,156
Amount Due from Related Parties	4,559,618	2,554,364
Investments	1,003,902,957	543,468,044
Cash and Cash Equivalents	15,540,871	1,737,083
	3,275,934,750	1,977,542,712
Total Assets	5,366,875,649	4,076,975,514
EQUITY AND LIABILITIES		
Capital and Reserves		
Government Grant	3,468,770,753	3,468,770,753
Accumulated Profit/Loss	345,307,278	(192,789,769)
Total Equity	3,814,078,031	3,275,980,984
Non-Current Liabilities		
Retirement Benefit Liability	396,335,846	393,418,895
	396,335,846	393,418,895
Current Liabilities		
Bank Overdraft	-	75,492,249
Trade and Other Payables	904,204,674	332,083,386
Income Tax Payable	224,273,234	-
Amount Due to Related Parties	27,983,864	-
	1,156,461,772	407,575,635
Total Equity and Liabilities	5,366,875,649	4,076,975,514

Segmental Financial Information - Pelwatte Division

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2013

	Government Grant Rs.	Retained Earnings/(Loss) Rs.	Total Rs.
As at 01 October 2012	3,454,181,664	43,070,427	3,497,252,091
Loss for the Period	-	(216,321,918)	(216,321,918)
Total Other Comprehensive Income for the period, net of tax	-	(19,538,278)	(19,538,278)
Adjustment made in respect of write back of Creditors	14,589,089	-	14,589,089
As at 01 January 2013	3,468,770,753	(192,789,769)	3,275,980,984
Profit for the year	-	489,418,653	489,418,653
Total Other Comprehensive Income for the year, net of tax	-	48,678,394	48,678,394
As at 31 December 2013	3,468,770,753	345,307,278	3,814,078,031

Segmental Financial Information - Pelwatte Division

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

Cash flows From / (Used in) Operating Activities	**2013 Rs.**	**2012 Rs.**
Profit / (Loss) before Taxation	734,965,683	(216,321,918)
Adjustments for,		
Depreciation	185,346,701	46,501,766
Finance Income	(106,600,726)	(16,223,476)
Finance Cost	23,492,458	930,265
Provision for Retirement Benefit Liability	77,094,525	10,772,203
Operating Profit/(Loss) before Working Capital Changes	914,298,642	(174,341,160)
Increase in Inventories	(706,032,871)	848,215,951
Decrease/(Increase) in Trade and Other Receivables	(33,187,992)	32,380,567
Decrease/(Increase) in Loans Due from Farmers	(104,201,016)	(162,252,564)
Decrease/(Increase) in Amounts Due from Related Party	25,978,610	(268,062)
Increase in Trade and Other Payables	572,121,289	(153,659,321)
Net Cash From Operating Activities	668,976,662	390,075,411
Finance Cost Paid	(23,492,458)	(930,265)
Retirement Benefit Liability Paid	(25,499,179)	(8,105,331)
Net Cash Used in Operating Activities	619,985,025	381,039,815
Cash Flows From / (Used in) Investing Activities		
Acquisition of Property, Plant and Equipment	(176,854,799)	(2,307,366)
Investments in Fixed Deposits	(460,434,913)	(442,109,150)
Finance Income Received	106,600,726	16,223,476
Net Cash Flows From / (Used in) Investing Activities	(530,688,986)	(428,193,040)
Net Increase/(Decrease) in Cash and Cash Equivalents	89,296,039	(47,153,225)
Cash and Cash Equivalents at the beginning of the period	(73,755,168)	(26,601,943)
Cash and Cash Equivalents at the end of the period	15,540,871	(73,755,168)

Segmental Financial Information - Sevanagala Division

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 Rs.	3 Months Period Ended 31.12.2012 Rs.
Revenue	2,057,393,991	424,974,594
Cost of Sales	(1,293,724,491)	(351,747,576)
Gross Profit	763,669,500	73,227,018
Other Income and Gains	42,737,184	15,158,097
Finance Income	29,442,406	4,336,381
Administrative Expenses	(220,094,976)	(25,767,536)
Finance Cost	(8,820,858)	(288,981)
Profit before tax	606,933,256	66,664,978
Income Tax Expense	(283,341,610)	-
Profit for the year	323,591,646	66,664,978
Other Comprehensive Income		
Other Comprehensive Income for the year, net of tax	-	-
Total Comprehensive Income for the year, net of tax	323,591,646	66,664,978

Segmental Financial Information - Sevanagala Division

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	2013	2012
ASSETS	**Rs.**	**Rs.**
Non-Current Assets		
Property, Plant and Equipment	75,981,753	6,418,294
Deferred Tax Asset	1,442,469	-
	77,424,222	6,418,294
Current Assets		
Inventory	440,885,956	336,238,009
Allotees/Farmers Receivables	253,457,814	126,927,859
Amounts Due from Related Parties	52,735,457	23,469,594
Advances and Prepayments	76,402,469	41,589,014
Other Receivable	6,977,465	382,002
Investment in Fixed Deposits	545,000,000	181,051,995
Cash and Cash Equivalents	39,962,298	20,052,424
	1,415,421,458	729,710,898
Total Assets	1,492,845,680	736,129,192
EQUITY AND LIABILITIES		
Capital and Reserves		
Government Grant	86,085,424	111,110,424
Retained Earnings	751,713,589	428,121,943
Total Equity	837,799,013	539,232,367
Non Current Liabilities		
Interest Bearing Loans and Borrowings	29,481,223	34,478,573
	29,481,223	34,478,573
Current Liabilities		
Interest Bearing Loans and Borrowings	64,855,479	5,934,427
Amounts Due to Related Parties	-	2,535,916
Trade and Other Payables	275,925,885	153,947,909
Income Tax Payable	284,784,079	-
	625,565,444	162,418,252
Total Equity and Liabilities	1,492,845,680	736,129,192

These financial statements are in compliance with the requirement of the Companies Act No. 7 of 2007.

Segmental Financial Information - Sevanagala Division

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2013

	Government Grant Rs.	Retained Earnings Rs.	Total Rs.
As at 01 October 2012	111,270,858	361,456,965	472,727,823
Profit for the period	-	66,664,978	66,664,978
Paid by treasury on behalf of previous owner	(160,434)	-	(160,434)
As at 31 December 2012	111,110,424	428,121,943	539,232,367
Profit for the year	-	323,591,646	323,591,646
Repayment of Government Grant	(25,000,000)	-	(25,000,000)
Paid by Company on behalf of previous owner	(25,000)	-	(25,000)
As at 31 December 2013	86,085,424	751,713,589	837,799,013

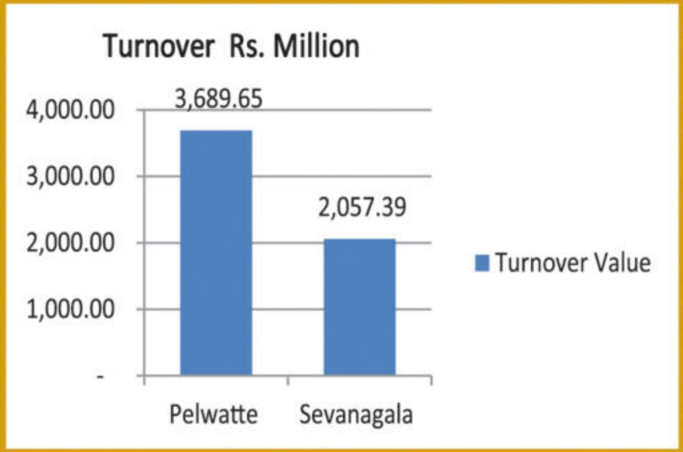
Segmental Financial Information - Sevanagala Division

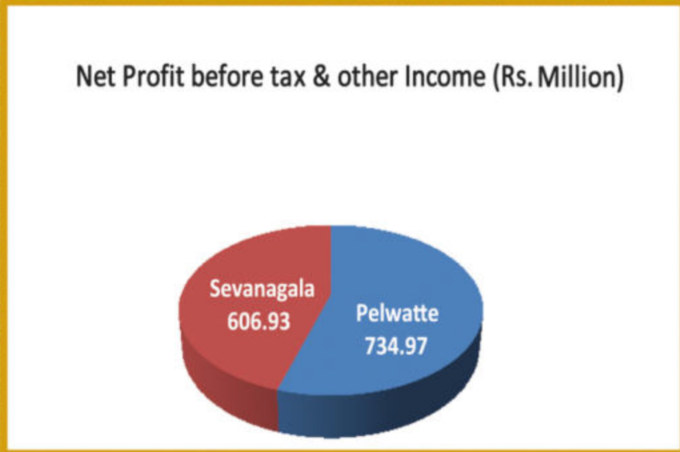
STATEMENT OF CASH FLOWS

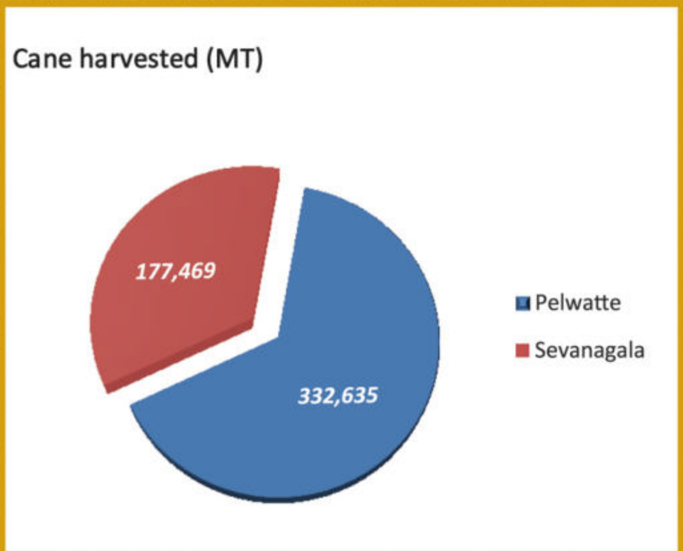
Year ended 31 December 2013

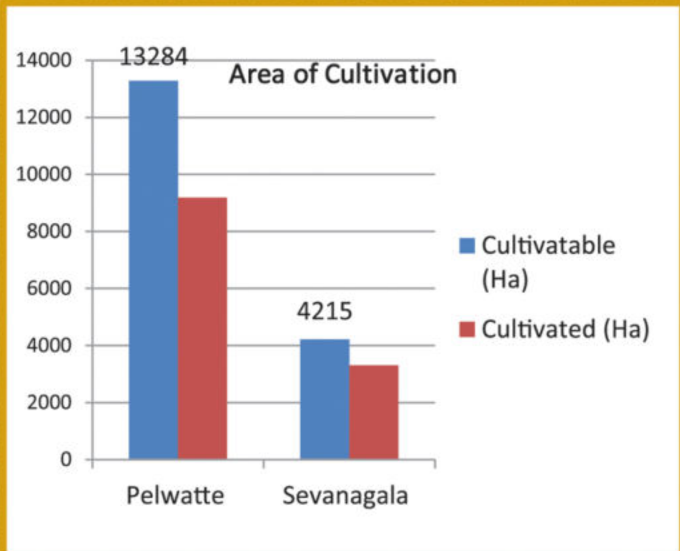
Cash flows From Operating Activities	**2013 Rs.**	**2012 Rs.**
Profit before Taxation	606,933,256	66,664,978
Adjustments for,		
Depreciation	10,698,203	218,978
Finance Income	(29,442,406)	(4,336,381)
Finance Cost	8,820,858	288,981
Income from Head Office	(3,000,000)	-
Operating Profit/(Loss) before Working Capital Changes	594,009,911	62,836,556
(Increase)/Decrease in Inventories	(104,647,947)	188,902,748
Increase in Trade and Other Receivables	(167,938,872)	(60,765,204)
Increase in Amounts due from Related Parties	(29,265,863)	(23,469,594)
Increase/(Decrease) in Trade and Other Payables	121,977,977	(152,765,718)
Decrease in Amounts due from Related Parties	(2,535,916)	-
Finance Cost Paid	(8,820,858)	(288,981)
Net Cash From Operating Activities	402,778,432	14,449,806
Cash Flows From Investing Activities		
Acquisition of Property, Plant and Equipment	(71,421,661)	(5,585,089)
Investment in Fixed Deposits	(363,948,005)	(80,736,380)
Finance Income Received	29,442,406	4,336,381
Repayment of Government Grant	(25,024,999)	-
Net Cash Flows Used in Investing Activities	(430,952,259)	(81,985,088)
Cash Flows From Financing Activities		
Proceeds from Interest Bearing Loans and Borrowings	-	40,413,000
Repayment of Interest Bearing Loans and Borrowings	(6,113,298)	(160,433)
Principle Payment under Finance Lease Liabilities	(454,880)	-
Net Cash Flows From/ (Used in) Financing Activities	(6,568,178)	40,252,567
Net Increase/(Decrease) in Cash and Cash Equivalents	(34,742,005)	(27,282,716)
Cash and Cash Equivalents at the beginning of the year	20,052,424	47,335,140
Cash and Cash Equivalents at the end of the year	(14,689,581)	20,052,424

Graphical Segmental Comparison
(Pelwatte & Sevanagala)









Notice of Meeting

Notice is hereby given that the Annual General Meeting of Lanka Sugar Company (Private) Limited will be held at Lanka Sugar Company (Private) Limited, Head office, 27, Melbourne Avenue, Colombo – 4 on 29th May 2014 at 2.00pm for the following purposes.

1. To receive and consider the Audited Financial Statements for the period ended 31st December 2013, together with the report of the Auditors thereon.

2. To re-appointment of the Auditors Messrs. Ernst & Young, Chartered Accountants to hold the office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.

By Order of the Board,

Pasindu Widyananda
Secretaries

PASINDU P. WIDYANANDA
Attorney-at-Law, Notary Public
& Company Secretary
No. 11/2, 1st Lane,
Old Nawala Road, Nawala.

15th May 2014

Proxy

I/we the undersigned……………………………of………………………herein a member/members of Lanka Sugar Company (Private) Limited do hereby appoint……………………………………..of………………………………………….. whom falling as my/our proxy to represent me/us and………………….………………………….to vote on my/our behalf at the Annual General Meeting of the Company to be held on 29th May 2014 and any adjournment thereof, and at every fall which may be taken in consequence thereof. I/we the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the performance indicate below:

		For	Against
1.	To receive and consider the Audited financial statements for the year Ended 31st December 2013 and the report of the auditors thereon	☐	☐
2.	To confirm the appointment of auditors M/s. Ernst & Young, Chartered Accountants to hold the office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their Remuneration.	☐	☐

As witness my / our hand this…………………………..............……….Day…….......……………….of……………………….. TWO THOUSAND FOURTEEN.

……………………………………………………

Signature of Shareholder

Please indicate with an "X" in the space provided how your proxy is to vote

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
Ernst & Young
Chartered Accountants
No. 201,
De Saram Place,
Colombo 10.

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

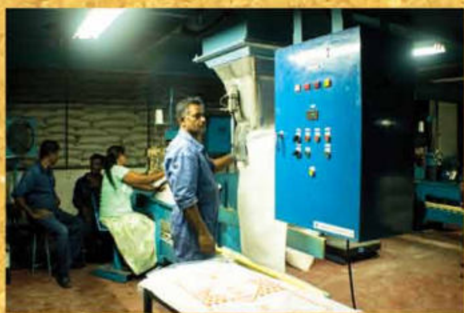
Directorate
Keerthi B. Kotagama - Chairman
D.H.V. Perera - Director / Chief Executive Officer
Thisath Wijayagunawardane - Director
Awantha Amaraweera - Director
Hiran Wijesuriya - Director

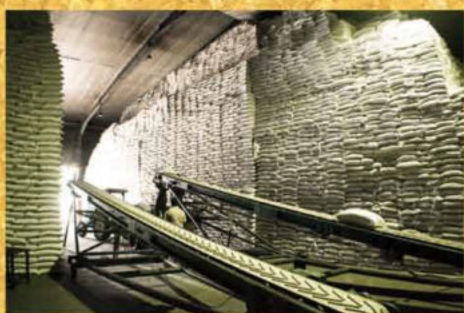
Management Team - Head Office
Keerthi B Kotagama - Chairman
D.H.V. Perera - Director/ Chief Executive Officer
N.H.S. Navaratne - General Manager (Finance)
W.M. Karunaratne - General Manager (Procurement / Marketing)
M. Jayakody - General Manager (HR / Aud. & Monitoring)
S.J. Senanayaka - Senior Manager (Land Acquisition)

Management Team - Pelwatte
K.W.Y. Jayathilaka - Chief Operations Officer
D.L.D. Jayantha - General Manager -Distillery (COO at Present)
Surath Perera - Deputy General Manager (Agriculture)
B.A.G.N. Illangakoon - Deputy General Manager (Operations)
D.N. Dayaratne - Deputy General Manager (Factory)
M.P.N. Sandaruwani - Acting Deputy General Manager (Finance)
Lily M. Hettiarachchi (Executive - Corporate Information)
E.P. Suranga - Factory Manager
S. Weerasekera - Manager/ Guest House/ Resort & Golf Course
K.A.D. Kalansooriya - Settler Estate Manager
K.B. Vidurasinghe - Harvesting & BS Manager
M.B. Chandana - Chief Engineer (Agri. Workshop)
K.A.G.S. Sisiwath - Engineering Manager (Factory)
H.M.I.A.K. Katugaha - Production Manager (Factory)
R.M.J. Bandara - Production Manager (Distillery)
Anura Wijesinghe - Purchasing Manager
W.S.K. Rathnayaka - Land Development Manager
L.A.C. Prasanna - Acting NE Manager
Malinde De Silva - Assistant Estate Protection Manager
M.E. Kosgahakumbura - Management Accountant
Aruni Gamage - Legal Officer
N. Wimalasena - Chief Investigation Officer
D.A. Chandraraj - Electrical Engineer
A. Masachchi - Chief Internal Auditor
R.A.M. Chandana - Junior Agronomist
D.M.S. Bandara - Outgrower Manager

Management Team - Sevanagala
C.E. Amunugama - Chief Operations Officer
K.A. Walter - General Manager
H.M.S. Samaraweera - Deputy General Manager (Agriculture)
D.K.W. De Silva - Deputy General Manager (Factory)
J.R. Malalgoda - Asst. General Manager - Civil Engineering Services
N.A. Wimalaratne - Acting Manager - Equipment
S.V.D.S. Priyantha - Chief Engineer
D.C. Hettiarachchi - Chief Engineer - Power & Workshop
Jayantha Fernando - Senior Manager - HR
L.B.C. Jayavilal - Senior Manager (HR)
Kingsley Pathirana - Senior Accountant
S.W. Kodithuwakku - Manager Agriculture Extension
P.A.K. Nandadewa - Manager Agriculture Extension
Upul Kumara - Manager Agriculture Extension
Athula Siridewa - Manager Agriculture Extension
Sapumal Phillegedara - Manager (Procurement & Marketing)
M. Shantha Weerasiri - Internal Auditor/ Investigation Supdt.)

PROUD STORY OF SWEET SUCCESS



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127, මෙල්බෝර්න් ඇවනිව්, කොළඹ 4, ශ්‍රී ලංකා
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