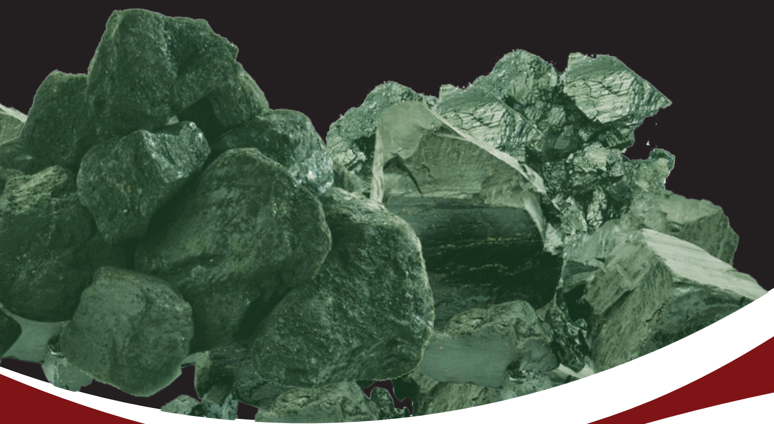
LANKA COAL
COMPANY(PVT)LTD



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வரையறுக்கப்பட்ட இலங்கை நிலக்கரி (தனியார்) நிறுவனம்

Lanka Coal Company (Pvt) Ltd.

වාර්ෂික වාර්තාව
ஆண்ட றிக்கை
Annual Report 2020

www.lankacoal.lk

ESTABLISHMENT

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

VISION

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

MISSION

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

Contents

Corporate Information

Name of the Company	Lanka Coal Company (Pvt) Ltd
Company Registration No	PV 62636
Legal Form `	A Private Company with limited liability registered under the Companies Act No 7 of 2007. The Company is a fully government owned business undertaking established by a decision of the Cabinet Ministers.
Registered Office	No 51/3, Suranimala Place, Off Dutugemunu Street, Kohuwala, Dehiwala, Sri Lanka Telephone +9411 2824681/2 Fax +94112824689 Email consec@lankacoal.lk Website www.lankacoal.lk
Holding Company	Ceylon Electricity Board No 50, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.
Company Secretaries	P.W. Corporate Secretarial (Pvt) Ltd No. 3/17, Kynsey Road, Colombo 8
Auditors	Auditor General National Audit Office 306/72, Polduwa Road, Battaramulla
Bankers	Peoples Bank - Corporate Branch Bank of Ceylon - Super Grade Branch - Hyde Park

Message from the Chairman and Managing Director

We are pleased to present the Annual Report for the year ending 2020. I have been with the Coal Company since February 2020. From then until now, under the guidance of the Hon. Minister as well as the Secretary, I am pleased to emphasize that the Lanka Coal Company has been able to formalize the informal methods that existed therein, to achieve great progress, and to provide leadership as Chairman and Managing Director up to now.

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

Therefore, I consider it a privilege to be able to shoulder this heavy responsibility and to lead the National Mission being carried out by the Lanka Coal Company as its Chairman. Also, the milestone of my career was the establishment of the following standard methods of streamlining the following activities, which had been not and inactive for more than a decade since the founding of the Coal Company.

Accordingly, the Incomplete Annual Reports were completed and submitted to the Cabinet for approval through the Ministry of Power. They've been successful in streamlining so far. Taking action to submit the procurement plan, the main function of the Lanka Coal Company, to the Ministry with the approval of the Board of Directors, Establishment of a standard system of payment of staff salaries subject to the approval of the Board of Directors of the Ceylon Electricity Board with the approval of the Board of Directors of the Ceylon Coal Company; Establishment of a standard procedure for Medical Insurance and Institutional Loan Concessions for Employees, approved by the Board of Directors of Lanka Coal Company and approved by the Ministry. Obtaining legal clearance from the Attorney General's Department for all Bid Documents and agreements, organizing preliminary planning activities before calling for tenders, Introduce and streamline standard procedures in areas such as the Procurement Manual and the Code of Internal Governance Guidelines.

The RBCT port in South Africa, which supplied us with coal, was also completely shut down, especially due to the Covid-19 epidemic that swept the world during the last coal season. With full intervention at that time, it was possible to coordinate through the relevant Foreign High Commissions and obtain the required quantity of coal without any reduction. It also obtained a profit of around US $ 3.5 million by inviting spot tenders on a CFR basis for the 2020-21 season.

Accordingly, as Chairman and Managing Director of the Lanka Coal Company last year, I was able to contribute fully to the formalization of several inactive and non-existent standard good governance processes, with the majority's support, in line with HE the President's Prosperity Vision concept.

I would like to use this occasion to express my gratitude to the Hon. Minister, the Ministry's Secretary, the LCC Board of Directors, the General Manager, the Financial Manager, the Procurement Manager, and all of the staff members who have helped me achieve these objectives in various ways.

Chairman/Managing Director

Corporate Governance

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

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

Composition of the Board

The names of the Directors of the Company who held office as at 31st December 2020 are given below

Present Composition of the Board

- **Mr. B K J K Perera** Chairman *(from 11.02.2020)*
- **Ms. W C Jayasinghe** Director *(from 28.11.2019)*
- **Mr. S W Madanayake** Director *(from 27.01.2020)*
- **Mrs. N.W.K Herath** Director *(from 07.12.2020)*
- **Dr.Prasantha Jayamanna** Director *(from 01.10.2020)*
- **Mr.A.R.Navamani** Director *(from 07.12.2020)*

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

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

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

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

Board Meeting Held Dated

01. 19-02-2020
02. 29-04-2020
03. 10-06-2020
04. 20-07-2020
05. 27-08-2020
06. 28-09-2020
07. 04-12-2020

Corporate Governance

Reports by the Auditor General following both financial and operational audits contained adverse remarks. If we take the operations the tender procedure, lackadaisical management control over payments to suppliers, quality control/ quality price adjustment, frequent litigation by unsuccessful bidders questioning transparency etc were issues that the company was grappling with. Many of these concerns were highlighted in the audit reports. However, we are happy to state that the tender procedure was made transparent to a greater extent and hence there had not been any contentious issues pertaining to tender awards amongst competing bidders for the seasons. Further, we have duly responded to all audit reports promptly, implemented recommended measures to address shortcomings and we confirm that there are no outstanding audit reports as at date.

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

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

AMC Meeting Held Dated

01. 24-02-2020
02. 23-12-2020

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

The Board of Directors of Lanka Coal Company (Private) Limited has pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2020.

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

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

Financial Statements

The complete Financial Statements of the Company have been duly signed by Mr.B.K. Jagath Kumara Perera and Ms.N.W.K.Herath, Directors on behalf of the Board.

Auditor General's Report

The Auditor General's Department carries out the financial audit of the company. The Report of the Auditor General on the Financial Statements for the year ended 31st December 2020 will be available after complete the audit.

Accounting Policies

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS/LKAS and the accounting policies adopted thereof and are given on pages 07 to 14 under Note 3 of the Financial Statements.

Stated Capital

The total Stated Capital of the Company as at 31st December 2020 was Rs. 20,000,000 representing 2,000,000 ordinary shares.

Directors

The names of the Directors of the Company who held office as at 31st December 2020 are given below:

- **Mr. B K J K Perera** **Chairman** *(from 11.02.2020)*
- **Ms. W C Jayasinghe** *(from 28.11.2019)*
- **Mrs. N W K Herath** *(from 07.12.2020)*
- **Mr. S W Madanayake** *(from 27.01.2020)*
- **Dr. Prasantha Jayamanna** *(from 01.10.2020)*
- **Mr. A R Navamani** *(from 07.12.2020)*

The changes to the Directorate of the Company for the year 2020:

- **Mr. U K Devasurendra** **Chairman** *(from 30.01.2019 upto 11.02.2020)*
- **Capt. A Hewavitharana** *(from 01.06.2017 upto 02.03.2020)*
- **Mr. S D W Gunawardana** *(from 30.01.2019 upto 25.01.2020)*
- **Mr. D J G S Edirisinghe** *(from 30.01.2019 upto 11.02.2020)*
- **Mr. D D K Karunaratne** *(from 28.01.2020 upto 06.12.2020)*
- **Mr. C J P Ranatunga** *(from 25.02.2020 upto 28.09.2020)*
- **Mr. A M A A L Ratnayake** *(from 02.03.2020 upto 30.09.2020)*
- **Mr. P L G Kariyawasam** *(from 22.05.2019 upto 20.04.2020)*
- **Mr. H M A Herath** *(from 24.04.2020 upto 07.12.2020)*

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

The Directors were not interested in any contract either directly or indirectly with the Company during the year. Related party transactions with the Company during the accounting period under review are given on page 22 in note 27 to the Financial Statements.

Directors' Remuneration

The Chairman/ Managing Director's remuneration is disclosed under Administrative Expenses in Additional Note C on page 24 to the Financial Statements and the Directors fees are also set out in Additional Note C as above.

Donations

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

Property Plant and Equipment

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

Reserves

The total Company reserves as at 31st December 2020 amounted to Rs 106.97 million. The movement is shown on page 03 to the Financial Statements.

Employment

The number of persons employed by the Company as at 31st December 2020 was 23.

Commitment and Contingencies

Commitments and contingencies as at 31st December 2020 are given in Note 24 to the Financial Statements.

Auditors

The audit of the financial statements of Lanka Coal Company (Private) Limited for the year ended 31st December 2020 was carried out in pursuance of the provisions in Article 154 (1) of the 19th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka by the Auditor General.

Messrs. Consultant Consortium, Chartered Accountants provided tax compliance services to the Company

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

Company	Name of Auditor/Tax Advisor	Type of Payment	Amount (Rs.)
Lanka Coal Company (Private) Limited	Auditor General	Audit fees + reimbursable expenses (excluding tax)	Not notified
	Consultant Consortium Chartered Accountants	Income Tax computation and Return	45,000.00

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

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

Chairman Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Risk Management

i) Market risk

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

ii) Credit risk

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

Ceylon Shipping Corporation (CSC) Rs 539,192,079

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

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

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

i) The Company instituted action in the Commercial High Court of the Western Province for the recovery of amount overdrawn
ii) There is parallel Arbitral proceedings based on a referral of the matter from Commercial High Court
iii) An appeal filed by Liberty Commodities against the interim Arbitral award of USD 1,000,000 in favor of the Company
iv) Further, the Company also made a call on the Performance Bond issued by Liberty Commodities.

However, Liberty Commodities instituted civil proceedings in Geneva against the Company. We nominated lawyers to present our case in Geneva through Attorney General's department. However, the court decided in favour of Liberty Commodities since the Performance Bond was limited only in respect of delivery shortfall and the Company has confirmed in writing that the quantity ordered was duly delivered and accepted.

Performance Review

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

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

Action Plan and Procurement Plan for the year 2021 has approved by the board of directors of LCC. This total no of shipments are schedule to supply in both Term tender and spot tenders. The Term tender will be covered in 20 shipments and balance will be supplied under spot tenders. Out of that 42 Shipments, LCC has supplied 18 shipments up to December 2020 nearly 1,100,000 MT of Coal to Lakvijaya Power Plant for the current season 2020 - 2021.

Principal activity

The activities performed byLanka Coal Company (pvt) Ltdcan broadly be categorized under the following heads:

i) Supplier registrations, tender processing and awarding.
ii) Letter of credit opening, liaison with bankers, formalizing banking facilities, treasury guarantee and documentation.
iii) Logistics, Department of Imports and Exports Control, freighting and lightering services for transit of coal from load port to jetty.
iv) Liaison with buyer (LVPP), suppliers, terminal operators, SL customs, Insurancr,SL Navy, Ceylon Shipping Corporation etc. and coordinating diverse operations among stakeholders.
v) Issuance of letter of letter of acceptance (LOA) and confirmation (LOC) for the release of respectively 80% and 20% of invoice value by verifying the accuracy of quantity delivered and application of quality adjustment formula.

Coal Procurement Process

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

Performance Review

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

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

Procurement Process and Authorized Members

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

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

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

TEC Members

- Three CEB Officials including TEC Chairman (AGM Generation)
- One Official represent Ministry of Power
- One Official represent peoples Bank
- One Official represent Ceylon Petroleum Cooperation
- One Official represent Ministry of Finance
- One Official represent Lanka Coal Company (Pvt.) Ltd

Pursuance of commercial objectives

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

Performance Review

Coal season 2020-21 procurement progress

Total estimated Quantity required for LVPP is 2.25±10%for the season 2020-21by 42 shipments. This is going to be the highest amount of coal imported for a season so far. Every 2 years a coal term tender is calling and one year estimated coal quantity is awarded to selected supplier to supply over a period of 2 seasons. Once the LCC received the estimated quantity required for the upcoming coal season from LVPP during month of June every year, the balance quantity of ongoing coal season required will be called by Spot tenders.

Supplier Re-registration process has been streamlined. Accordingly, beginning of the each year publishes an advertisement on national newspapers and informs all Sri Lankan foreign missions through Ministry of Foreign Affairs and LCC websites.

The applications submitted by the applicant will be opened Monday of the every week and Technical evaluation committee evaluated the applications and submitted their recommendations to Special Standing Cabinet Appointed Procurement Committee for their approvals from cabinet. Accordingly after the approval of the SSCAPC relevant supplier will be registered under the LCC as a registered coal supplier by charging US $ 5,000.

Ongoing procurement schedule for the season 2020-21

Description	Tender	No of Shipments	Quantity MT
Season 2020-21 - quantity to be required by LVPP		42	2,520,000
Description of Term Tender			
Term Tender - LCC/19/TT/2			
(Balance to be supplied under the Awarded Term Tender)	TT	20	1,200,000
Description of Spot Tenders			
Spot 01 - LCC/20-21/ST/18/1 (already awarded)	ST - 1	5	300,000
Spot 02 - LCC/20-21/ST/19/2 (cancelled)	ST - 2		
Spot 03 - LCC/20-21/ST/20/3 (already awarded)	ST - 3	2	120,000
Spot 04 - LCC/20-21/ST/21/4 (already awarded)	ST - 4	5	300,000
Spot 05 - LCC/20-21/ST/22/5	ST - 5	5	300,000
Balance to be supplied from 1 Spot Tenders	ST - 6	5	300,000

Demand satisfaction

It is evident from the following graphical representation that theLanka Coal Company (pvt) Ltdhas fully satisfied the demand of LVPP in the last four years.

Calling first Spot Tender on CFR basis

Since, the calling first Spot Tender basis changed from FOB to CFR and gave the opportunity to match the freight rates by CSC accordingly Lanka Coal Company (pvt) Ltd could save to CEB about USD 2.90 (12.95-10.05) which is approximately totaling to USD 870,000. This was a collective effort with the direction of Secretary to the Ministry of Power

Benefits to the CEB due to spot tenders called on CFR basis for season 2020 - 21 instead of FOB

From the season 2015 - 16 to 2019 - 20 most of the Spot Tenders have been called on FOB basis and Term tender freight rate has been considered for the spot supplies too. 2020 - 21 season this method has been changed only to CFR. Accordingly following benefits has been obtained from Spot 3 and 4.

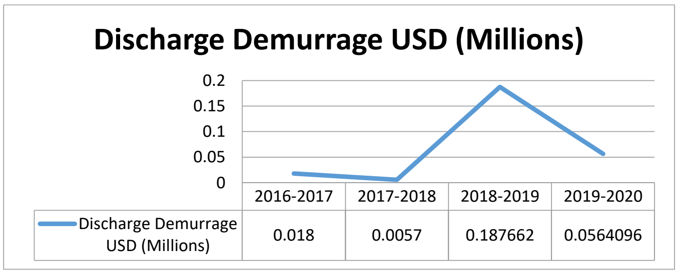
Performance Review

<u>Comparison of Freight Charges if Spot Tender Called on FOB Baisis instead of CFR</u>

Shipment No.	Supplier	Supplied Qauntity MT	If Spot Called on FOB Basis in US $		Actual Freight rate of Spot shipments in US $		Loss Due to if Spot Called on FOB	Total Savings from CFR - Rs.
			Per/MT	Cost if Term Rate apply to Spot	Per/MT	Total US $		
Spot 1								
	SSOE	58,868	$ 13.04	767,638.72	10.05	591,623.40	176,015.32	32,853,259.48
		64,514	$ 13.04	841,262.56	10.05	648,365.70	192,896.86	36,004,198.92
		61,641	$ 13.04	803,798.64	10.05	619,492.05	184,306.59	34,400,825.02
		58,570	$ 12.91	756,138.70	10.05	588,628.50	167,510.20	31,265,778.83
		60,958	$ 12.91	786,967.78	10.05	612,627.90	174,339.88	32,540,538.60
Spot 3								
274-13	SSOE	54,714.00	$ 12.85	703,074.90	9.99	546,592.86	156,482.04	29,207,372.77
276-15		54,714.00	$ 12.85	785,507.65	9.99	610,678.71	174,828.94	32,825,881.77
Spot 4								
278-17	ADANI	54,011.00	$ 12.85	694,041.35	8.99	485,558.89	208,482.46	39,036,255.81
280-19		54,000.00	$ 13.00	702,000.00	8.99	485,460.00	216,540.00	40,544,949.60
282-21		60,000.00	$ 13.00	780,000.00	8.99	539,400.00	240,600.00	45,049,944.00
284-23		60,000.00	$ 13.00	780,000.00	8.99	539,400.00	240,600.00	45,049,944.00
285-24		60,000.00	$ 13.00	780,000.00	8.99	539,400.00	240,600.00	45,049,944.00
				5,224,623.90		3,746,490.46	2,373,202.29	443,828,892.80

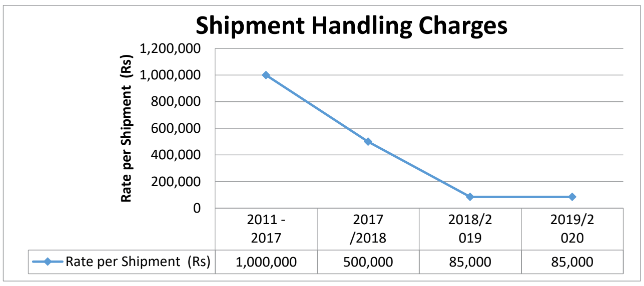
Demurrage

The cost of demurrage was a substantial burden during early years of procurement adding to cost inefficiencies in the process. However,Lanka Coal Company (pvt) Ltdwas able to gradually contain the cost by strategically managing and coordinating the operation amongst those involved in the supply chain. The results are amply demonstrated in the following line diagram



Reduction in Shipment Handling Charges

From the season 2010 - 11 to 2016 - 17 handling charge was Rs. 1.16 million per shipment. Reduction of handling charges 2018/2019 season to Rs.0.585 million per shipment. Shipment custom clearance part did by Ceylon shipping corporation Ltd.

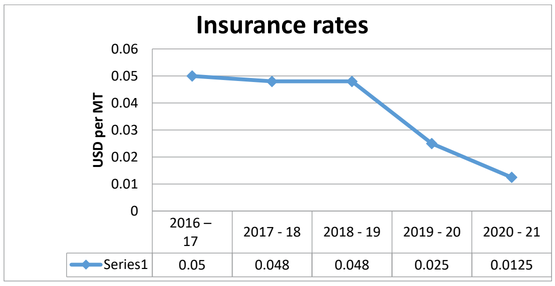


2019/2020 season shipment custom clearance part done by lank coal company (pvt) ltd. Reduction of handling charges 2019/2020 season to Rs.85,000/- per shipment.

Performance Review

Reduction in Insurance rates

The Insurance charges in the season 2016 – 2017 was US $ 0.05/MT and it was brought down to US $ 0.048/MT in 2017/2018 & 2018/2019 US$ 0.025 and in 2019/20 season it's 0.0125/MT. This is also a notable decrease in cost of coal.



Remove Freight Adjustment Charges

Freight adjustment charges remove from next seasons 2020/2021.Last seasons 2018/2019 we paid Rs.87 millions this amount saving

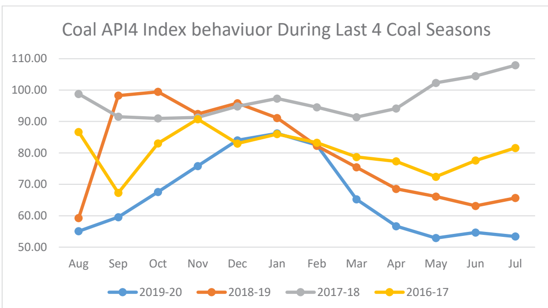
Deduct the SLPA Charges and Consolidate Custom charges

SLPA and Consolidate custom charges included to total freight charges and Lanka Coal Company(Pvt) Ltd saving 1 million rupees per shipment.

Coal Supply for the Season 2021-2022

A new Term Tender for the two seasons from 2021-2022 to 2022-2023is needed to be scheduled. As per the general schedule, the 50% of the total required quantity will be supplied from the term tender for the next season 2021-2022. The supply schedule will be based on the API 4 Index analysis. The behavior of API 4 index of last four season as tabulated below.

Table No: 3 API4 Coal Index Behavior last four Seasons



Future Strategic Plan

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

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

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

- **Broad base the number of registered suppliers to increase competitiveness.**
  Work on this is already underway and so far 26 suppliers have been registered and 17 are currently operational. Also, from the end of the year 2020, with the approval of the Procurement Committee on the recommendation of the Technical Evaluation Committee, arrangements will be made to conduct extensive publicity through relevant embassies every year in accordance with international procedures, to regularize the registration of suppliers every year and to re-register after a three-year aptitude test.

- **Invite mine owners to submit bid thus avoiding intermediary cost in purchase price.**
  Procurement is being done in such a way that coal miners can also directly bid for our tenders. Glen core, a major coal miner, is also currently registered as a supplier. The Ministry is taking the necessary steps to facilitate the country by purchasing direct coal between the two countries (G to G) using diplomatic relations.

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

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

Future Strategic Plan

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

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

  - Extending the existing jetty to Puttalam anchorage (4Km)
  - LCC is planning to increase the vessel quantity from 60,000 ±10% MT to 65,000 ± 10% MT
  - Both side of the jetty unlading facility
  - Use Gearless larger vessels and unloading using Transshipments
  - Jetty extensions up to the anchorage
  - Transport Coal from Trincomalee Extension of the railway line from Trincomalee to Mahawa to Lak VijayaPower Plant

- **Preparation of Procurement plan and Action Plans.**

  From the inception Lanka Coal Company (pvt) Ltd has been submitted the above 2 plans to Ministry without proper Board approvals. Presently it has been streamlined after getting Board of Directors approvals for the below both plans those have been forwarded to Ministry for their formal approval procedures.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. POE/D/LCC/FS/2020/14 | ඔබේ අංකය / உமது இல. / Your No. | දිනය / திகதி / Date 17 August 2021

Chairman
Lanka Coal Company (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Coal Company (Private) Limited for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lanka Coal Company (Private) Limited ("Company") for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 | +94 11 2 88 72 23 | ag@auditorgeneral.gov.lk | www.naosl.gov.lk

1.2 Basis for Qualified Opinion

(a) As per paragraph 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12), no disclosure had been made regarding the assessment of Rs.159,549,619 relating to the Economic Service Charge (ESC) for the year of assessment 2017/2018 and the penalties imposed of amounting to Rs. 75,461,644 thereon in the financial statements of the year under review.

(b) A sum of Rs.12,073,788 receivable from CEB has contained in a suspense account that carrying a debit balance of Rs.2,559,819 at the year end of the year under review and the opening balance as at 01 January 2020 was Rs. 4,674,041. During the year under review the Company has debited a sum of Rs. 1,594,325 and credited a sum of Rs. 3,708,547 to the above suspense account without any reasons.

(c) When importation of coal, a mark-up of 10 per cent added to the value at the point of Customs as a notional adjustment in ascertainment of the value for custom purpose which is not actually incurred. However, the Company had been added such 10 per cent mark-up amounting to Rs.3,653,155,934 to the revenue and later the Company had given such amount as discount to the debtor and charged to the cost of sale. As a result, the cost of sales and revenue had been overstated by similar amount.

(d) According to the financial statements final VAT and other receivable and trade debtors receivable balance as at the end of the year under review from CEB were Rs.197,452,711 and Rs.12,073,788 respectively. However it had not confirmed by the CEB. Therefore audit was unable to ascertain the accuracy of trade debtor balance since no evidence was not made available for audit.

(e) The Company had not made any provision for impairment for the management fee receivable outstanding over 3 years amounting to Rs. 10,624,394 as at the end of the year under review.

(f) According to the documents available, the Company had been paid a penalty of Rs. 205,000,000 to the Sri Lanka Customs on non-declaration of correct transaction value of the coal imported during the period from 19 September 2016to 09 April2018. The penalty payment made in year 2019 had been debited to Sri Lanka Custom VAT account, VAT control account and CSCL liability account, instead of being accounted as expenditure of the respective year. As a result, the retained earnings had been overstated by Rs. 205,000,000 and Sri Lanka Custom VAT account, VAT control account and CSCL liability account had been understated by Rs.158, 186,165, Rs.39,970,418 and Rs. 6,843,417 respectively of the year under review.

(g) The Company had failed to take actions to recover the long outstanding receivable amounting to Rs.539,192,079 from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL) and no provision had been made for impairment. Further, TISCL/CSCL had neither confirmed this balance. Therefore it was unable to ascertain the accuracy and existence of the above balance.

(h) The balance confirmations and evidences relevant to verification of ESC receivable from CEB amounting to Rs. 578,678,686, Miscellaneous Debtors amounting to Rs.18,075,801, receivable from Noble Resources International Pte Ltd amounting to Rs.1,115,987, payable to Nobel Resources International Pte Ltd amounting to Rs.85,887,776 and SGS charges receivable amounting to Rs.8,048,531 from Liberty Commodities Ltd were not made available for audit.

(i) Without disclosing a sum of Rs. 285,375,105 paid by CEB for the freight and VAT charges for the forthcoming financial year separately, it had been deducted from the account of, "Trade Debtors (CEB) for thermal Coal Shipments". As a result, the balances of "Trade Debtors (CEB) for thermal Coal Shipments" and Advance received from CEB had been understated by Rs. 285,375,105.

(j) Without a liability in the financial statements the Company had paid a sum of Rs.4,000,000 to Singapore Company in 2019 through Ceylon Shipping Corporation Ltd (CSCL). However, the Company had deducted this amount from the CSCL payable balance erroneously. Hence, the liabilities had been understated by similar amount.

(k) The Company had paid a sum of Rs. 136,236,370 as Custom VAT for the Shipment No. 123. However, according to the Cusdec the actual VAT amount was Rs. 106,969,404. As a result, the Company had incurred VAT over payment of Rs. 29,266,965.

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

1.3 Other information included in the Company's 2020 Annual Report.

The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Company's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

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

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

Reference to law/ direction	Description
(a) Public Enterprises Circulars	
(i) Public Enterprises Circular No. PED /12 dated 02 June 2003	(i) A Scheme of Recruitment and Promotion (SORP) approved by the Department of Management Services was not with the Company.
	(ii) Contrary to the circular, the Company had implemented the Scheme of Distress loans since year 2017.
	(iii) Without an approval, the Company had made a sum of Rs. 1,418,274 as provision for un-availed staff sick leave.

(ii) Public Enterprises Circular No. 05/2016 dated 16 December 2016	The Company has paid a sum of Rs.1,795,212 as staff bonus for the year under review, without the approval of the General Treasury.
(b) Section 6 of Economic Service Charge Act No. 13 of 2006 duly amended.	ESC liability should be paid on or before twentieth day of following month after quarter ending. However, the Company had not paid total ESC payable amounting to Rs.579,179,232 even up to the date of this report.

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

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

2.5 Other Matters

(a) An employee of the Company had committed a fraud amounting to Rs.590,193 by manipulating payment vouchers in 2018. However, the Company had not taken disciplinary action against the employee even up to the date of this report.

(b) An acting appointment had been made on 01 October 2017 for the vacant post of General Manager. However, actions had not been taken to fill the vacancy even as at 31 July 2021.

W.P.C. Wickramaratne
Auditor General

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

Your Ref: POE/D/LCC/FS/2020/14
August 18, 2021

To: Deputy Auditor General
National Audit Office

Attn: Ms. P.A.S.Arachchi
Superintendent of Audit (Acting).

Dear Sir,

Reply for the report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Coal Company (Pvt) Ltd for the year ended 31 December 2020 in terms of Section 12 of the national Audit Act, No 19 of 2018.

Replies for the Auditor General's Report dated 17.08.2021 on the aforementioned matter are presented herein

1.2 Basis for Opinion

Reply for 1.2 (a)

A letter was sent to the Department of Inland Revenue requesting for an extension of the settlement of ESC and a request was also made to refrain from any recovery action or imposition of any levies against the company in this regard until an amicable agreement is made with CEB on the settlement of the ESC. The Board of Directors was decided to write to CEB to give a reminder to release funds to settle the ESC. In addition, LCC has inquired from the Inland Revenue Department about the possibility of calculating the Economic Service Charge by removing the 10% notional margin, which is contents of the revenue. Herewith attached this letter for your reference.

Reply for 1.2 (b)

A sum of Rs.3,708,547.05 was credited to 11422k -154 Shipment account based on the Internal Audit Report No – CEB/CIA/SA-33/2019-85 . As per the reply of said audit report, we have done the said credit entry to correct an accounting error occurred in year 2016 under payment voucher no PVPB0050-2016.

Rs.1,594,325.32 debited to 11422k - 154 Shipment account: This is the balance amount of Credit note of Rs. Rs.15,870,104.32 dated 17/07/2020 issued to Ceylon Electricity Board for non-paid lightering VAT. LCC have already set-off Rs.14,275,779 against CEB receivables in the year 2019

Reply for 1.2 (c)

LCC was given a directive by Inland Revenue Department (IRD) to add the customs margin to cost in the issuance of VAT invoices to CEB. This pricing mechanism was adopted following a meeting held in the ministry on 28th June, 2018 with the attendance of an official from Inland Revenue Department (IRD). IRD official is on record and minuted having told that LCC's base value for VAT on invoices to CEB cannot be less than the value for customs purposes. The 10% is, therefore, added solely on the directive of IR official. Since then CEB has challenged the directive and written to IR by their letter dated 2018-09-07 to which the response is yet to be received. Until such time we added 10% customs margin to invoice but do not remit any excess output VAT to IRD in the interim pending issuance of a ruling by IRD. LCC has inquired from the Inland Revenue Department about the possibility of calculating the output VAT by removing the 10% notional margin, which is contents of the revenue. Herewith attached this letter for your reference.

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

Reply for 1.2 (d)

Final VAT & Other Receivable from CEB Rs.197,452,711 :

As per the investigation done by Sri Lanka Customs, Lanka Coal Company did not declare the correct transaction values of the coal imported during the period from 19/09/2016 to 09/04/2018. LCC and CEB officers have calculated the VAT payable as per the Customs officers' directions and were found that Rs. 195,780,909 to be paid for the shipments from 123 to 154. In addition to that LCC asked to pay Rs.1,671,802 from CEB for exchange loss related to the said shipments. For the purpose of 2020 yearend audit, LCC has asked the confirmation for the above balance from CEB but they did not confirm as at finalize the Financial Statements. Currently CEB is working on the above VAT payable and will be settled in near future.

The contain of Trade Debtors (CEB) - Steam Coal Rs. 12,073,788 is given below.

- Receivable from CEB Rs.2,563,287 : Amount left after settlement of the account with CEB in 2017. Being further investigated to ascertain source/origin.

- Trade debtor (CEB) Steam Coal Rs.7,750,000 : The amount paid to M/s Mercator on behalf of CEB. Being considered to ascertain source/origin.

- Other Receivable from CEB Rs.1,760,500 :Amount left after settlement of the account with CEB in 2017. Being further investigated to ascertain source/origin.

Reply for 1.2 (e)

As per the meeting held at Power Plant Manager Office, LVPP, dated 17th June 2020, AGM (Gen) asked LCC to send a justification letter along with the management fee invoice mentioning "All the expenditure was made to the business transaction with CEB". This matter is scheduled to take us at the upcoming Board Meeting. After send the said letter, CEB will be settled this outstanding.

Reply for 1.2 (f)

As per the investigation done by Sri Lanka Customs, Lanka Coal Company has not declared the correct transaction values of the coal imported during the period from 19/09/2016 to 09/04/2018. During that time, the custom declaration totally handled by Ceylon Shipping Corporation (CSC) for a charge of Rs.1,000,000/- per shipment and S.L Customs had imposed a forfeiture of 205,000,000/- to LCC on above wrong declaration & the investigation officers of S.L Customs had informed to LCC Officers that no any final VAT payment to be done after this payment.

At that time LCC had paid Rs 37,594,744 to Sri Lanka Customs as final VAT to the above related shipments and LCC was compelled to settle the sum of Rs 205Mn subsequently using the funds provided by CEB to make the settlement of CSC outstanding since S.L. Customs held the clearance of coal shipments.

Reply for 1.2 (g)

Taurian Iron and Steel settlement was handled by a high level committee. The committee has not opined that the debt is bad and even the buyer has consented to settle the dues by supplying coal. According to information in our possession, the settlement proposal has been submitted for determination by the cabinet. Present Status of Outstanding amount receivable from Ceylon Shipping Corporation (Taurian Iron and Steel Company Ltd.) was referred to the Cabinet of Ministers and the

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

Cabinet appointed a four-members Committee of the Treasury (Chairman), Ceylon Shipping Corporation, Lakvijaya Power Plant and Lanka Coal Company to negotiate with the TaurianIron and Steel Company. Further, Cabinet has advised to submit the recommendations of the committee through Ministry of Ports and Shipping back to the Cabinet which is yet to be submitted.

Reply for 1.2 (h) : Balance Confirmations and evidences.

i. ESC Receivable from CEB : 578,678,686
   The ESC receivable from CEB is containing the ESC liability as at 31/12/2019. As per sale of the company, the threshold has exceeded for the liability for ESC of Rs. 12.5 million per quarter and hence LCC become liable for ESC. This matter was discussed in 73rd Board meeting & it was decided to write to CEB to give a reminder to release funds to settle the ECS. Herewith attached the related extract of the above board decision.

ii. Misc. Debtors Rs.18,075,802
   Initial investigations revealed that the amount comprises of Rs.17,839,949 of irrecoverable NBT & PAL. Being further investigated to ascertain source/origin.

iii. Receivable from Nobel Resources Rs.1,115,987
   There is a credit balance for a sum of Rs.85,887,776 for Noble Resources and we will set off this debtor balance against the same.

iv. Trade creditors Noble Resource Rs.85, 887,776
   The balance mainly consists of an under drawn amount by Nobel Recourses Intl. Pvt. Ltd due to expiry of the LC validity period.

v. SGS Charges 50% receivable from Liberty Commodities Ltd : Rs.8,048,531
   Draft Survey Charges at discharge port for 17 nos of vessels in the season 2015/16 are included. Attached is an email sent in 2019 informing M/s Liberty Commodities Pte Lte to make this payment based on the signed agreement. Arbitration process is going on this matter.

Reply for 1.2 (i)

The accounting is done for each coal season according to the existing accounting methods of the LCC. The net value due for the season 2020-21 is shown as the balance to be received from the CEB as at 31st December 2020.

As shown in the audit, the net balance due at the end of the year has been disclosed but the total amount due from the CEB and the advances received have not been disclosed separately. Advances received in next year's financial statements are expected to be disclosed separately.

Reply for 1.2 (j)

This payment had done to M/s Mercator Singapore (Pvt) Ltd through Ceylon Shipping Corporation Ltd in the year 2019 & being investigated to ascertain source/origin of the Mercator liability & will pass the relevant entries to CSC accordingly.

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

Reply for 1.2 (k)

The following documents submits for your verification which was submitted to Sri Lanka Customs for the over payment of Rs.29,266,965.

- Final Cusdec (Custom Declaration)1183769 of 09/11/2016 on Mv.Star Lutas
- Final VAT calculation
- Copy of the latest customs refund letter dated 10thFebruary 2021.

Reply for 2.2.2 : Reference to law/Direction

Reply for 2.2.2 (a) (i) Establishment Code of Democratic Socialist Republic of Sri Lanka.

i. As the LCC does not have a proper Scheme of Recruitment and Promotion Procedures SORP, the LCC Board of Directors has appointed a committee to draft a new SORP consisting of one member of the Ministry, two members of the CEB, one member of the CSC and one member of the LCC. Accordingly, the SORP draft has been prepared by them and submitted to the LCC Board. Formal approval for the LCC new (SORP) took place at the 79th Board of Directors meeting.

ii. Distress loan was not given to the staff for the period from September 2018 up to July 2020, but based on the previous collection of loan recovery treated as fund. As per the Board decision on the 73rd board meeting held on 10th June 2020, the Board of LCC decided to grant loan facility maximum Rs.350,000 per employee at the rate of interest 6% reducing balance basis with a loan application and guarantor form approved by a lawyer.

iii. Up to date the company has not paid sum of Rs.1,418,274 as un-availed staff sick leave, however Company has sent a request letter to Department of Public Enterprises through Secretary to the Ministry of Power with the advice of LCC Board of Directors for the approval of un-availed staff sick leave payment. Copy of the letter is attached

2.2.2 (a), (ii) Public Enterprises Circular No. PED 05/2016 dated 16th December 2016.

LCC has been operating with a very minimal number of Employees and has been able to deliver almost the full requirement of coal to CEB under highly challenging environment in 2020. However, their efficiency could not be quantified in terms of profit as no profit margin is allowed under the terms and conditions of the agreement between CEB and LCC. Therefore, it is presumed that payment of Bonus to LCC employees for 2020 following the same payment procedure adopted by LCC to pay bonus to their employees is quite justifiable and only as the cost for payment of bonus is Rs.1,923,225/-The required allocation Rs.2,445,996 has been provided in the approved Budget for year 2020 Board Decision under Item 03 of the 71st Board Meeting held on 19-02-2020. The employees of LCC have been paid bonus in the same manner from 2014 through 2019.And also LCC has earned some of Rs,5,047,000 as handling income generated from Lord port demurrages Dollar transaction for last 9 months of the current financial year (Jan-sep-2020)

On the view of above, 77th Board Meeting held on 30-11-2020 has granted approval for the payment for Bonus as a private company.

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

2.2.2 (b). Economic Service Charge Act No 13 of 2016 duly amended.

ESC Payable : 579,179,232

The ESC receivable from CEB is containing the ESC liability as at 31/12/2019. As per sale of the company, the threshold has exceeded for the liability for ESC of Rs. 12.5 million per quarter and hence LCC become liable for ESC. This matter was discussed in 73rd Board meeting & it was decided to write to CEB to give a reminder to release funds to settle the ECS.

Reply for 2.5 : Other Matters

(a) Based on an investigation report submitted by the CEB Internal Audit Division on this matter, one official was identified who could make clear allegations. An indictment was issued against him under Section 29.4 of XLVII of Part II of the Establishments Code. He pleaded guilty to all the charges. Therefore, the offenses under Schedule 1 made by him have been punished with the approval of the Board of Directors. Based on the report, a preliminary investigation has been launched to identify the other officers involved and file formal charges. For this purpose, a Preliminary Investigation Officer has been appointed on 24th April 2021 under Sections 29. 4 and 29.3 of XLVII, Part II of the Establishments Code.

(b) Until the new SORP is approved by the Board there was no provision to recruit the vacant positions. Therefore, the management has taken decision to fill the vacancy in the post of General Manager within the next three months.

LANKA COAL COMPANY (PVT) LTD

…………………………………………….

B.K.Jagath Perera
Chairman/Managing Director

FINANCIAL REPORT

STATEMENT OF FINANCIAL POSITION

	Notes	2020 Rs.	2019 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	10	10,117,801	3,258,235
Other Non-Current Assets	11	775,977,718	775,977,718
		786,095,520	779,235,953
Current Assets			
Trade and Other Receivable	12	5,137,701,597	2,283,685,359
Refundable Deposits	13	117,000	117,000
Financial Assets	14	-	-
Staff Loans	15	5,053,666	4,458,530
Tax Receivable	16	608,885,773	605,935,265
Cash at Bank & Cash in Hand	17	8,505,432	4,289,552
		5,760,263,468	2,898,485,706
Total Assets		6,546,358,988	3,677,721,659
EQUITY & LIABILITIES			
Stated Capital	18	20,000,000	20,000,000
Retained Earnings		86,969,282	79,094,282
		106,969,282	99,094,282
Non-Current Liabilities			
Defined Benefit Obligation	19	4,441,920	3,949,203
Other Non-Current Liabilities	20	714,965,434	714,965,434
		719,407,354	718,914,637
Current Liabilities			
Creditors & Other payables	21	5,711,500,524	2,850,225,400
Accrued Expenses	22	2,251,281	3,442,700
Income Tax Payable	23	6,230,547	6,044,641
		5,719,982,352	2,859,712,740
Total Liabilities		6,439,389,706	3,578,627,377
Total Equity and Liabilities		6,546,358,988	3,677,721,659

STATEMENT OF FINANCIAL POSITION

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

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

B.A.A.Kumara
Finance Manager

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

Name of Director	**Chairman/Director**	**Signature**
B.K.Jagath Perera	Chairman	
	Director	

February 25, 2021
Colombo.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 Rs.	2019 Rs.
Revenue	4	41,000,383,219	42,470,160,495
Direct Expenses (Cost of Sale)	5	(40,954,618,074)	(42,414,953,867)
Gross Profit		45,765,145	55,206,627
Other Income	6	1,838,455	7,973,701
Administration Cost		(53,836,714)	(65,288,550)
Profit from operations		(6,233,114)	(2,108,222)
Finance Income	7	6,316,381	2,359,475
Finance Cost		(83,267)	(251,253)
Profit before Tax	8	-	-
Income Tax Expense	9	-	-
Profit for the year		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		-	-

The notes from an integral part of these financial statements.

Figures in the brackets indicate deductions

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01-01-2018	20,000,000	50,526,319	70,526,319
Profit for the year	-	-	-
Other Comprehensive income	-	-	-
Prior year adjustments		28,567,962	28,567,962
Total Comprehensive income for the year		28,567,962	28,567,962
Balance as at 31-12-2018	20,000,000	79,094,282	99,094,282
Profit for the year 2019	-	-	-
Other Comprehensive income	-	-	-
Total Comprehensive income for the year	-	-	-
Balance as at 01-01-2020	20,000,000	79,094,282	99,094,282
Profit for the year 2020	-	-	-
Other Comprehensive income	-	-	-
Revaluation Profit/ (Loss) on Motor Vehicles Revaluation	-	7,875,000	7,875,000
Total Comprehensive income for the year	-	7,875,000	7,875,000
Balance as at 31-12-2020	20,000,000	86,969,282	106,969,282

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

STATEMENT OF CASH FLOW

	2020 Rs.	2019 Rs.
Cash Flows from/(Used in) Operating Activities		
Net Profit before Income Tax Expenses	-	-
Adjustments for,		
Depreciation	1,591,273	1,820,290
Gratuity Provision	944,817	1,258,603
Finance Income	(6,316,381)	(2,359,475)
Finance Cost	83,267	251,253
Other Income	(6,705)	-
Operating Profit before Working Capital Changes	**(3,703,729)**	**970,672**
Working Capital Changes,		
(Increase)/Decrease in Trade and Other Receivable	(2,854,016,238)	2,399,449,578
(Increase)/Decrease in deposits	-	10,433
(Increase/Decrease in Staff loan	(595,136)	2,656,574
(Increase)/Decrease in Advance Payments	(2,950,508)	(312,844,959)
Increase/(Decrease) in Creditors	2,861,275,124	(2,168,661,823)
Increase/(Decrease) in accrued expenses	(1,191,418)	(4,835,021)
Cash generated from/ (used in) operations	**(1,181,905)**	**(83,254,547)**
Less :		
Finance costs paid	(83,267)	(251,253)
Prior year adjustments	-	-
Gratuity Paid	(452,100)	-
Income Tax Paid	-	(94,776)
Income Tax adjustment	185,906	442,388
Net cash generated from/(used in) operating activities	**(1,531,366)**	**(83,158,188)**
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(575,840)	(179,076)
Other Income	6,705	-
Interest Income	6,316,381	2,359,475
Net cash generated from/(used in) investing activities	**5,747,246**	**2,180,399**

STATEMENT OF CASH FLOW

Net increase/(decrease) in cash and cash equivalents	4,215,880	(80,977,790)
Cash and cash equivalents at the beginning of the year	4,289,552	85,267,342
Cash and cash equivalents at the end of the year	**8,505,432**	**4,289,552**
Analysis of Cash & Cash Equivalents		
Cash at Bank - Favourable	8,505,432	4,289,552
Cash in Hand	-	-
Cash at Bank - and In Hand	8,505,432	4,289,552
Short Term Investment	-	-
	8,505,432	**4,289,552**

The notes from an integral part of these financial statements.

Figures in the brackets indicate deductions

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and legal form

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

1.2 Principal activities and nature of operations

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

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

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

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

1.4 Approval of financial statements by Directors

The Financial Statements for the year ended 31st December, 2020 were authorized to be issued by the Board of Directors on February 25, 2021.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

Significant Accounting Policies followed during the year are given in Note 3.1 to 3.14 The applicable SLFRSs and LKASs are available at www.casrilanka.com

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

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

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

2.4 Materiality and aggregation

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

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

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

2.5 Accounting Policies, changes and Comparative Information

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

2.6 Use of Estimates, Judgments and Assumption

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.7. Events Occurring After the Balance Sheet Date

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

2.8. Changes in accounting estimates

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Assets and Bases of their Valuation

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

3.2. Property, Plant & Equipment

Property, Plant & Equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the assets to working condition for its intended use.

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

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

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

3.2.1 Subsequent cost

The cost of replacing part of an item of property, plant & equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of those parts that are replaced is de-recognized in accordance with the de-recognition policy given below. The cost of day-to-day servicing of property, plant & equipment are recognized in profit or loss as incurred.

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

3.2.2 De-recognition

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

3.2.3 Depreciation

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

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

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

The estimated useful lives of assets are as follows:

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

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

3.3 Finance Lease

Property, plant & equipment on finance leases, which effectively transfer to the Company substantially all the risk and benefits incidental to ownership of the leased items, are classified as leased items, are classified as leasehold assets under the property, plant and equipment and stated at an amount equal to the lower of their value and the present value of minimum lease payment at the inception of the lease, less the accumulated depreciation. Depreciation is made over the Period Company is expected to benefit from the use of the leased assets.

3.4 Borrowing Costs

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

3.5 Financial instruments – SLFRS 09

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

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

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

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

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

3.5.1 Financial Assets

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

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

The loans granted to employees at concessionary rates under uniformly applicable scheme are stated at amortized cost using effective interest rate (EIR). The resultant loss in respect of the capital granted is charged to the profit & loss statement of the year. EIR & Interest rate (6.50%) of given staff loan in the year 2020 are same level & no any loss is charged to profit and loss statement.

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

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

3.5.2 Government Securities

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

3.5.3 Financial Liabilities

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

3.6 Employee Benefits

3.6.1 Defined Benefit Plans – Retirement Gratuity

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

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

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

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

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

3.7 Provisions, Contingent Assets and Contingent Liabilities

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

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

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

3.8 Income Statement

3.8.1. Revenue Recognition – SLFRS 15

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. According to the standard, revenue is recognized when a customer obtains control of the goods or services. The timing of the transfer of control is determined by the transfer of promised goods or services to customer in an amount that reflects consideration to which the company expects to be entitled to.
The counter party to the contract is a customer. The customer has contracted with the entity to obtain goods or services that are output (imported by) of entity ordinary activities in exchange for consideration. The contract with the customer is within the criteria in the Standard.

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

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

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

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

3.8.2 Expenditure Recognition

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

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

3.9 Related party disclosures

3.9.1 Transaction with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between Company its unrelated Customers. Disclosures have been made in the respective Notes, namely note no 27 to the financial statements.

3.9.2 Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors have been classified as Key Management Personnel of the Company.

3.10 Finance Cost

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

3.11 Earnings per Share

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

3.12 Income Tax Expenses

Income tax expenses comprises current tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. In view of the eligibility of Income tax expense for re-imbursement by CEB there is no charge depicted in the Statement of Comprehensive Income.
Since the adoption of the break–even pricing model on par with direct and indirect costs the tax impact is not material. Any adjustment for timing difference is unlikely to result in a material impact hence no provision has been made for deferred tax.

3.13 Current Tax

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

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

3.13.1 ESC

The company was liable to pay ESC till the end of 2019 as it has been abolished with effect from January 01, 2020. We have submitted a claim to CEB together with a computation of ESC liability and await release of funds.

3.14 Cash Flow Statement

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

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

		2020 Rs.	2019 Rs.
4	REVENUE		
	Turnover	40,954,618,074	42,414,953,867
	Reimbursement of Expenses by CEB	45,765,145	55,206,627
		41,000,383,219	**42,470,160,495**
4.1	CALCULATION OF NET OVERHEAD COST		
	Administrative Expenses	(53,836,714)	(65,288,550)
	Finance Cost	(83,267)	(251,253)
	Registration Income	1,838,455	7,973,701
	Finance Income	6,316,381	2,359,475
	Net Overhead for the period (12 Months)	**(45,765,145)**	**(55,206,627)**
5	COST OF SALE		
	FOB Value	30,592,673,626	31,628,103,538
	Freight	5,700,975,003	5,968,651,502
	Lightering	973,032,966	952,154,857
	Shipping & Other Charges	34,780,544	62,008,659
	Cash Discount	3,653,155,934	3,804,035,310
		40,954,618,074	**42,414,953,867**
6	OTHER INCOME		
	Registration & Other Income	1,838,455	7,973,701
		1,838,455	**7,973,701**
7	FINANCE INCOME		
	Interest Income & Handling Income	6,316,381	2,359,475
		6,316,381	**2,359,475**

8 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following ;

	2020	2019
Staff Salaries	23,677,073	28,114,197
EPF	2,709,488	3,678,851
ETF	677,372	919,713
Provision for Gratuity	944,817	1,258,603
Directors fees	375,000	145,000
Depreciations	1,591,273	1,820,290
Audit Fee	451,200	227,362
	30,426,223	**36,164,015**

NOTES TO THE FINANCIAL STATEMENTS

		2020 Rs.	2019 Rs.
9	INCOME TAX EXPENSE		
	a) Current Income tax Expense		
	Tax on profit for the year (Note 9.1)	185,906	442,388
	Over/Under provision in respect of previous years	-	-
	Total Current income tax expense	185,906	442,388
	b) Deferred tax expenses (Note 9.3)	-	-
	Income tax expense (Note 9.2)	185,906	442,388

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

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

	2020 Rs.	2019 Rs.
Profit Before Tax	-	-
Disallowable Expenses for the Year	2,536,090	3,099,507
Allowable Expense for the Year	(2,087,662)	(3,879,025)
Tax Loss Utilized during the year	448,428	(779,518)
(Assessable Loss from Business)		
Interest Income	326,179	2,359,475
Net Assessable Income	774,607	1,579,957
At the statutory income tax rate of 24% (2019-28%)		
Tax Impact on Other Sources of Income (Interest Income)	78,283	660,653
Tax effect of Disallowable expenses	608,662	867,862
Tax effect of Allowable expenses	(501,039)	(1,086,127)
Under/(Over) provision of current taxes in respect of prior years	-	-
Income Tax expense reported in the Income Statement	185,906	442,388
At the effective income tax rate	24%	28%

9.2 The income tax expense of the company has been calculated on the adjusted profit at 24% (2019 - 28%) in the terms of the Inland Revenue Act No 24 of 2017. However, in view of the break-even pricing model adopted in accordance with the agreement with CEB even the income tax expense is eligible for reimbursement from CEB. Hence, there is no tax expense shown for the year in the statement of Comprehensive Income.

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

SHAREHOLDER INFORMATION

	2020 No of Shares	%
Ceylon Electricity Board	1,200,000	60
Treasury	400,000	20
Ceylon Shipping Corporation	200,000	10
Sri Lanka Ports Authority	200,000	10
Total Number of shares outstanding during the year	2,000,000	

10 PROPERTY, PLANT & EQUIPMENT

Cost/Revalue	Balance as at as at 01.01.2020	Additions	Transfer the Depreciation on revaluation	Revaluation Gain/(Loss)	Disposals/ Transfers	Balance 31.12.2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Assets						
Furniture & Fittings	2,824,547	51,840			-	2,876,387
Computers	3,440,667	465,000			-	3,905,667
Equipment	2,268,233	59,000			-	2,327,233
Leasehold Improvement	1,702,582	-			-	1,702,582
Network system	265,775	-			-	265,775
Motor Vehicles	6,261,816	-	(6,261,816)	7,875,000	-	7,875,000
Generator	845,000	-			-	845,000
Container Accommodation	6,744,085	-			-	6,744,085
	24,352,704	**575,840**	**(6,261,816)**	**7,875,000**	**-**	**26,541,728**

Depreciation	Balance as at 01.01.2020	Additions	Transfer the Depreciation	Disposals/ Transfers on revaluation	Balance as at 31.12.2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Assets					
Furniture & Fittings	1,655,107	418,727		-	2,073,835
Computers	2,562,011	546,464		-	3,108,475
Equipment	1,424,344	376,019		-	1,800,363
Leasehold Improvements	1,698,204	4,378		-	1,702,582
Network system	189,090	76,685		-	265,775
Motor Vehicles	6,261,816	-	(6,261,816)	-	-
Generator	559,813	169,000		-	728,813
Container Accommodation	6,744,085	-		-	6,744,085
	21,094,469	**1,591,273**	**(6,261,816)**	**-**	**16,423,927**

Net Book Values	Balance as at 01.01.2020	Balance as at 31.12.2020
	Rs.	Rs.
Freehold Assets		
Furniture & Fittings	1,169,439	802,552
Computers	878,656	797,192
Equipment	843,889	526,870
Leasehold Improvements	4,378	-
Network system	76,685	-
Motor Vehicles	-	7,875,000
Generator	285,188	116,188
Container Accommodation	-	-
Total Carrying amount	**3,258,235**	**10,117,801**

10.1 During the financial year, the company acquired Property, Plant & Equipment amounting to Rs. 575,840/- (2019 - Rs. 179,076/-) Cash payment amounting Rs.575,840/- were made during the year for purchase of Property, Plant & Equipment.

10.2 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 1,582,284/- (2019 - Rs. 245,559/-).

10.3 An indipendant valuation was performed by Messrs De Silva Mortor Engineers (Pvt) Ltd, Govt Registered No Pv70496 LASL/V/007, a valuer of Mortor vehicle to revalue the fully depreciated mortor vehicles on the 31/12/2020. The details of revalued mortor vehicles are as follows.

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

NOTES TO THE FINANCIAL STATEMENTS

			2020 Rs.	2019 Rs.
11	OTHER NON-CURRENT ASSETS			
	Liberty Commodities Ltd		236,785,640	236,785,640
	CSCL(TISCL) *Note		539,192,079	539,192,079
			775,977,718	775,977,718

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

			2020 Rs.	2019 Rs.
12	TRADE & OTHER RECEIVABLES			
	Trade receivable - Related parties	12.1	3,294,269,785	2,209,286,685
	Trade receivable - Others	12.2	1,804,312,113	27,240,319
	Other receivable - Related parties	12.3	37,664,094	45,626,529
	Other receivable - Others	12.4	1,455,604	1,531,825
			5,137,701,597	2,283,685,359
12.1	TRADE RECEIVABLE - RELATED PARTIES			
	Old Insurance Receivable from CEB up to 154 Ship		-	16,519,983
	Final VAT & Other Receivable from CEB		197,452,711	180,416,885
	Trade Debtors (CEB) for Thermal Coal Shipments		3,084,743,287	1,998,161,809
	Trade Debtors (CEB) - Steam Coal		12,073,788	14,188,009
			3,294,269,785	2,209,286,685
12.2	TRADE RECEIVABLE - OTHERS			
	SGS Charges 50% receivable from Liberty Commodities Ltd		8,048,531	8,048,531
	Noble Resources International Pte Ltd.		1,115,987	1,115,987
	Misc. Debtors		18,075,802	18,075,802
	Shipment Control		1,777,071,794	-
			1,804,312,113	27,240,319
12.3	OTHER RECEIVABLE - RELATED PARTIES			
	Management Fee		37,664,094	45,626,529
			37,664,094	45,626,529
12.4	OTHER RECEIVABLE - OTHERS			
	Prepayments - Office Rent		1,340,089	1,276,275
	Other Prepayments & Advance		115,515	31,393
	Other Receivable		-	224,157
			1,455,604	1,531,825
13	REFUNDABLE DEPOSITS			
	Refundable Deposits		67,000	67,000
	Deposit thro'CSCL		50,000	50,000
			117,000	117,000
14	FINANCIAL ASSETS			
	Investment in Repos- Peoples Bank		-	-
			-	-

			2020	2019
			Rs.	Rs.
15	STAFF LOAN			
	Distress Loan		5,026,666	4,325,030
	Festival advance		27,000	133,500
			5,053,666	**4,458,530**
16	TAX RECEIVABLE			
	VAT Receivable from S.L.Custom	16.1	29,271,686	26,507,084
	Tax Receivable from CEB	16.2	579,614,088	579,428,182
			608,885,773	**605,935,265**

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

		2020	2019
16.2	TAX RECEIVABLE FROM CEB		
	Economic Service Charges	578,678,686	578,678,686
	Income Tax	935,402	749,496
		579,614,088	**579,428,182**

Company was liable for ESC at 1% on 50% of the turnover up to 31st December 2019.We have submitted a claim to CEB together with the computation of ESC liability and await release of funds.

		2020	2019
17	CASH IN HAND AND CASH AT BANK		
	Bank of Ceylon A/C/No.7952807	1,234,319	1,234,319
	Bank of Ceylon S/A No 9225340	22,253	22,253
	People's Bank-Corporate Branch A/C No.	4,073,509	(35,125)
	People's Bank Savings Account	285,950	285,950
	Gratuity Fund - Saving Account	2,889,402	2,782,156
	Petty Cash	-	-
		8,505,432	**4,289,552**
18	STATED CAPITAL		
	Fully Paid Ordinary Shares	20,000,000	20,000,000
		20,000,000	**20,000,000**

19	RETIREMENT BENEFIT OBLIGATION			
	Balance at the Beginning of the year		3,949,203	2,690,600
	Provision for the year		944,817	1,258,603
	Payment made during the year		(452,100)	-
	Balance at end of the period		**4,441,920**	**3,949,203**
20	OTHER NON-CURRENT LIABILITIES			
	Advance payable to CEB (Liberty & Taurian)		714,965,434	714,965,434
21	TRADE & OTHER PAYABLES			
	Trade payables - Related parties	21.1	1,013,168,530	674,975,503
	Trade payable - Others	21.2	4,697,911,035	2,175,204,566
	Other payable - Others	21.3	420,959	45,331
			5,711,500,524	**2,850,225,400**

			2020	2019
			Rs.	Rs.
21.1	TRADE PAYABLE - RELATED PARTIES			
	Ceylon Shipping Corporation Ltd - New		942,772,092	639,814,366
	Ceylon Shipping Corporation Ltd - Old		23,129,173	28,347,444
	Payable to CEB		47,267,264	6,813,692
			1,013,168,530	674,975,503
21.2	TRADE PAYABLE - OTHERS			
	Coal Supplier		3,972,889,345	1,168,115,453
	Sri Lanka Insurance PLC		-	9,658,957
	Ceylinco General Insurance Ltd.		-	1,551,514
	People's Insurance PLC.		2,439,746	-
	SGS		12,161,313	12,906,526
	Trade Creditors		89,329,076	99,736,723
	Shipment Control		-	169,920,275
	ESC Payable		578,678,686	578,678,686
	VAT Control		29,794,473	122,030,276
	Custom OT Payable		82,800	70,560
	Tax Penalty payable	21.2.1	12,535,597	12,535,597
			4,697,911,035	2,175,204,566
21.2.1	TAX PENALTY PAYABLE			
	NBT Payable		10,134,113	10,134,113
	VAT payable		1,900,938	1,900,938
	ESC Payable		500,546	500,546
			12,535,597	12,535,597
21.3	OTHER PAYABLE - OTHERS			
	Wages Payable		45,331	45,331
	Payable for printing of Annual Report 2018		375,625	-
			420,956	45,331
22	ACCRUED EXPENSES			
	EPF/ETF Payable		-	574,432
	legal, Audit and professional fees		477,353	662,082
	Payment for Un availed Sick Leave		1,614,595	1,809,028
	others		159,333	397,158
			2,251,281	3,442,700
23	Income Tax payable			
	Balance at the beginning of the year		6,044,641	5,697,029
	Final liability as at 31/12/2017		-	-
	Provision for the year		185,906	442,388
	Payments made during the year		-	(94,776)
	Balance at the end of the year		6,230,547	6,044,641

24 Commitment & Contingencies

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

Nature of Expense	LKR.	Reason
(1) FREIGHT CHARGES	3,935,700 15,211,259	Freight charges of Deaf Coal (Ship No 01) - confirmation awaited Issued a Debit Note for revision of Freight - 08 Shipments by LCC but not credited by CSC
(2) LIGHTERING CHARGES	66,419,287 22,779,598	VAT on Lightering which was ruled 0% by IR CSC issued Lightering Invoice for 280/19 shipment on 04.01.2021
(3) DIESAL ESCALATION CHARGES	102,611	CSC issued Diesal Escallation Invoice for 280/19 shipment on 04.01.2021
(4) BUNKER ADJUSTMENT CHARGES	13,255,352 (943,931) 113,133	Base Bunker price billed at $ 11/MT but LCC taken at $ 10.75/MT (as per agreement) Credit Note issued by CSC but not debited by LCC Calculation deferance of Freight Adjustment : 210-21 Shipment
(5) DEMURRAGE CHARGES	142,209,705	With the understanding of CSC, these charges are settled upon collection
(6) EXCHANGE GAIN/LOSS	70,813,481	Exchange gain/loss confirmation awaited from CEB
(7) CLEARING,FORWARDING & DISBURSEMENT	32,764,050 11,328,926 6,843,417 83,971	Freight chargers of disputed shipment - Ship no 19 (Taurian) Cago Insurance Reduced by LCC but CSC still did not do the adjustent. Debit Note for Custom Penalty issued by LCC but CSC did not credite Deferance to be identifid.
	384,916,558	

25 Events Occurring After the Reporting Date

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

26 Summary of Legal cases

Case No	Petitioner	Respondent	at the beginning-	Carrying amount Dr/ (Cr)- Rs
SC/HC/LA35/ 2016	Lanka Coal Com (Pvt) Ltd.	Liberty Commodities Ltd	236,785,640	236,785,640
CHC/159/2016/MR	Lanka Coal Com (Pvt) Ltd.	Liberty Commodities Ltd	236,785,640	236,785,640
Arbitration	Lanka Coal Com (Pvt) Ltd.	Liberty Commodities Ltd	236,785,640	236,785,640

PT.Asian Mining and Resources :

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

NOTES TO THE FINANCIAL STATEMENTS

	Add. Notes	2020 Rs.	2019 Rs.
Revenue	(A)	41,000,383,219	42,470,160,495
Direct expenses (Cost of Sale)		(40,954,618,074)	(42,414,953,867)
Gross Profit		45,765,145	55,206,627
Other Income	(B)	1,838,455	7,973,701
Administration Expenses	(C)	(53,836,714)	(65,288,550)
Operating Profit		(6,233,114)	(2,108,222)
Finance Income	(D)	6,316,381	2,359,475
Finance Cost	(E)	(83,267)	(251,253)
Profit before Tax		-	-
Income Tax Expense	(F)	-	-
Profit for the year		-	-

(A)

REVENUE

	2020	2019
Turnover	40,954,618,074	42,414,953,867
Reimbursement of Expenses by CEB	45,765,145	55,206,627
	41,000,383,219	42,470,160,495

(A.1)

Calculation of Net Overhead Cost

	2020	2019
Administrative Expenses	(53,836,714)	(65,288,550)
Finance Cost	(83,267)	(251,253)
Registration & Other Income	1,838,455	7,973,701
Finance Income	6,316,381	2,359,475
Net Overhead for the period (12 Months)	(45,765,145)	(55,206,627)

(B)

OTHER INCOME

	2020	2019
Registration Income	1,831,750	7,973,701
Other Income	6,705	-
	1,838,455	7,973,701

27 RELATED PARTY TRANSACTIONS

27.1 Identify of the related parties

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

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

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

(i) Loans given to directors
No loans have been given to directors of the company.

	2020	2019
(ii) Key Management Personnel compensation.	Rs.	Rs.
Directors fees	375,000	145,000

(iii) The Chairman/Managing Director was a meber of Director board of Ceylon Electricity Board, the holding company.

27.3 Transactions with Parent and related entities

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

Nature of Transaction	Ceylon Electricity Board Holding Company		Ceylon Shipping Corporation Shareholder		Total	
	Rs. 2020	Rs. 2019	Rs. 2020	Rs. 2019	Rs. 2020	Rs. 2019
As at 1st January	2,112,562,269	3,316,432,291	(668,161,811)	(1,055,014,652)	1,444,400,459	2,261,417,639
Sale of Coal	44,230,987,519	48,431,880,258	-	-	44,230,987,519	48,431,880,258
Expense reimbursement	45,765,145	55,206,627	-	-	45,765,145	55,206,627
Cash Discount	(3,653,155,934)	(3,804,035,310)	-	-	(3,653,155,934)	(3,804,035,310)
ESC & Income TAX	185,906	312,402,406	-	-	185,906	312,402,406
Final VAT receivable	17,035,826	112,681,119	-	-	17,035,826	112,681,119
Adjustment for receivables	3,106,324	(10,095,971)	-	-	3,106,324	(10,095,971)
Freight charges	-	-	(5,727,414,541)	(5,497,678,031)	(5,727,414,541)	(5,497,678,031)
Lightering charges	-	-	(975,224,459)	(976,069,270)	(975,224,459)	(976,069,270)
Other Chargers to CSC	-	-	(313,200)	(37,479,238)	(313,200)	(37,479,238)
Adjustment for payables	-	-	2,458,224	40,087,129	2,458,224	40,087,129
Cash Receipts	(39,607,171,787)	(46,362,793,429)	-	-	(39,607,171,787)	(46,362,793,429)
Cash Payments	-	60,884,278	6,402,754,520	6,857,992,252	6,402,754,520	6,918,876,530
As at 31st December	3,149,315,269	2,112,562,269	(965,901,266)	(668,161,811)	2,183,414,003	1,444,400,459
Included in						
- Trade & Other Receivables	3,911,547,967	2,834,341,395	-	-	3,911,547,967	2,834,341,395
- Trade & Other Payables	(762,232,698)	(721,779,126)	(965,901,266)	668,161,811)	(1,728,133,964)	(1,389,940,937)
	3,149,315,269	2,112,562,269	(965,901,266)	(668,161,811)	2,183,414,003	1,444,400,459

28 CAPITAL COMMITMENTS

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

LANKA COAL COMPANY (PVT) LTD
STATEMENT OF PROFIT ORZ LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31st December 2020

	Add. Notes	2020 Rs.	2019 Rs.
(C) ADMINISTRATIVE EXPENSES			
Directors fees		375,000	145,000
Managing Directors Salary		1,062,069	3,722,267
Salaries- Executives		17,842,265	21,350,968
Salaries- Other staff		5,834,808	6,763,228
Overtime		2,188,283	2,835,964
Holiday Pay		90,448	55,099
Bonus		1,795,212	2,374,876
Payment for un-availed sick leave		1,418,274	1,809,028
Employees Provident Fund		2,709,488	3,678,851
Employees Trust Fund		677,372	919,713
Staff Medical Scheme		1,000,712	112,434
Employees' Welfare		407,084	551,984
Gratuity Provision		944,817	1,258,603
Office Rent		1,828,076	1,801,800
Electricity		683,928	962,359
Water		98,117	125,950
Telephone		679,954	1,197,622
Postage & Courier services		6,850	9,069
Books, News Papers and Periodicals		29,310	37,748
Stationery		1,087,547	632,085
Website, Internet & Email		237,575	51,358
Motor vehicle running expenses		1,724,309	1,691,053
Motor vehicle Hiring expenses		2,340,712	2,757,849
Repairs to motor vehicles		985,557	672,768

Miscellaneous Items	179,668	547,659
Repairs to office equipment	166,942	92,683
Staff Travelling	269,228	150,449
Overseas Travelling - Staff	-	448,745
Tender Advertising expenses	62,240	878,435
Tender Expenditure	2,263,766	2,027,389
Office maintenance	350,989	108,299
Professional fees	676,863	2,623,066
Security Service	951,600	698,250
Entertainment	-	14,464
Stamp duty	3,875	6,150
Depreciation	1,591,273	1,820,290
Audit fees	451,200	227,362
Insurance	157,102	127,633
Covid-19 Related Expenses	664,202	-
	53,836,714	**65,288,550**

(D) FINANCE INCOME

Interest on REPO's	-	-
Interest on Savings Account	107,246	91,556
Interest on Staff Loans	218,932	225,001
Handling Charges - SGS, Demurrage etc..	5,990,202	2,042,918
	6,316,381	**2,359,475**

(E) FINANCE COST

Bank charges	83,267	251,253
	83,267	**251,253**

LANKA COAL
COMPANY(PVT)LTD

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