



**LANKA COAL**  
COMPANY(PVT)LTD

வார्षிக வார்வல  
ஆண்ட றிக்கை  
Annual Report

**2021**

லகா கல் அலுர் (புட்கலிக) கலா஑ல  
வரையறுக்கப்பட்ட இலங்கை றிலக்கரி (தனியார்) றிறுவனம்  
**Lanka Coal Company (Pvt) Ltd.**

## **ESTABLISHMENT**

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

## **VISION**

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

## **MISSION**

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



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## Corporate Information

<b>Name of the Company</b>	Lanka Coal Company (Pvt) Ltd								
<b>Company Registration No</b>	PV 62636								
<b>Legal Form</b>	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.								
<b>Registered Office</b>	No 51/3, Suranimala Place, Off Dutugemunu Street, Kohuwala, Dehiwala, Sri Lanka								
	<table> <tr> <td>Telephone</td> <td>+9411 2824681/2</td> </tr> <tr> <td>Fax</td> <td>+94112824689</td> </tr> <tr> <td>Email</td> <td><a href="mailto:consec@lankacoal.lk">consec@lankacoal.lk</a></td> </tr> <tr> <td>Website</td> <td><a href="http://www.lankacoal.lk">www.lankacoal.lk</a></td> </tr> </table>	Telephone	+9411 2824681/2	Fax	+94112824689	Email	<a href="mailto:consec@lankacoal.lk">consec@lankacoal.lk</a>	Website	<a href="http://www.lankacoal.lk">www.lankacoal.lk</a>
Telephone	+9411 2824681/2								
Fax	+94112824689								
Email	<a href="mailto:consec@lankacoal.lk">consec@lankacoal.lk</a>								
Website	<a href="http://www.lankacoal.lk">www.lankacoal.lk</a>								
<b>Holding Company</b>	Ceylon Electricity Board No 50, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.								
<b>Company Secretaries</b>	P.W. Corporate Secretarial (Pvt) Ltd No. 3/17, Kynsey Road, Colombo 8								
<b>Auditors</b>	Auditor General National Audit Office 306/72, Polduwa Road, Battaramulla								
<b>Bankers</b>	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 2021. 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.

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

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

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

<b>LCC BOARD OF DIRECTORS</b>	
<b>Directors Appointments</b>	<b>Number of Directors</b>
Two Directors appoints by Hon. Minister	(1)Chairman/Managing Director (2)Board Director
Two Directors from Ceylon Electricity Board	(1)General Manager – Board Director (2)AGM (Generation) – Board Director
One Director appoints by Department of Treasury	(1)Board Director
One from Ceylon Shipping Corporation	(1)Board Director (Chairman)
One Director from Ports Authority	(1)Board Director
<b>Total</b>	<b>7 Board Directors</b>
** An observer appointed by the Secretary to the Ministry of Power.**	Additional Secretary - MOP

## Present Composition of the Board

The names of the Directors of the Company who held office as at 31st December 2021

- Mr. B K J K Perera (Chairman)
- Eng. M R Ranatunga
- Mr. S W Madanayake
- Mr. W S Weeraman
- Mr. A R Navamani
- Dr. D P M T Jayamanna

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.

## Corporate Governance

### Board Meeting Held Dated

1. 11-01-2021
2. 25-02-2021
3. 29-03-2021
4. 30-04-2021
5. 31-05-2021
6. 28-06-2021
7. 30-07-2021
8. 30-08-2021
9. 29-09-2021
10. 28-10-2021
11. 29-11-2021
12. 29-12-2021

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

1. 19-02-2021
2. 23-12-2021

# 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 31<sup>st</sup> December 2021.

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 Mr. A R Navamani, 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 31<sup>st</sup> December 2021 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 43 to 50 under Note 3 of the Financial Statements.

## Stated Capital

The total Stated Capital of the Company as at 31<sup>st</sup> December 2021 was Rs. 20,000,000 representing 2,000,000 ordinary shares.

## Directors

The name of the company's directors who held office as of 31.12.2021

- Mr. B K J K Perera
- Eng. M R Ranatunga
- Mr. S W Madanayake
- Mr. W S Weeraman
- Mr. A R Navamani
- Dr. D P M T Jayamanna

## Appointments during the year 2021

- **Mr. W S Weeraman**  
(from 01.08.2021)
- **Eng. M R Ranatunga**  
(from 23.08.2021 upto 13.01.2022)

## Resignations during the year 2021

- **Ms. W C Jayasinghe**  
(upto 31.07.2021)
- **Mrs N W K Herath**  
(upto 22.08.2021)

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.

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

### 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 31<sup>st</sup> December 2021 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 31<sup>st</sup> December 2021 was 23.

### Commitment and Contingencies

Commitments and contingencies as at 31<sup>st</sup> December 2021 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 31<sup>st</sup> December 2021 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 5 months.

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

## Principal activity

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

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

- i) Supplier registrations, tender processing and awarding.
- II. Letter of credit opening, liaison with bankers, formalizing banking facilities, treasury guarantee and documentation.
- III. Logistics, Department of Imports and Exports Control, freighting and lightering services for transit of coal from load port to jetty.
- IV. Liaison with buyer (LVPP), suppliers, terminal operators, SL customs, Insurances, Navy, Ceylon Shipping Corporation etc. and coordinating diverse operations among stakeholders.
- V. Issuance of letter of 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).

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.

## Performance Review

### Procurement Coal Process



## Performance Review

### 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)

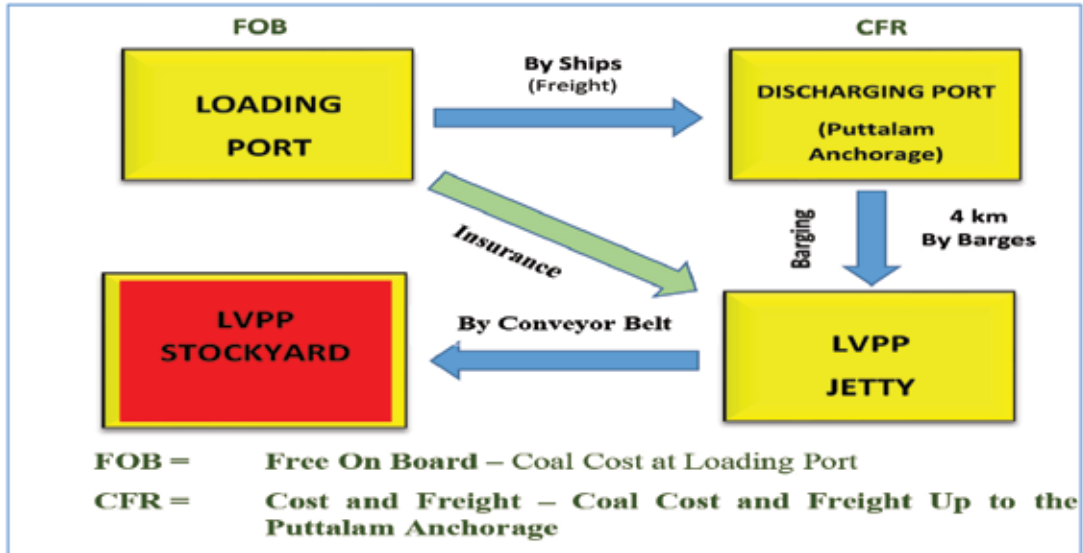
The combination of Technical Evaluation Committee (TEC) and Standing Cabinet Appointed Procurement Committee. (SCAPS) as follow,

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

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

## Performance Review

### Coal Operation



#### Coal season 2020-21 procurement progress

The procurement and operation of the coal supply has always been spread over a period of 2 years and the procurement process has been planned accordingly.

Based on a Cabinet Decision given during the 2015-2016 season, Long Term Tender (LTT) and Short (Spot) Term (ST) Tender procedures had been introduced. Accordingly, the LCC calls for term tenders to supply one year quantity of coal in two seasons. Spot Tenders will be called for each seasons after receiving the coal quantity demanded by LVPP for each season. Accordingly, the demand for coal in each season is approximately 50% procured from term tenders and 50% from spot tenders.

Both tenders will be called on a CFR (FOB+ Freight) basis and the Ceylon Shipping Corporation (CSC) will be given the opportunity to match the price of the freight component of the bid selected by the SCAPC in accordance with Treasury Circular 415. Accordingly, the C.S.C. If they matched the freight component, they will managed the transport of coal from the loading ports to the Puttalam anchorage

Further, CSC will call for international competitive bids and select the lowest responsive bidder for the Lightering service provider to transport coal from the Puttalam Anchorage to LVPP Jetty.

Lanka Coal Company acts as a procurement agency for the Coal Procurement Process and receives all recommendations and approvals from time to time from the Procurement Committees SCAPC / SSCAPC and TEC as required. Both TEC SCAPC / SSCAPC are appointed by the Ministry of Finance and regular LCC tenders are invited only after obtaining SCAP / SSCAPC approval.

## Performance Review

### Achievements in Coal Season 21-22

1. Ministry of Power, CEB, LCC and including other stakeholders are able to save USD 18.6 million (Rs.3,775 million) by not purchasing coal in the month of October due to the API4 Coal Index prices which were dramatically increasing more than USD 200 per MT.
2. LCC managed to reduce the number of shipments from 40 to 38 by recalculating the LVPP coal requirement by coordination with CEB in the same period, therefore we are able to save nearly USD 16 million (Rs. 3,248 million)
3. Total estimated Coal Importation cost for season 2021-2022 is USD 340 million (Rs.69,020 million).
4. As per the directions given by COPE and the Ministry of Power we are in the ongoing process of implementing the Exploring the possibility of long-term coal supply to the Lanka Coal Company (LCC) through diplomatic involvement. Accordingly LCC has received more than five proposals from different countries as South Africa, Russia, Colombia, and Poland

### Pursuance of commercial objectives

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

### Demand satisfaction

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



## 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.



# 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.**

- **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.

## Future Strategic Plan

- Extending the existing jetty to Puttalam anchorage (4Km)
- LCC is planning to increase the vessel quantity from 60,000  $\pm$ 10% MT to 65,000  $\pm$  10% MT
- Both side of the jetty unloading facility
- Use Gearless larger vessels and unloading using Transshipments
- Jetty extensions up to the anchorage
- Transport Coal from Trincomalee Extension of the railway line from Trincomalee to Mahawa to Lak Vijaya Power Plant
- **Identify suitable office space for the company**
- **Preparation of Procurement plan and Action Plans.**  
From the inception Lanka Coal Company (pvt) Ltd has been submitted the above 2 plans to Ministry without proper Board approvals. Presently it has been streamlined after getting Board of Directors approvals for the below both plans those have been forwarded to Ministry for their formal approval procedures.
- **Transforming LCC into a profit making institution instead of reimbursing the cost by the CEB**
- **Exploring the possibility of long term coal supply to the Lanka Coal Company (LCC) through diplomatic involvement. The process has already begun and four proposals have been received from South Africa, Brazil, Poland and Russia. The committee appointed under the guidance of the Secretary to the Ministry is evaluating the proposals**



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

PWR/B/LCC/FS/2021/20

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

10 August 2022

The 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 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018**

## 1. Financial Statements

### 1.1 Qualified Opinion

The audit of the financial statements of the Lanka Coal Company (Private) Limited (“Company”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of profit and 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### 1.2 Basis for Qualified Opinion

- (a) As per the paragraph 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12), with regard to the value added tax assessments, a sum of Rs. 287,139,348 relating to additional tax payable, and a sum of Rs. 220,628,092 relating to penalty payable

නො. 306/72, පොල්වෙල පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

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

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



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thereon for the years of assessment 2017/2018 and 2018/2019 had not been disclosed in the financial statements.

- (b) The Company had not taken proper actions to get settled a balance of Rs. 33,317,325 relating to the Suspense Account 154 Shipment, and to get recovered a balance of Rs.1,760,500 relating to the Advance Receivable from CEB Proc-Coal as at the end of the year under review.
- (c) When importation of coal, a mark-up of 10 percent, which had not been actually incurred, had been added to the value at the point of the Customs as a notional adjustment in ascertaining the value for the Custom purpose. However, the Company had added a 10 per cent mark-up amounting to Rs.5,324,423,778 to the revenue, and later, that amount had been recognised as discounts to the debtors and adjusted to the cost of sales. As a result, the cost of sales and revenue had overstated by similar amount.
- (d) According to the financial statements, VAT and other receivables amounting to Rs. 197,452,711 receivable from the CEB as at the end of the year under review had not been confirmed by the CEB. Accordingly, the accuracy and completeness of that amounts could not be ascertained satisfactorily in audit.
- (e) Management fees amounting to Rs. 22,502,205 had been outstanding for over 3 years as at the end of the year under review. However, no provision had been made in the financial statements.
- (f) According to the information made available, it was observed that the Company had paid a sum of Rs. 205,000,000 as penalty to the Sri Lanka Customs due to non-declaration of correct value of the coal imported during the period from 19 September 2016 to 09 April 2018. The penalty payment made in 2019 had been accounted for under the Sri Lanka Custom VAT account, VAT control account and CSCL liability account instead of being accounted as expenditure in the respective years. As a result, the retained earnings had overstated by Rs. 205,000,000, and the Sri Lanka Custom VAT account, VAT control account and CSCL liability account had understated by Rs.158,186,165, Rs. 39,970,418 and Rs. 6,843,417 respectively in the year under review.



- (g) The Company had not taken appropriate actions to get recovered a long outstanding balance of Rs. 539,192,079 receivable from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL), and no any provision had been made for impairment. Further, the TISCL/CSCL had not confirmed the due balance. Therefore, it was unable to ascertain the accuracy and existence of the above balance.
- (h) Balance confirmations and other relevant evidences relating to the verification of miscellaneous debtors amounting to Rs.18,075,801, receivables from a private Company amounting to Rs. 1,115,987, trade creditors balance of same private Company amounting to Rs. 85,887,776 and SGS charges of 50% receivable from another private Company amounting to Rs. 8,048,531 were not made available to the audit.
- (i) 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 only a sum of Rs. 106,969,404. Accordingly, it was observed that the Company had overpaid a sum of Rs. 29,266,965.
- (j) There was an unidentified difference amounting to Rs. 4,003,372 between the balance shown as payable to Ceylon Shipping Corporation in the financial statements of Lanka Coal Company (Private) Limited and the balance confirmed by the Ceylon Shipping Corporation as receivable from Lanka Coal Company (Private) Limited as at the end of the year under review. However, the Company had not taken proper actions to reconcile the difference.
- (k) Balance confirmations and other relevant documentary evidences relating to a payable balance of Rs.2,362,129 as at the end of the year under review were not made available to audit.

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 2021 Annual Report

The other information comprises the information included in the Company's 2021 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 2021 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 effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163(2) of the Companies Act, No. 7 of 2007 and section 12(a) of the National Audit Act, No. 19 of 2018.

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

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2 (b), (c), (d), (e), (f), (g), (h) and (i) described in the basis for Qualified Opinion section of my report as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

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

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the

normal cause of business as per the requirement of section 12(d) of the National Audit Act, No. 19 of 2018.

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

Reference to law/ direction	Description
Public Enterprises Circulars:	
(a) PED/12 dated 02 June 2003	<p>(i) Even though the Company had prepared a Scheme of Recruitment and Promotion (SORP), the required approval from the Department of Management Services had not been obtained.</p> <p>(ii) The Company had implemented the Scheme of Distress loans since year 2017 in contrary to the Circular.</p> <p>(iii) The Company had made a provision for un-availed staff sick leave amounting to Rs. 1,916,044 without being obtained the required approval.</p>
(b) No. 05/2016 dated 16 December 2016	The Company had made a provision for bonus amounting to Rs. 1,958,534 without being obtained the required approval.

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.



**W.P.C. Wickramaratne**  
Auditor General

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

Your Ref: PWR/B/LCC/FS/2021/20  
August 12, 2022

To: Auditor General  
National Audit Office

Dear Sir,

**Observations 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 31st December 2021 in terms of Section 12 of the national Audit Act, No 19 of 2018.**

Our observations for the Auditor General's Report dated 10.08.2022 on the aforementioned matter are presented herein

## 1.2 Basis for Opinion

### Reply for 1.2 (a)

LCC has submitted the 04 amended VAT returns to IRD along with the apples for value added tax assessment received and negotiation is going on for same. First meeting was successfully done dated 06/06/2022 with assistance of the Tax consultant. If necessary as per the Sri Lanka Accounting Standards, disclosure will be made in next financial year.

### Reply for 1.2 (b)

Contain of the suspense accounts as follows

Balance of Suspense acc. as at beginning of the year	: 4,323,787.00
Amount transferred with in the year 2021	: 30,757,506.00
<b>Balance of the Suspense acc as at end of the year 2021</b>	<b>: 35,081,293.00</b>

### **The contained of beginning balance of the Suspense account:**

Receivable from CEB Rs.4,323,787.00 : Amount left after settlement of the account with CEB in 2017. Being further investigated to ascertain source/origin.

### **The contained of the amount transferred with in the year 2021:**

The amount to be paid to Mercator was a result of accounting. The relevant amount had already been received from the CEB, but because it had not been reflected in the accounts, it was kept by debiting it to the suspicious account. Being further investigated to ascertain source/origin to clear the suspense account in 2022 financial year.

### 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. 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 also 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, the response is yet to be received. Moreover, on April 4, 2022, G.M.

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

Ceylon Electricity Board wrote a letter to the secretary of the Ministry of Finance requesting for a VAT exemption for the import and supply of coal.

### Reply for 1.2 (d)

LCC requested confirmation from CEB for the Final VAT & Other Receivables equal to Rs. 197,452,711 for the yearend audit 2021, but they did not confirm as of finalizing the Financial Statements. CEB is currently working on the aforementioned payable, which will be finalized in the near future, based on ongoing management negotiations.

Rs.35,081,293.00 is the balance of suspense account & it was described under reply 1.2 (c).

### Reply for 1.2 (e)

According to a meeting held on the 17th of June 2020 at the LVPP Power Plant Manager Office, AGM (G) requested that LCC send a justification letter for the outstanding management fee receivable for the years 2016, 2018, and 2019, stating that "all expenditure was made to the business transaction with CEB." CEB will settle this outstanding after sending the aforementioned letter.

### 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 Rs.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. CEB is currently working on the aforementioned payable to LCC, which will be finalized in the near future. Further LCC has identified the actual penalty Rs. 6,843,417.00 due to above wrong declaration and debited against CSC liability.

### Reply for 1.2 (g)

A high-level committee handled the Taurian Iron and Steel settlement. The committee has not ruled that the debt is bad, and the buyer has agreed to settle the debt by providing coal. According to information we have, the settlement proposal has been submitted to the cabinet for consideration. The current status of the outstanding amount receivable from Ceylon Shipping Corporation (Taurian Iron and Steel Company Ltd.) was referred to the Cabinet of Ministers, who appointed a four-member Committee of the Treasury (Chairman), Ceylon Shipping Corporation, Lakvijaya Power Plant, and Lanka Coal Company to negotiate with the Taurian Iron and Steel Company. Furthermore, the Cabinet has advised that the committee's recommendations be submitted to the Cabinet via the Ministry of Ports and Shipping, which has yet to be done.

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

- i. 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.
- ii. 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.

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

iii. 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.

iv. 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)

Due to a wrong declaration done by Ceylon Shipping Corporation, Lanka Coal Company (Pvt) Ltd overpaid VAT of Rs.29,266,966 to Sri Lanka Customs for shipment no. 123. LCC has already filed a refund claim, and the Customs Department is working on the appropriate formalities to complete the refund or set off against LCC's outstanding Customs due balances. LCC is holding equal CSC outstanding sum until the refund claim is resolved.

### Reply for 1.2 (j)

In fact, we prepared a reconciliation statement by identifying items for the difference in the balance payable to Ceylon Shipping Corporation as of December 31, 2021. Most of the items were not booked by LCC for justifiable reasons and were disclosed under note no. 24 "Commitment & Contingencies." The LCC and the CSC are currently in discussions to resolve the existing discrepancies and unidentified differences in the year end balances as of 31 December 2021.

### Reply for 1.2 (k)

According to the Internal Audit report issued by the CEB Internal Audit branch, the Accounts Payable (Account Code No: 20000) were caused by incorrect accounting entries made in the years 2018 and prior. We will pass the corrected entries to correct the above error in accordance with the recommendations made by the CEB Internal Audit branch.

### **Reply for 2.2.2 : Reference to applicable written law, general & special directions issued by governing body of the company**

Reply for 2.2.2 (a), Public Enterprises circular No PED/12 dated 02 June 2003:

- i. The SORP approved by the Board of Directors was forwarded to the Secretary to the Ministry of Power to be obtained the approval from the Department of Public Enterprises on 03rd April 2021 and As per the Power Ministry request letter Department of Public Enterprises has given approval for SORP and act as per the Board decision (copy attached).
- ii. 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. 87th Board meeting has approved to implement the approval given by the department of public enterprises-regarding staff sick leave. But up to date the company has not paid sum of Rs.1,916,044 as un-availed staff sick leave which was made the provision for the year 2021.

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

Reply for 2.2.2 (b) Public Enterprises circular  
No PED 05/2016 dated 16 December 2016:

The board of directors has given approval for bones subject to no objection letter be obtained from the CEB, since LCC Expenditure is reimbursed by the CEB, further this is not an additional cost to CEB and also follow and adapt the same procedure for year 2020 as well.

LANKA COAL COMPANY (PVT) LTD



.....  
B.K.Jagath Perera  
Chairman/Managing Director



# FINANCIAL REPORT



# STATEMENT OF FINANCIAL POSITION

For the year ended 31<sup>st</sup> December 2021

	Notes	2021 Rs.	2020 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	10	7,624,171	10,117,801
Other Non-Current Assets	11	775,977,718	775,977,718
		<b>783,601,889</b>	<b>786,095,520</b>
<b>Current Assets</b>			
Trade and Other Receivable	12	9,916,161,928	5,717,315,684
Refundable Deposits	13	117,000	117,000
Financial Assets	14	-	-
Staff Loans	15	2,857,068	5,053,666
Tax Receivable	16	29,266,966	29,271,686
Cash at Bank & Cash in Hand	17	59,278,171	8,505,432
		<b>10,007,681,132</b>	<b>5,760,263,468</b>
<b>Total Assets</b>		<b>10,791,283,021</b>	<b>6,546,358,988</b>
<b>EQUITY &amp; LIABILITIES</b>			
Stated Capital	18	20,000,000	20,000,000
Retained Earnings		79,094,282	79,094,282
Revaluation Reserve		7,875,000	7,875,000
		<b>106,969,282</b>	<b>106,969,282</b>
<b>Non-Current Liabilities</b>			
Defined Benefit Obligation	19	5,519,320	4,441,920
Other Non-Current Liabilities	20	714,965,434	714,965,434
		<b>720,484,754</b>	<b>719,407,354</b>
<b>Current Liabilities</b>			
Creditors & Other payables	21	9,954,368,490	5,711,500,524
Accrued Expenses	22	2,840,714	2,251,281
Income Tax Payable	23	6,619,781	6,230,547
		<b>9,963,828,985</b>	<b>5,719,982,352</b>
<b>Total Liabilities</b>		<b>10,684,313,739</b>	<b>6,439,389,706</b>
<b>Total Equity and Liabilities</b>		<b>10,791,283,021</b>	<b>6,546,358,988</b>

## STATEMENT OF FINANCIAL POSITION

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



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



B.A.A. Kumara

Finance Manager

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

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

February 25, 2022

Colombo.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31<sup>st</sup> December 2021

	Notes	2021 Rs.	2020 Rs.
Revenue	4	59,046,036,553	41,000,383,219
Direct Expenses (Cost of Sale)	5	(58,990,572,660)	(40,954,618,074)
Gross Profit		55,463,893	45,765,145
Other Income	6	1,016,370	1,838,455
Administration Cost		(60,718,556)	(53,836,714)
Profit from operations		(4,238,293)	(6,233,114)
Finance Income	7	4,461,623	6,316,381
Finance Cost		(223,330)	(83,267)
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

For the year ended 31<sup>st</sup> December 2021

	Stated Capital Rs.	Retained Earnings Rs.	“ Revaluation Reserve “ Rs.	Total Rs.
Balance as at 01-01-2019	20,000,000	79,094,282	-	99,094,282
Profit for the year 2019	-	-	-	-
Other Comprehensive income	-	-	-	-
Total Comprehensive income for the year	-	-	-	-
<b>Balance as at 31-12-2019</b>	<b>20,000,000</b>	<b>79,094,282</b>	<b>-</b>	<b>99,094,282</b>
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	79,094,282	7,875,000	106,969,282
Profit for the year 2021	-	-	-	-
Other Comprehensive income	-	-	-	-
Total Comprehensive income for the year	-	-	-	-
<b>Balance as at 31-12-2021</b>	<b>20,000,000</b>	<b>79,094,282</b>	<b>7,875,000</b>	<b>106,969,282</b>

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

Figures in the brackets indicate deductions

# STATEMENT OF CASH FLOW

For the year ended 31<sup>st</sup> December 2021

	2021 Rs.	2020 Rs.
<b><u>Cash Flows from/(Used in) Operating Activities</u></b>		
Net Profit before Income Tax Expenses	-	-
<b><i>Adjustments for,</i></b>		
Depreciation	3,288,700	1,591,273
Gratuity Provision	1,077,400	944,817
Finance Income	(4,461,623)	(6,316,381)
Finance Cost	223,330	83,267
Other Income	(2,370)	(6,705)
<b>Operating Profit before Working Capital Changes</b>	<b>125,438</b>	<b>(3,703,729)</b>
<b><i>Working Capital Changes,</i></b>		
(Increase)/Decrease in Trade and Other Receivable	(4,198,846,244)	(2,854,016,238)
(Increase)/Decrease in deposits	-	-
(Increase)/Decrease in Staff loan	2,196,599	(595,136)
(Increase)/Decrease in Tax Receivable	4,720	(2,950,508)
Increase/(Decrease) in Creditors	4,242,867,966	2,861,275,124
Increase/(Decrease) in accrued expenses	589,433	(1,191,418)
<b>Cash generated from/ (used in) operations</b>	<b>46,937,911</b>	<b>(1,181,905)</b>
Less :		
Finance costs paid	(223,330)	(83,267)
Prior year adjustments	-	-
Gratuity Paid	-	(452,100)
Income Tax Paid	(209,625)	-
Income Tax adjustment	598,859	185,906
<b>Net cash generated from/(used in) operating activities</b>	<b>47,103,816</b>	<b>(1,531,366)</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Acquisition of Property, Plant & Equipment	(795,070)	(575,840)
Other Income	2,370	6,705
Interest Income	4,461,623	6,316,381
<b>Net cash generated from/(used in) investing activities</b>	<b>3,668,923</b>	<b>5,747,246</b>

## STATEMENT OF CASH FLOW

Net increase/(decrease) in cash and cash equivalents	50,772,739	4,215,880
Cash and cash equivalents at the beginning of the year	8,505,432	4,289,552
<b>Cash and cash equivalents at the end of the year</b>	<b>59,278,171</b>	<b>8,505,432</b>

**Analysis of Cash & Cash Equivalents**

Cash at Bank - Favourable	59,278,171	8,505,432
Cash in Hand	-	-
Cash at Bank - and In Hand	59,278,171	8,505,432
Short Term Investment	-	-
	<b>59,278,171</b>	<b>8,505,432</b>

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

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

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

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

### 1.4 Approval of financial statements by Directors

The Financial Statements for the year ended 31st December, 2021 were authorized to be issued by the Board of Directors on February 25, 2022.

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

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

## NOTES TO THE FINANCIAL STATEMENTS

applicable SLFRSs and LKASs are available at [www.casrilanka.com](http://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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.7. Events Occurring After the Balance Sheet Date

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

### 2.8. Changes in accounting estimates

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

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. 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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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:

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

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

### **3.3 Finance Lease**

Property, plant & equipment on finance leases, which effectively transfer to the Company substantially all the risk and benefits incidental to ownership of the leased items, are classified

## NOTES TO THE FINANCIAL STATEMENTS

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

## NOTES TO THE FINANCIAL STATEMENTS

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 2021 are same level & no any loss is charged to profit and loss statement.

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

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

### 3.5.2 Government Securities

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

### 3.5.3 Financial Liabilities

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

## 3.6 Employee Benefits

### 3.6.1 Defined Benefit Plans – Retirement Gratuity

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

### 3.8.2 Expenditure Recognition

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

## NOTES TO THE FINANCIAL STATEMENTS

of the eligibility of Income tax expense for re-imburement 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.

## NOTES TO THE FINANCIAL STATEMENTS

	2021 Rs.	2020 Rs.
<b>4 REVENUE</b>		
Turnover	58,990,572,660	40,954,618,074
Reimbursement of Expenses by CEB	55,463,893	45,765,145
	<u>59,046,036,553</u>	<u>41,000,383,219</u>
<b>4.1 CALCULATION OF NET OVERHEAD COST</b>		
Administrative Expenses	(60,718,556)	(53,836,714)
Finance Cost	(223,330)	(83,267)
Registration & Other Income	1,016,370	1,838,455
Finance Income	4,461,623	6,316,381
Net Overhead for the period (12 Months)	<u>(55,463,893)</u>	<u>(45,765,145)</u>
<b>5 COST OF SALE</b>		
FOB Value	44,865,128,030	30,592,673,626
Freight	7,788,297,569	5,700,975,003
Lightering	968,142,181	973,032,966
Shipping & Other Charges	44,581,101	34,780,544
Cash Discount ( 10% Custom Margin)*	5,324,423,778	3,653,155,934
	<u>58,990,572,660</u>	<u>40,954,618,074</u>
* 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.		
<b>6 OTHER INCOME</b>		
Registration & Other Income	1,016,370	1,838,455
	<u>1,016,370</u>	<u>1,838,455</u>
<b>7 FINANCE INCOME</b>		
Interest Income & Handling Income	4,461,623	6,316,381
	<u>4,461,623</u>	<u>6,316,381</u>
<b>8 PROFIT BEFORE TAX</b>		
Profit before tax is stated after charging all expenses including the following ;		
Staff Salaries	23,778,832	23,677,073
EPF	2,799,567	2,709,488
ETF	699,892	677,372
Provision for Gratuity	1,077,400	944,817
Directors fees	650,000	375,000
Depreciations	3,288,700	1,591,273
Audit Fee	478,800	451,200
	<u>32,773,191</u>	<u>30,426,223</u>

## NOTES TO THE FINANCIAL STATEMENTS

	2021 Rs.	2020 Rs.
<b>9 INCOME TAX EXPENSE</b>		
a) Current Income tax Expense		
Tax on profit for the year (Note 9.1)	598,859	185,906
Over/Under provision in respect of previous years	-	-
Total Current income tax expense	598,859	185,906
b) Deferred tax expenses (Note 9.3)	-	-
Income tax expense (Note 9.2)	598,859	185,906

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

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

Profit Before Tax	-	-
Disallowable Expenses for the Year	4,372,575	2,536,090
Allowable Expense for the Year	(1,536,664)	(2,087,662)
Tax Loss Utilized during the year (Assessable Loss from Business)	2,835,912	448,428
Interest Income	471,226	326,179
Net Assessable Income	3,307,138	774,607

At the statutory income tax rate of 24% (2020-24%)

Tax Impact on Other Sources of Income (Interest Income)	113,094	78,283
Tax effect of Disallowable expenses	1,049,418	608,662
Tax effect of Allowable expenses	(368,799)	(501,039)
Under/(Over) provision of current taxes in respect of prior years	(194,854)	-
Income Tax expense reported in the Income Statement	598,859	185,906

At the effective income tax rate

24%

24%

- 9.2 The income tax expense of the company has been calculated on the adjusted profit at 24% (2020 - 24%) in the terms of the Inland Revenue Act No 24 of 2017. However, in view of the break-even pricing model adopted in accordance with the agreement with CEB even the income tax expense is eligible for reimbursement from CEB. Hence, there is no tax expense shown for the year in the statement of Comprehensive Income.

## NOTES TO THE FINANCIAL STATEMENTS

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

### SHAREHOLDER INFORMATION

	<b>2021</b>	%
	<b>No of Shares</b>	
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	<u>2,000,000</u>	<u>100</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 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.
<b>Freehold Assets</b>						
Furniture & Fittings	2,876,387	244,330	-	-	-	3,120,717
Computers	3,905,667	379,990	-	-	-	4,285,657
Equipment	2,327,233	170,750	-	-	-	2,497,983
Leasehold Improvement	1,702,582	-	-	-	-	1,702,582
Network system	265,775	-	-	-	-	265,775
Motor Vehicles	7,875,000	-	-	-	-	7,875,000
Generator	845,000	-	-	-	-	845,000
Container Accommodation	6,744,085	-	-	-	-	6,744,085
	<b>26,541,728</b>	<b>795,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,336,798</b>
<b>Depreciation</b>						
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.
<b>Freehold Assets</b>						
Furniture & Fittings	2,073,835	410,465	-	-	-	2,484,300
Computers	3,108,475	515,992	-	-	-	3,624,467
Equipment	1,800,363	277,306	-	-	-	2,077,669
Leasehold Improvements	1,702,582	-	-	-	-	1,702,582
Network system	265,775	-	-	-	-	265,775
Motor Vehicles	-	1,968,750	-	-	-	1,968,750
Generator	728,813	116,188	-	-	-	845,000
Container Accommodation	6,744,085	-	-	-	-	6,744,085
	<b>16,423,927</b>	<b>3,288,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,712,627</b>
<b>Net Book Values</b>						
Net Book Values	Balance as at 01.01.2020					Balance as at 31.12.2020
	Rs.					Rs.
<b>Freehold Assets</b>						
Furniture & Fittings	802,552	-	-	-	-	636,417
Computers	797,192	-	-	-	-	661,190
Equipment	526,870	-	-	-	-	420,314
Leasehold Improvements	-	-	-	-	-	-
Network system	-	-	-	-	-	-
Motor Vehicles	7,875,000	-	-	-	-	5,906,250
Generator	116,188	-	-	-	-	-
Container Accommodation	-	-	-	-	-	-
Total Carrying amount	<b>10,117,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,624,171</b>

## NOTES TO THE FINANCIAL STATEMENTS

- 10.1** During the year ended 31st December 2021, the company acquired Property, Plant & Equipment amounting to Rs.795,070/- (2020 - Rs. 575,840/-). Cash payment amounting Rs.795,070/- were made during the period for purchase of Property, Plant & Equipment.
- 10.2** Property, Plant & Equipment includes the assets fully depreciated during the year ended 31st December 2021 having a gross carrying amount of Rs. 2,845,767/- (2020 - Rs.1,582,284/).
- 10.3** An independent valuation was performed by Messrs. De Silva Motor Engineers (Pvt) Ltd, Govt Registered No Pv70496 LASL/V/007, a valuer of Motor vehicle to revalue the fully depreciated motor vehicles on the 31/12/2020. The details of revalued motor vehicles are as follows. The useful life of the re-valued motor vehicles is estimated as 4 years.

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

## NOTES TO THE FINANCIAL STATEMENTS

	2021 Rs.	2020 Rs.
<b>11 OTHER NON-CURRENT ASSETS</b>		
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.

<b>12 TRADE &amp; OTHER RECEIVABLES</b>			
Trade receivable - Related parties	12.1	5,014,012,072	3,282,195,997
Trade receivable - Others	12.2	4,836,285,400	2,395,999,989
Other receivable - Related parties	12.3	64,050,000	37,664,094
Other receivable - Others	12.4	1,814,457	1,455,604
		9,916,161,928	5,717,315,684

### 12.1 TRADE RECEIVABLE - RELATED PARTIES

Final VAT & Other Receivable from CEB		197,452,711	197,452,711
Trade Debtors (CEB) for Thermal Coal Shipments		4,815,509,244	3,084,743,287
Exchange loss Receivable from CEB (Cotecna)		1,050,117	-
		5,014,012,072	3,282,195,997

### 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
Trade Debtors - Steam Coal		35,081,293	12,073,788
Shipment Control		4,016,836,439	1,777,071,794
Tax Receivable from CEB	12.2.1	580,212,947	579,614,088
Provisional VAT - 317/14 ( MV Big Glory)		176,914,40	-
		4,836,285,400	2,395,999,989

\*The Rs.1,115,987 receivable from Noble Resources International Pte Ltd will have to be set off against the payable balance ( Rs. 85,887,776.09) include in Trade Creditors.

### 12.2.1 TAX RECEIVABLE FROM CEB

Economic Service Charges		578,678,686	578,678,686
Income Tax		1,534,261	935,402
		580,212,947	579,614,088

## NOTES TO THE FINANCIAL STATEMENTS

Company was liable for ESC at 1% on 50% of the turnover up to 31<sup>st</sup> December 2019. We have submitted a claim to CEB together with the computation of ESC liability and await release of funds. Also the negotiation going on with IRD to waive off ESC under Financial Act 2021.

### 12.3 OTHER RECEIVABLE - RELATED PARTIES

Management Fee	64,050,000	37,664,094
	<u>64,050,000</u>	<u>37,664,094</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
	Rs.	Rs.
<b>12.4 OTHER RECEIVABLE - OTHERS</b>		
Prepayments - Office Rent	1,340,089	1,340,089
Other Prepayments & Advance	474,368	115,515
	1,814,457	1,455,604
<b>13 REFUNDABLE DEPOSITS</b>		
Refundable Deposits	67,000	67,000
Deposit thro'CSCL	50,000	50,000
	117,000	117,000
<b>14 FINANCIAL ASSETS</b>		
Investment in Repos- Peoples Bank	-	-
	-	-
<b>15 STAFF LOAN</b>		
Distress Loan	2,770,068	5,026,666
Festival advance	87,000	27,000
	2,857,068	5,053,666
<b>16 TAX RECEIVABLE</b>		
VAT Receivable from S.L.Custom	29,266,966	29,271,686
	29,266,966	29,271,686
<p>VAT Receivable is an amount overpaid to Sri Lanka Customs at the point of importation of a coal shipment. The overpayment of VAT was the result of the declaration of an enhanced base value of a shipment for Custom purposes by the clearing agent . We have already submitted a refund claim and customs department has been working on necessary formalities to effect the refund or set off against the Customs payable balances.</p>		
<b>17 CASH IN HAND AND CASH AT BANK</b>		
Bank of Ceylon A/C/No.7952807	1,234,319	1,234,319
Bank of Ceylon S/A No 9225340	24,703	22,253
People's Bank-Corporate Branch A/C No.	53,718,233	4,073,509
People's Bank Savings Account	366,429	285,950
Gratuity Fund - Saving Account	3,934,487	2,889,402
Petty Cash	-	-
	59,278,171	8,505,432

## NOTES TO THE FINANCIAL STATEMENTS

### 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	4,441,920	3,949,203
Provision for the year	1,077,400	944,817
Payment made during the year	-	(452,100)
Balance at end of the period	5,519,320	4,441,920

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

### 20 OTHER NON-CURRENT LIABILITIES

Advance payable to CEB ( Liberty & Taurian )	714,965,434	714,965,434

## NOTES TO THE FINANCIAL STATEMENTS

		2021	2020	
		Rs.	Rs.	
<b>21</b>	<b>TRADE &amp; OTHER PAYABLES</b>			
	Trade payables - Related parties	21.1	852,291,022	1,013,168,530
	Trade payable - Others	21.2	9,101,348,440	4,697,911,035
	Other payable - Others	21.3	729,028	420,959
			<u>9,954,368,490</u>	<u>5,711,500,524</u>
<b>21.1</b>	<b>TRADE PAYABLE - RELATED PARTIES</b>			
	Ceylon Shipping Corporation Ltd - New	648,246,896	942,772,092	
	Ceylon Shipping Corporation Ltd - Old	27,129,173	23,129,173	
	VAT, Freight Received in advance (CEB)	176,914,952	-	
	Payable to CEB	-	47,267,264	
		<u>852,291,022</u>	<u>1,013,168,530</u>	
<b>21.2</b>	<b>TRADE PAYABLE - OTHERS</b>			
	Coal Supplier	8,233,844,067	3,972,889,345	
	People's Insurance PLC.	1,884,915	2,439,746	
	SGS	12,161,313	12,161,313	
	Trade Creditors	88,572,210	89,329,076	
	ESC Payable	578,678,686	578,678,686	
	VAT Control	164,500,516	29,794,473	
	Custom OT Payable	48,960	82,800	
	Cotecna Lanka [ Pvt. ] Ltd	9,122,178	-	
	Tax Penalty payable	21.2.1	12,535,597	12,535,597
			<u>9,101,348,440</u>	<u>4,697,911,035</u>
<b>21.2.1</b>	<b>TAX PENALTY PAYABLE</b>			
	NBT Payable	10,134,113	10,134,113	
	VAT payable	1,900,938	1,900,938	
	ESC Payable	500,546	500,546	
		<u>12,535,597</u>	<u>12,535,597</u>	

## NOTES TO THE FINANCIAL STATEMENTS

### 21.3 OTHER PAYABLE - OTHERS

Wages Payable	45,331	45,331
Payable for printing of Annual Reports	683,697	375,625
	729,028	420,956

### 22 ACCRUED EXPENSES

EPF/ETF Payable	450,046	-
legal, Audit and professional fees	32,153	477,353
Payment for Un availed Sick Leave	1,971,587	1,614,595
Bonus	286,620	-
others	100,308	159,333
	2,840,714	2,251,281

### 23 Income Tax payable

Balance at the beginning of the year	6,230,547	6,044,641
Provision for the year	598,859	185,906
Payments made during the year	(209,625)	-
Balance at the end of the year	6,619,781	6,230,547

The negotiation going on with IRD for a settlement plan for the Old outstanding Income Tax Rs.5,640,162.00

## NOTES TO THE FINANCIAL STATEMENTS

### 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	Freight charges of Deaf Coal (Ship No 01) - confirmation awaited
	15,211,259	Issued a Debit Note for revision of Freight - 08 Shipments by LCC but not credited by CSC
(2) LIGHTERING CHARGES	66,419,287	VAT on Lightering which was ruled 0% by IRD
(3) BUNKER ADJUSTMENT CHARGES	12,311,421	Base Bunker price billed at \$ 11/MT but LCC taken at \$ 10.75/MT (As per Agreement)
(4) FREIGHT ADJUSTMENT CHARGES	113,133	Calculation deference of Freight Adjustment : 210-21 Shipment
(5) DEMURRAGE - LOARD PORT	69,424,040	Related to pending legal case of Liberty Commodities.
	9,405,413	With the understanding of CSC, these charges are settled upon collection (201/12)
DEMURRAGE - DISCHARGE PORT	54,299,035	The final lay time calculations are not agreed by the relevant parties.
(6) DISCHARGE PORT DISPATCH CHARGES	3,498,997	Deducted by supplier against Discharge port demurrage receivable from CEB
(6) EXCHANGE GAIN/ LOSS	18,998,208	Exchange gain/loss confirmation awaited from CEB
(7) CLEARING, FORWARDING & DISBURSEMENT	6,843,417	Debit Note for Custom Penalty issued by LCC but CSC did not credited.
	1,272,172	Cargo Insurance Reduced by LCC but CSC still did not do the adjustment.
	32,764,050	Freight chargers of disputed shipment - Ship no 19 (Taurian)
	(4,003,372)	Reconciliation Deference to be identified.
	<b>290,492,760</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### 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 significant 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

\* Received an order and/or award from Arbitration on 31/12/2021, directing the Respondent to pay the Claimant ( Lanka Coal Company) US \$ 1,575,141.86 which is reflecting in Note 11 under Other non current assets -Liberty Commodities Ltd

#### **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 High Court of Colombo has issued an enjoining order restraining Bank from making payment on encashment of Bid Security No.BTD/B090651 for USD 300,000/-

## NOTES TO THE FINANCIAL STATEMENTS

	Add. Notes	2021 Rs.	2020 Rs.
Revenue	(A)	59,046,036,553	41,000,383,219
Direct expenses (Cost of Sale)		(58,990,572,660)	(40,954,618,074)
Gross Profit		55,463,893	45,765,145
Other Income	(B)	1,016,370	1,838,455
Administration Expenses	(C)	(60,718,556)	(53,836,714)
Operating Profit		(4,238,293)	(6,233,114)
Finance Income	(D)	4,461,623	6,316,381
Finance Cost	(E)	(223,330)	(83,267)
Profit before Tax		-	-
Income Tax Expense	(F)	-	-
Profit for the year		-	-

<b><u>(A)</u></b>	<b>2021</b>	<b>2020</b>
<b><u>REVENUE</u></b>		
Turnover	58,990,572,660	40,954,618,074
Reimbursement of Expenses by CEB	55,463,893	45,765,145
	59,046,036,553	41,000,383,219

<b><u>(A.1)</u></b>		
Calculation of Net Overhead Cost		
Administrative Expenses	(60,718,556)	(53,836,714)
Finance Cost	(223,330)	(83,267)
Registration & Other Income	1,016,370	1,838,455
Finance Income	4,461,623	6,316,381
Net Overhead for the period (12 Months)	(55,463,893)	(45,765,145)

<b><u>(B)</u></b>		
<b><u>OTHER INCOME</u></b>		
Registration Income	1,014,000	1,831,750
Other Income	2,370	6,705
	1,016,370	1,838,455

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

	2021	2020
	Rs.	Rs.
(ii) Key Management Personnel compensation.		
Directors fees	650,000	375,000
Allowance to Chairman/Managing Director	2,110,500	1,697,753

#### 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. 2021	Rs. 2020	Rs. 2021	Rs. 2020	Rs. 2021	Rs. 2020
As at 1st January	3,149,315,269	2,112,562,269	(965,901,266)	(668,161,811)	2,183,414,003	1,444,400,459
Sale of Coal	63,709,818,473	44,230,987,519	-	-	63,709,818,473	44,230,987,519
Expense reimbursement	55,463,893	45,765,145	-	-	55,463,893	45,765,145
Cash Discount	(5,324,423,778)	(3,653,155,934)	-	-	(5,324,423,778)	(3,653,155,934)
ESC & Income TAX	598,859	185,906	-	-	598,859	185,906
Final VAT receivable	-	17,035,826	-	-	-	17,035,826
Adjustment for receivables	(2,820,437)	3,106,324	-	-	(2,820,437)	3,106,324
Freight charges	-	-	(3,519,759,357)	(5,727,414,541)	(3,519,759,357)	(5,727,414,541)
Lightering charges	-	-	(964,344,863)	(975,224,459)	(964,344,863)	(975,224,459)
Other Chargers to CSC	-	-	(3,407,000)	(313,200)	(3,407,000)	(313,200)
Adjustment for payables	-	-	(4,000,000)	2,458,224	(4,000,000)	2,458,224
Cash Receipts	(56,821,557,647)	(39,607,171,787)	-	-	(56,821,557,647)	(39,607,171,787)
Cash Payments	-	-	4,782,036,416	6,402,754,520	4,782,036,416	6,402,754,520
<b>As at 31st December</b>	<b>4,766,394,632</b>	<b>3,149,315,269</b>	<b>(675,376,070)</b>	<b>(965,901,266)</b>	<b>4,091,018,562</b>	<b>2,183,414,003</b>
<b>Included in</b>						
- Trade & Other Receivables	5,658,275,018	3,911,547,967	-	-	5,658,275,018	3,911,547,967
- Trade & Other Payables	(891,880,386)	(762,232,698)	(675,376,070)	(965,901,266)	(1,567,256,456)	(1,728,133,964)
	<b>4,766,394,632</b>	<b>3,149,315,269</b>	<b>(675,376,070)</b>	<b>(965,901,266)</b>	<b>4,091,018,562</b>	<b>2,183,414,003</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 28 CAPITAL COMMITMENTS

There were 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 2021

	Add. Notes	2021		2020
		Rs.	Rs.	Rs.
(C) ADMINISTRATIVE EXPENSES		Expenses	Budget	Expenses
Directors fees		650,000	480,000	375,000
Managing Directors Salary		1,200,000	4,340,700	1,062,069
Salaries- Executives		17,711,396	19,530,893	17,842,265
Salaries- Other staff		6,067,437	5,551,080	5,834,808
Overtime		2,354,892	2,315,599	2,188,283
Holiday Pay		157,078	201,229	90,448
Bonus		1,958,534	2,401,305	1,795,212
Payment for un-availed sick leave		1,916,044	2,401,305	1,418,274
Employees Provident Fund		2,799,567	3,482,027	2,709,488
Employees Trust Fund		699,892	870,507	677,372
Staff Medical Scheme		920,136	1,150,000	1,000,712
Employees' Welfare		527,238	937,430	407,084
Gratuity Provision		1,077,400	1,200,653	944,817
Office Rent		1,891,890	1,891,890	1,828,076
Business Tax - MMC		23,000	17,220	-
Electricity		786,069	807,420	683,928
Water		105,640	96,585	98,117
Telephone		1,057,167	1,107,000	679,954
Postage & Courier services		62,318	10,000	6,850
Books, News Papers and Periodicals		57,420	26,620	29,310
Stationery		1,830,830	650,000	1,087,547
Website, Internet & Email		159,957	33,440	237,575
Motor vehicle running expenses		1,904,958	1,753,063	1,724,309
Motor vehicle Hiring expenses		2,400,000	2,400,000	2,340,712

## NOTES TO THE FINANCIAL STATEMENTS

Repairs to motor vehicles	935,497	704,936	985,557
Miscellaneous Items	179,208	78,068	179,668
Expenses for Customs & Immigration officers	215,284	-	-
Repairs to office equipment	357,125	144,298	166,942
Staff Travelling	269,411	89,251	269,228
Tender Advertising expenses	426,670	91,285	62,240
Tender Expenditure	2,057,330	1,550,108	2,263,766
Office maintenance	165,055	310,257	350,989
Professional fees	1,289,357	1,511,393	576,863
Consultancy fees	702,167	-	100,000
Security Service	948,975	985,500	951,600
Stamp duty	6,475	-	3,875
Depreciation	3,288,700	1,806,684	1,591,273
Audit fees	478,800	600,000	451,200
Insurance	130,374	190,272	157,102
Covid-19 Related Expenses	949,267	720,000	664,202
	<b>60,718,556</b>	<b>62,438,016</b>	<b>53,836,714</b>
<b><u>(D) FINANCE INCOME</u></b>			
Interest on Savings Account	178,015	97,834	107,246
Interest on Staff Loans	293,211	222,085	218,932
Handling Charges - SGS, Demurrage etc..	3,990,397	4,000,000	5,990,202
	<b>4,461,623</b>	<b>4,319,919</b>	<b>6,316,381</b>
<b><u>(E) FINANCE COST</u></b>			
Bank charges*	223,330	79,298	83,267
	<b>223,330</b>	<b>79,298</b>	<b>83,267</b>

\*Bank charges for the year 2021 also include the charges of Treasury Guarantee (Rs.100,000/-).



**LANKACOAL**  
COMPANY(PVT)LTD

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