Lanka Sugar Company (Private) Limited.

ANNUAL REPORT 2019

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The beginning of a journey to
sweet success

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Our Philosophy

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

Our Vision

To become self-sufficient in sugar

Our Objectives

MISSION 333 - SHORT TERM (3 YEARS BY 2022)

1). Achieve 65,000 Mt of sugar production
2). To support 15,000 farmer families
3). To provide 55,000 indirect employments
4). To increase the Net income up to Rs. 40,000 per month of a Farmer Family
5). To contribute 15% of national sugar requirement
6). Achieve Rs.2 Billion Net Profit
7). To save 20 Billion rupees worth of Foreign Exchange
8). Co-generate 45 MW of Power

MISSION 555 - LONG TERM - (5 Years by 2023)

1). Achieve 75,000 Mt of Sugar Production
2). To support 20,000 Farmer Families
3). To provide 60,000 indirect employments
4). To increase the Net income up to Rs. 45,000 per month of a Farmer Family
5). To produce 40% local sugar requirement
6). Achieve Rs. 2 Billion Net Profit
7). To save 20 Billion rupees worth of Foreign Exchange
8). Co-generate 60 MW Power

Strategies

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

Research and Development

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

Corporate Social Responsibility

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


SUGAR FACTORY SEVANAGALA


PELWATTE SUGAR
DISTILLERIES (PVT) LTD

Lanka Sugar Company (Private) Limited

FINANCIAL & OPERATIONAL HIGHLIGHTS - 2019

(Figures are in Rupees Million)	**2019**	**2018**	**2017**
Financial Highlights			
Turnover	7,545.53	6,242.95	7,616.94
Cost of Sales	(7,522.96)	(5,025.82)	(6,102.70)
Gross profit	22.57	1,217.13	1,514.24
Net Profit before tax	(1,312.21)	144.34	402.70

Operational Performance	**2019**	**2018**	**2017**
Land cultivation			
Cultivable (Hectare)	13,867	13,831	14,265
Area Cultivated (Hectare)	11,842	12,175	12,622
Area Cultivated %	85%	88%	88%

Harvesting programme	**2019**	**2018**	**2017**
Cane harvested (MT)	563,546	611,519	589,139
Percentage of Increase/ (Decrease) over last year	- 8%	4%	-9.52%
Sugar Recovery Rate	7.31%	6.99%	7.27%

Sugar Production	**2019**	**2018**	**2017**
Production in Metric Tonnes	41,175	42,770	42,822
Tonnage Per Head Per Annum	8.12	9.05	9

Human Resource	**2019**	**2018**	**2017**
Permanent	1,257	1,295	1,351
Contract	1,595	1,277	1,232
Casual	2,186	2,065	2,131
Seasonal	-	-	-
Trainees	32	89	111
Total	5,070	4,726	4,825


As sweet success
reaches for the sky

Chairman's Statement

On behalf of the Board of Directors, I am pleased to submit the annual Report together with Financial Statement for the year ended 31st December 2019 of Lanka Sugar Company (Private) Limited.

The year under review of the Company was indeed challenging with many macro and micro economic factors affecting the performance. Sugar recovery rate increased from 6.99% to 7.31% however due to adverse conditions, sugar cane yield per hectare has decreased from 59.65 metric tons to 55.35 metric tons, making a negative impact on the production volume.

The Economic Environment

The Sri Lankan economy recorded a subdued growth of 2.3 per cent in 2019 in real terms, compared to the growth of 3.2 per cent in 2018. All major sectors of the economy recorded positive, but modest growth rates. The agriculture sector recorded a growth of 0.6 per cent in 2019 compared to the growth of 6.5 per cent in 2018. Extreme weather conditions affected the agriculture sector in 2019 recording notable contractions. Meanwhile, the industry sector registered a growth of 2.7 per cent in 2019 compared to the growth of 1.2 per cent in the previous year. The growth of the industry sector was mainly supported by the manufacture of textiles, wearing apparel and leather products, the manufacture of food, beverages and tobacco products and the revival of construction and mining and quarrying activities. The growth of the service sector decelerated significantly to 2.3 per cent in 2019.

Industry Overview

Sugar production increased by 2.3 percent to 52,304 metric tons in 2019, recovering from its slowdown witnessed in the previous year. Despite dry weather conditions and White Leaf disease outbreak, sugar factories were able to expand planting activities of the out growers, resulting in an increased level of production in 2019. Despite the increased availability of sugarcane for crushing, the production increased mainly through improved sugar recovery rates in 2019. The average sugar recovery rate for all sugar factories increased from 7.1 percent in 2018 to 7.2 percent in 2019. Further, the combined volume of sugarcane harvested in all factories increased by 5.8 percent to 600,130 metric tons during 2019, owing to the improved average yield as well as the extent harvested. However, the supply of sugarcane to the factories by private cultivators reported a considerable decrease of 6.1 percent to 171,174 metric tons in 2019. Recognizing the vast potential of increasing sugar production through sugarcane cultivation of out growers, all sugar factories accorded a high priority to the expansion of existing out grower schemes. Meanwhile, imports of sugar decreased by 13.7 percent to 556,270 metric tons in 2019. Domestic sugar production was sufficient to meet around eight percent of the total sugar demand of the country in 2019, in comparison to nine percent in 2018.

Company Performance

Total sugar produced at the Sevanagala factory during 2019 was 16,013 metric tons compared to 14,709 metric tons recorded in previous year. Production at the Pelwatte factory witnessed a decrease of 10 per cent to 25,162 metric tons. The estimated share of output from the Lanka Sugar Ltd to the overall national production was 85 per cent. ENA production has decreased from 9,787,942 liters in the year 2018 to 5,212,559 liters in the year 2019.

Welfare

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

Future Outlook

Looking forward, Sri Lankan economy is moving faster and supposed to achieve its development targets. Government policies and drop of interest rates are inviting us to look for new investment alternatives. Our product has a definite commodity market. The management is continuously focusing to increase the cultivation area of sugar cane. Motivating the existing farmers as well as, bringing new farmers to the industry is required in order to achieve better results.

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

Appreciation

I would like to express my sincere thanks to the Board of Directors, the Management and the staff of the company for their efforts and valuable contribution made during the year 2019 and in the past.

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

Rajiv Seneviratne
Chairman,

Director / Chief Executive Officer's Statement

Dear All the Stake Holders,

Business Environment

Year 2019 delivered mixed results for the company. Amidst adverse weather conditions prevailed during the year, sugar production decreased by 1,595 metric tons and ENA production decreased by 4,575,383 liters during the year. The company was able to maintain an average selling price at LKR 95.39/- per kilogram for Sugar and LKR 374/- per liter for ENA during the year. During the finan-cial year under review, the Company recorded revenue amounting to Rs. 7,546 Million compared to the revenue of Rs. 6,243 Million recorded in the previous year. The Company recorded Rs.1,312 Million operating loss before tax for the year 2019, it is a sharp decline compared to operating profit before tax of Rs. 144 Million recorded in the year 2018. During the year, cost of sales has increased by Rs. 2,497 Million. Administrative expenses have increased by Rs. 186 Million. Finance income has decreased by Rs. 48 Million during the year while finance cost has increased by Rs. 34 Million.

Technical

Mammoth tasks were set ahead to the technical team in order to stabilize the cash flow issues. This include analyzing and establishing proper and transparent selling methods, assess all technicalities, diagnose issues and to fix the factory loss which is above 4% prior to the commencement of 2016 long campaign crushing. The tasks were also extended to rectify quality related issues of the distillery. Harvesting delays were to be addressed by sourced cane harvesters partly mechanizing thus to expedite harvesting. A fleet of loaders were added thus crop staling could be minimized. Factories were to be tuned, in order to further their capacities and to accommodate additional crop that will flow in as result of irrigation plan and additional plantation plans.

Human Resource

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

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

Gamini Wijeratne
Director / Chief Executive Officer

Risk Management

Type of Risk	Description	Action Plan
Operational Risk	Sourcing of lands for Sugar Cane cultivation.	◆ Increasing the Sugar Cane Price from Rs.5,000/- to Rs. 5,500/-. ◆ Offering crop advances and other materials on loan basis. ◆ Sugar cane farmers also benefited by the Government introduced Fertilizer Subsidy.
Credit Risk	Bad Debts arising from the inputs given to the Farmers.	Given more responsibilities to the staff for recovering.
Inflation Risk	Potential impact on profitability due to the increased cost of Inputs and overheads.	Focusing on increase productivity and decreasing of cost of production.
Market Risk	Import of sugar by the local sugar Suppliers at a low price.	Increase the production volume to bring down the unit overhead cost.
Environmental Risk	Damages arising for the sugar cane crop from elephants & weather changes may lead to drop in yield.	Developing elephant trenches, fences and human barriers on company cost.


Bright smiles,
sweet success

Our Culture & Values

OUR FARMERS

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

The average income from a hectare of cane cultivation is estimated at around Rs. 35,000/= per month. Farmers who were engaged in sugar cane cultivation in many areas had a low level of income. This situation discouraged the farmers to be in this industry, instead they were moving out for other cultivations. Lanka sugar identified this situation at the very inception and took many initiatives to help the farmers to increase their income. Presently, a farmer is paid Rs. 5,500/= per metric tons of cane whereas it was Rs 5,000/= per metric tons earlier. Thus, by now, LSCPL is the highest payer for Metric Ton of sugar cane in the history of sugar cane cultivation.

OUR CUSTOMER

Our customer is our hope. Over 20 million of our population is our customers. Providing them with quality and healthy sugar at reasonable price is our prime purpose. Per capita sugar consumption of a Sri Lankan per year is between 30 kg to 35 kg. As our production capacity remains at a low rate of 8%, the balance 92% has to be imported. More than 250 million US Dollars is spent annually for the importation of sugar. This is a major negative impact on our economy.

OUR EMPLOYEE

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

GOOD GOVERNANCE

Our Statutory Auditors were M/s Auditor General's Department.

In addition to the external auditors, both Pelwatte and Sevanagala Divisions have Internal Audit Departments and reporting directly to the Chairman. Audit Committee which consists of three board members review the Internal Auditors' Report on a regular basis, call for explanations from the senior managers and submit the reports to the Board of Directors, together with their findings.

CONSTRAINTS

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

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

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

Management has already formulated strategies to achieve the targets set by GOSL. Funding of the new investments is another issue that is on our way. Most of the Banks want significant assets to be fledged when applying for loans, but, the ownership of the lands of Pelwatte and Sevanagala is not with Lanka Sugar Company (Private) limited. However we are in the process of arranging funds with the assistance of the General Treasury and the Ministry.

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

Audit Committee Report

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

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

THE MAIN ROLE AND RESPONSIBILITY OF THE AUDIT COMMITTEE

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

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

PROGRESS DURING THE FINANCIAL YEAR

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

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

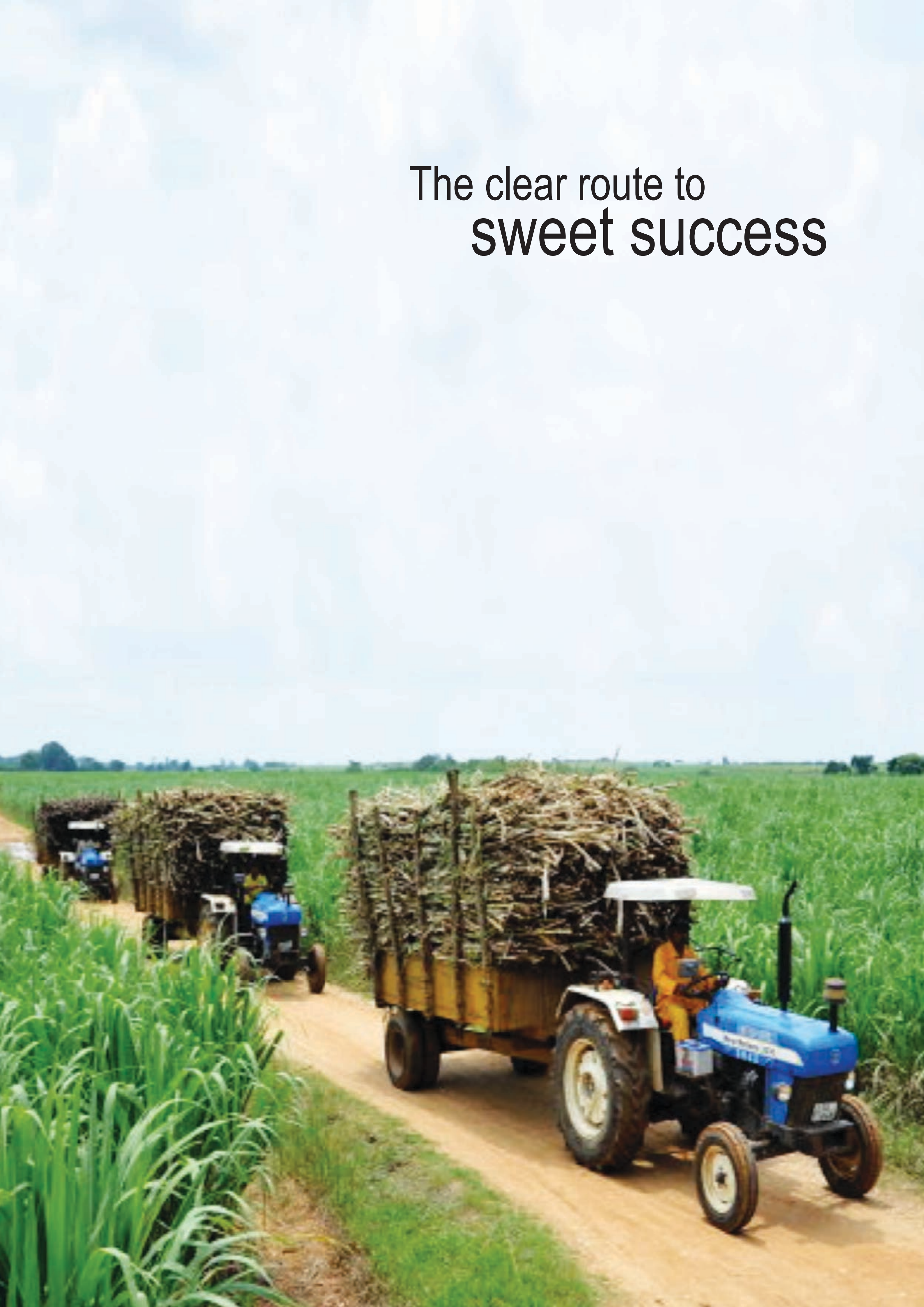
Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units / Superintendents and corrective measures were recommended.

Report of the Auditor General on the financial statements of LSCPL for the year ended 31 December 2019, together with management's responses, were discussed with management and the auditors and arrangements were made to rectify those unsatisfied areas highlighted by the auditors. Weaknesses of internal controls and mistakes of two (02) business units identified by internal audit division were discussed with CEO and COOs, and the significant areas were highlighted along with suitable recommendations to the Board of directors to take appropriate action.

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

T.V Weerasena
Chairman
Audit committee

The clear route to sweet success



Board of Directors

CHAIRMAN
Mr. Rajiv Sanjaya Seneviratne

DIRECTOR / CHIEF EXECUTIVE OFFICER
Mr. Thissa Gamini Wijeratne

DIRECTOR
Mr. Thushara Sampath Perera

DIRECTOR
Mr. Rohana Chaminda Rathnayaka

DIRECTOR
Mr. Aluthge Nandasena

Directors' Profiles

OUR CHAIRMAN

Mr. Rajiv Seneviratne

Mr. Rajiv Seneviratne is an Entrepreneur , who holds a Special Class in Radio & Telecommunications annexed to the I.T.U. Convention Malaga-Terremolines.

He has served as the Chairman/Managing Director of Maga Neguma Road Construction Equipment Company under the Ministry of Highways & Highways Development and served in that capacity from March 2015 to July 2018.

Presently he is serving as an Executive Director, Business Development & Promotions at M/S eCybersec (Pvt) Ltd, a Company engaged in "Managed Security Services" (MSS) & Managed Detection Response" (MDR) and Information Cyber Security Consultancy since 2012.

OUR DIRECTOR / CHIEF EXECUTIVE OFFICER

Mr. Gamini Wijerathne

Mr. Gamini Wijerathne holds a Bachelor's Degree in Economics from the University of Colombo. In addition, he has held the following positions.

- Director – Chamber of Commerce & Industry, Uwa Province
- Advisor - Chamber of Commerce, Industry & Agriculture, Monaragala District
- Vice Chairman - Chamber of Commerce & Industry, Uwa Province
- Consultant – Ministry of Tourism

BOARD OF DIRECTORS

Mr. Thushara Sampath Perera

Mr. Thushara Sampath Perera holds B. com (Sp) degree in Accountancy from the University of Sri Jayawardenapura and Masters' Degree in Economics from the University of Kelaniya. He has 17 years of experience in Sri Lanka Accounting Service.

Mr. Rohana Chaminda Rathnayaka

Mr. Rohana Chaminda Rathnayaka holds a B.A. (Sp) degree in Political Science from the University of Colombo. He is the Managing Director and CEO of Printer Establishment (Pvt) Ltd.

Mr. Aluthge Nandasena

Mr. Aluthge Nandasena has worked as a Project Consultant in the Road Development Authority.

Delivery time for sweet success

Senior Management Team & Head Office Organization Structure

Chairman
Mr. Rajiv Sanjaya Seneviratne

Director / CEO
Mr. Thissa Gamini Wijeratne

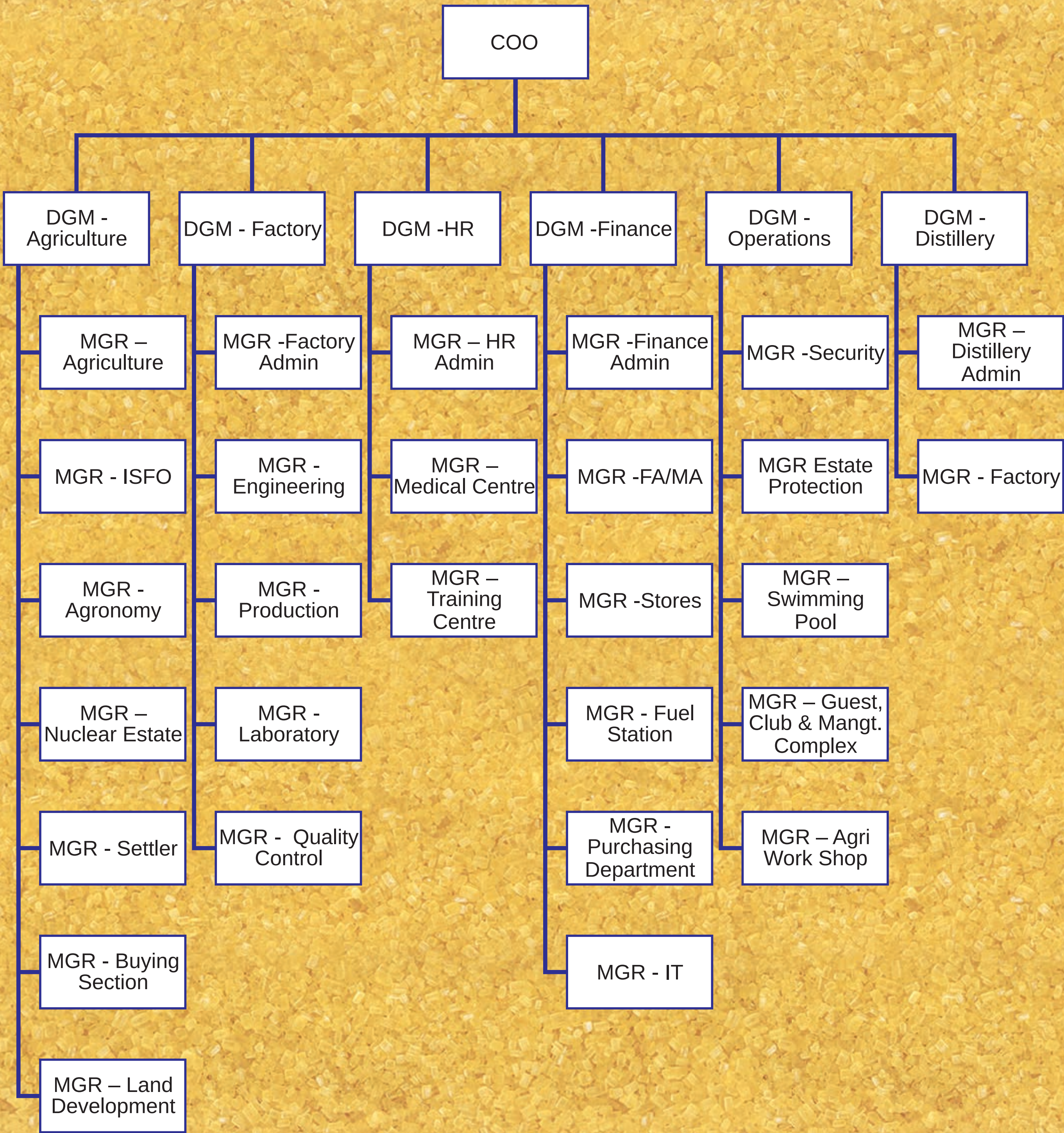
COO - Pelwatte
Mr. D.M.S. Bandara

COO - Sevanagala
Mr. R.S. Jayarathne

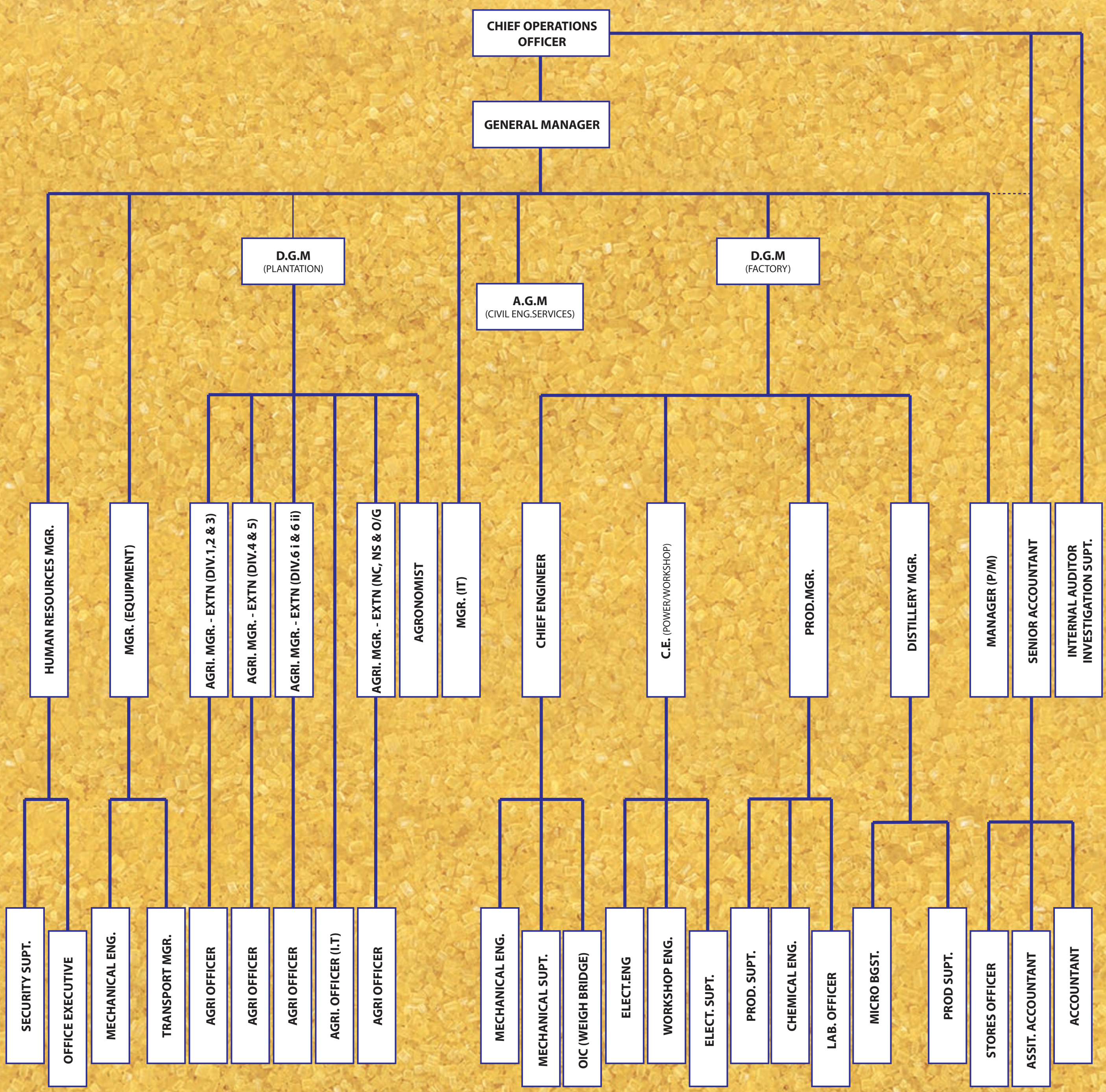
DGM – Finance
Mr. W.A.N. Asiri Fernando

DGM - Sales & Marketing
Mr. S. Senanayake

Organization Structure - Pelwatte



Organization Structure - Sevanagala



Pelwatte Senior Management

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

DGM (Distillery)
Mr. R. M. J. Bandara

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

Sevenagala Senior Management

General Manager
Mr. K. A. Walter

DGM (Factory)
Mr. D. K. W. DE Silva

DGM (Agriculture)
Mr. H. M. S. Samaraweera

INDEPENDENT AUDITORS' REPORT

PAL/F/LSC/01/19/24 **20th June 2022**

Chairman
Lanka Sugar Company (Pvt) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Sugar Company (Pvt) Limited for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act No. 19 of 2018

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of Lanka Sugar Company (Pvt) Limited ("Company") for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, 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.

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

1.2 Basis for Disclaimer of Opinion

(a) Even though only the assets matured within 12 months from the reporting period should be indicated as current assets in accordance with paragraph 66 (c) of Sri Lanka Accounting Standards No. 01, a fixed deposit amounting to Rs.43,544,918 matured on 22 April 2024 in the Pelwatta Unit and 03 fixed deposits of Rs.100,000,000 maturing at the end of 2021 and 2022 in the Sevanagala Unit had been indicated under current assets in the statement of financial position.

(b) Although the significant accounting policy used in the preparation of financial statements should be disclosed according to paragraph 117 of Sri Lanka Accounting Standard No. 01, the accounting policy related to the provision for doubtful debt amounting to Rs. 499,299,398 and Rs. 9,242,963 for farmer loans amounting to Rs. 1,027,194,679 and Rs.230,931,560 respectively in the Pelwatta and Sevenagala Units respectively had not been disclosed in the financial statements.

(c) Although the interest income received in cash for the fixed deposit of the Sevanagala Unit within the year 2019 was Rs.65,771,479, that value including the interest receivable had been indicated as Rs.113,015,414 in the cash flow statement by overstating the value by Rs.47,243,935.

(d) Although it had been stated in the financial statements that the reports provided after estimating the buildings, machinery, equipment, vehicles and agricultural equipment of the Pelwatta Unit in the years 2013 and 2014 by the Government Valuation Department had been incomplete, the book values maintained at the time of transferring had been stated in the same manner without taking action to revalue the assets from then until the end of the year 2019 in terms of paragraph 34 of Sri Lanka Accounting Standards No. 16. Accordingly, it cannot be accepted that all the assets recorded are being maintained in the same manner and that the cost amounting to Rs.4,334,737,840 included in the financial statements as at 31 December 2019 and the assets with a net value of Rs.1,547,310,647 are accurate.

(e) Property, plant and equipment amounting to Rs.842,146,226 of Pelwatta Unit and Rs.99,511,282 in Sevanagala Unit, which had been fully depreciated by the end of the year under review, were in use due to not reviewing the effective life of non-current assets annually as per paragraph 51 of Sri Lanka Accounting Standard No. 16 and the action had not been taken to revise that estimated error according to Sri Lanka Accounting Standard No. 08 and to indicate the accurate carrying value in the financial statements.

(f) Relevant details had not been submitted to confirm the loan balances amounting to Rs.21,498,293 to be recovered at the end of the year under review including Rs.19,498,293 to be recovered from the government institutions and state companies during the period of 02 to 05 years and relevant details had not been submitted to confirm the transactions made during the years 2012-2019 in relation to the amount of Rs. 602,278,903 to be received to Sevanagala Unit from Pelwatta Unit and the Head Office and to confirm the transactions in relation to the amount of Rs. 50,324,632 to be paid by the Pelwatta Unit to the Head Office.

(g) Action had not been taken to make provision for the contingent liabilities and to disclose them in the financial statements in terms of paragraphs 84, 85 and 86 of Sri Lanka Accounting Standard No. 37 after considering the current status of the cases totaling to 28 comprised of 13 cases for Pelwatta Unit, 12 cases for Sevanagala Unit and 03 cases for the Head Office, which had been filed by the employees and external parties against the Company and which were being heard at Courts.

(h) Provision for depreciation related to the buildings, plant and machinery that were being in use had not been included in the accounts as land in extent of 469.1674 hectares transferred to the Sevanagala Unit as per the Revival of Underperforming Enterprises or Underutilized Assets Act, No. 43 of 2011 and the buildings, plant and machinery located on those lands had not been assessed and brought to accounts.

(i) Balance confirmations in relation to an amount of Rs. 17,770,596 receivable from a private company that had purchased carbon dioxide gas produced by the Sevanagala Unit in the years 2015, 2016 and 2019 had not been submitted to audit.

(j) Although an amount of Rs.2,229,383 had been indicated in the financial statements of Sevanagala Unit as Nation Building Tax payable for the year 2019, the amount of tax payable was Rs.3,455,540 as per the report submitted by the Company to the audit. Accordingly, the expenditure and accounts payable had been understated by Rs. 1,226,157 in the financial statements of the year under review as the tax amounting to Rs. 1,226,157 had been understated.

(k) Even though Sevanagala Unit had sent economic service tax amounting to Rs.11,110,023 payable to the Inland Revenue Department for the year 2018 by Sevanagala Unit to the Head Office on 24 May 2019, it had been erroneously indicated in the financial statements of the Sevanagala Unit as payments to related parties. Furthermore, the tax liability to be paid had not been disclosed in the financial statements as the Head Office had not remitted the said tax money to the Inland Revenue Department, but had set off it against the amount to be received from Sevanagala Unit.

(l) When the Company had been exempted from charging VAT on sugar and sugar-related products, a VAT of Rs.13,922,835 had been charged in the previous year and in the year under review and a VAT of Rs.10,156,443 paid on expenses out of that VAT had been set off from the accounts. As a result, the expenses of the Company had been understated by Rs.10,156,443.

(m) Although the total amount of loans to be received from farmers had been Rs.230,931,560 as per the financial statements of the Sevanagala Unit, a difference of Rs. 2,217,622 and Rs. 729,352 were observed respectively as the loan amount included in the submitted schedule had been Rs. 228,713,938 and the loan amount included in the time analysis report had been Rs.230,202,208. Furthermore, a credit balance amounting to Rs. 1,488,265 had been set off from the loan balances recoverable as indicated in the loan schedule of the farmers.

(n) The total balance of 07 ledger accounts of Sevanagala Unit, which had been Rs.1,890,879,751 in the previous year had been stated as Rs.1,890,381,939 at the beginning of the year under review and therefore, it had been understated by Rs. 497,862 and the total balance of 04 ledger accounts, which had been Rs.1,932,921,284 in the previous year had been stated as Rs.2,293,463,140 at the beginning of the year under review and therefore, it had been overstated by Rs. 360,541,856. Furthermore, initial debit balances totaling to Rs.475,703 had been indicated in 08 expenditure accounts, which had no balance at the end of the previous year and an initial credit balance of Rs.2,428,800 had been indicated in one expenditure account. It was observed that this error had occurred due to entering the transactions of 2018 into the accounting system of the year 2019 even though the accounts should be settled as at 31 December 2018.

(o) The value of work in progress in Sevanagala Unit amounting to Rs.29,932,255 had been mis-classified and added to the value of property, plant and equipment and indicated as one item in the statement of financial position. As a result, the net value of property, plant and equipment had been overstated by that amount.

(p) Keeping seven (07) fixed deposits of Sevanagala Unit amounting to Rs.285,000,000 as the security to obtain bank loans and bank overdraft facility had not been disclosed in the financial statements.

(q) Although the value of fixed deposits in the financial statements of Sevanagala Unit as at 31 December 2019 had been Rs.788,059,004, the value of 19 deposits included in the Fixed Deposit Schedule had been Rs.711,059,003. Two (02) fixed deposits amounting to Rs.45,000,000 had not been included in the schedule and it was observed that the Company had no deposit renewal notices for 02 deposits amounting to Rs.23,000,000.

(r) The value of Rs.825,392,789 according to the ledger had been included in the financial statements, instead of Rs.501,069,784 included in the physical verification report of the stocks of the Sevenagala Unit as at 31 December 2019. Furthermore, it could not be satisfied with the accuracy of the stock value amounting to Rs.825,392,789 included in the financial statements since it had been included in the physical verification report that there had been a shortage of 174 stock items worth Rs.385,097 and an excess of 180 stock items worth Rs.565,010 and 825 unusable stock items worth Rs.6,388,008 that should be disposed of and a large amount of materials that had not been included in the bin cards had been present in the warehouse and prevailing of a credit balances totaling to Rs. 235,709,044 in 04 stock ledger accounts as issuing from a stock, where receipts had not been brought to accounts.

(s) The accuracy of the administrative expenses of the Head Office of the Company amounting to Rs.51,804,587 could not be confirmed as the relevant details on the expenditure had not been presented.

(t) The transactions could not be identified as the footnotes for the transactions totaling to Rs.31,000,651 recorded through 1,945 debit notes in 13 ledger accounts by the journal vouchers of the Pelwatta Unit and for the transactions totaling to Rs.677,211,106 recorded through 47,981 credit notes had not been available.

(u) According to the depreciation policy included in the financial statements of the Pelwatta Unit, the depreciation ratio of field machinery and equipment (including leased assets), irrigation and miscellaneous equipment and factories, power plant and equipment at the cost of Rs.3,178,861,066 were 15, 6 and 5 percent respectively and the depreciation ratio for infrastructure facilities had not been indicated. However, a portion of the assets at the cost of Rs.1,618,821,687 had been depreciated at various ratios in between 2% and 25%. Therefore, it is not possible to satisfactorily examine the depreciation expense of the year under review and the accuracy of the provision for depreciation.

(v) Instead of indicating the purchase price of the goods issued from the warehouse of Pelwatta Unit, the last purchased price of the same class of goods is recorded in the accounts and the difference is adjusted to the expenditure of the financial statements through a valuation adjustment account. An amount of Rs.2,065,100 had been added to 04 Expenditure Heads in that manner in the year under review and an amount of Rs. 2,287,509 had been deducted from 06 Expenditure Heads. Furthermore, an amount of Rs. 230,254,054 had been deducted from cost of sales, organization and administrative expenses and training expenses as income received from price changes. It was observed that the correct expenditure of the respective expenditure items had not been indicated in the financial statements due to the adjustment of these accounts occurred due to an error in the accounting software.

(w) The machine called Modification Automation Factory Plant for crystalizing sugar had not been repaired by using the amount of Rs. 12,653,693 received in the year 2019, out of the compensation of Rs.40,430,655 requested from the insurance trust fund for the machine, which had been purchased on 30 June 2014 at Rs.42,529,510 and which had been destroyed by fire on 07 July 2018 and the amount had been indicated as trade and other payable balance in the statement of financial position. Action had not been taken to disclose the damage occurred from the fire in the financial statements. Furthermore, an allocation of depreciation amounting to Rs. 2,126,475 had also been made annually at 5 percent each until the end of the year under review on the cost of this machine, which has not been utilized.

(x) Action had not been taken to make provision from the accounts for the economic service charges amounting to Rs. 31,828,247 payable by the Pelwatta Unit in relation to the years 2018 and 2019 and to pay the amount.

(y) Although the income tax liability payable had been indicated as Rs. 225,689,280 in the financial statements of the Company in relation to the years 2015/2016 and 2016/2017, the tax liability had been Rs. 40,435,876 according to the information obtained from the computerized tax data system of the Inland Revenue Department and as a result, a difference of Rs. 185,253,404 was observed.

(z) It had been indicated that a total of Rs. 45,106,891 should be paid at the rate of Rs. 460,274 per month for using 20 tractors, belonging to the previous owner of the Company, by the Pelwatta Unit during the period of 98 months from November 2011 to 31 December 2019 and it was stated in the financial statements that Rs. 26,971,297 should be paid to the said owner after setting off an amount of Rs. 18,135,593, out of the amount to be paid, for the expenses incurred for tractors and for the rent that should be received from the said owner for using the houses owned by the Pelwatta Unit. However, the accuracy of that could not be verified as a written agreement had not been entered in to for that transaction and balance confirmations had not been submitted.

As described above, material items included in the statement of financial position, statement of financial performance, statement of changes in equity and the cash flow statement could not be confirmed or verified by alternative methods. As a result, I was unable to determine whether it is required to make any adjustments regarding the recorded or unrecorded values or transactions of the values or items that make up the statement of financial position, statement of financial performance, statement of changes in equity and the cash flow statement.

1. 3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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

1.4 Auditor's Responsibility on the Audit of the Financial Statements

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

2 Report on Other Legal and Regulatory Requirements

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

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

- Except for the effects of the matters described in the Basis for Disclaimer of Opinion section of this report, the financial statements of the Company comply with the requirement of Section 151 of the Companies Act, No. 07 of 2007.

- 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.

- The financial statements presented includes all the recommendations made by me in the previous year except the observations indicated in the paragraphs 1.2 (c) (ii), (d), (e), (h), (m) of this report as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

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

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

Reference to Laws and Non Compliance Rules / Direction

(a)	Section 04 (i) of the Nation Building Tax Act No. 09 of 2009	Action had not been taken under this Law applied prior to 01 December 2019 to remit the Nation Building Tax (NBT) amounting to Rs. 92,125,804 payable on sugar manufactured in Pelwatta Unit during the period of 2012-2016 to the Commissioner General of Inland Revenue.
(b)	Section 26 (1) of the Value Added Tax Act No. 14 of 2002	Although the value added tax calculated on the last day of each month should be remitted to the Inland Revenue Department on or before the 20th day of the ensuing month, action had not been taken to pay the value added tax amounting to Rs. 27,347,134, payable on the sale of ethanol and molasses during the period of 2012 – 2019.
(c)	Order 30 of Part 1 of the Orders published by Gazette Extraordinary No. 1533/16 dated 25 January 2008 by the Minister in pursuance of the powers vested by Section 23 (a) of the National Environmental Act, No. 47 of 1980	Licenses had not been obtained for Pelwatte and Sevanagala units for sugar production or sugar refining.
(d)	Public Enterprises Circular No. 12 dated 02 June 2003	
	(i) Paragraph 5.2.5	Although a copy of the budget document approved by the Board of Directors of the institution should be submitted to the Auditor General within 15 days after the commencement of the relevant year, a copy of the budget document prepared for the year 2019 had not been submitted.
	(ii) Paragraph 6.5.1	Although the financial statements should be submitted to the Auditor General with the draft annual report within 60 days after the end of the financial year, the Company had submitted the financial statements on 16 August 2021 after a delay of 18 months and the draft annual report had not been submitted.
	(iii) Paragraph 9.3	Although a scheme of recruitment approved by the Department of Management Services had to be used, the Company had not approved a scheme of recruitment for officers. Accordingly, it has not been possible to satisfactorily examine or to submit observations in relation to the existing number of posts, the methodology of recruitments and promotions and the accuracy of salary scales in the audit.

(iv) Paragraph 8.3.3 (a) Although an organization that has submitted the financial statements and draft annual report to the Auditor General within 60 days and has tabled the annual report in the Parliament within 150 days and gained profits can receive bonuses, an employee of Sevanagala Unit and the Head Office had been paid the salary of one month as bonuses amounting to Rs.13,514,219 and Rs. 14,448,180 respectively in the years of 2018 and 2019 subsequent to submitting the financial statements for the years 2018 and 2019 with a delay of 17 months each and not tabling the Annual Report in Parliament,

(v) Paragraph 8.3.3 (c) (ii) Although incentives cannot be paid when bonuses are paid, incentives amounting to Rs. 145,356,250 at the rate of Rs.75,000 each to an employee of the Sevanagala Unit and Head Office and Rs.149,904,111 at the rate of Rs.25,000 to an employee of the Pelwatta Unit had been paid in the years of 2018 and 2019 respectively without getting the consent of the General Treasury.

2.2.1 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.

2.2.2 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.

(a) The Company had incurred a loss by not taking action to recover from the supplier the wharfage amounting to Rs. 4,830,446 paid in the reimportation of the accessories (SS Tube) in the year 2019, required for the evaporator imported at a value of 9,564,866 from India in the year 2018 by the Sevanagala Unit by paying a wharfage amounting to Rs. 3,924,394, after sending the accessories (SS Tube) back as they had not complied with the specifications. Since the Company did not have the documents related to the payment of the wharfage, the said value had been brought to accounts as foreign order advances.

(b) Waste water treatment project, which had been commenced by the Sevanagala Unit in the year 2013 by purchasing machinery worth Rs. 27,067,812 and suspended in the year 2014 and the unused tube well project constructed in 2014 at a cost of Rs.2,864,444 had been unsuccessful and the cost incurred had been indicated as work-in-progress account for a number of years. As a result, the Company was unable to obtain the environmental protection license.

(c) Action had not been taken to install the Electro Magnetic Separator machine imported from India in the year 2018 at a cost of Rs. 11,412,646 to meet the requirement of the factory in Sevanagala Unit and it had not been utilized for almost 03 years by August 2021 as the Engineer of the Company had not issued the certificate that the machine had been in the suitable condition and the expenditure incurred on the machine had been idle. The amount paid could not be capitalized and it had been indicated under foreign purchase advances.

(d) The Company had also paid the charge of Rs.1,279,792 for water supply after allowing two businessmen to run their business activities by providing 03 buildings on the land belonging to the Sevanagala Unit since 2012 even without entering in to agreements or charging fees.

(e) The total amount related to the order had been provided as an advance along with the order in the purchase of goods and services for the Sevanagala Unit. Advances amounting to Rs.12,965,197 provided to 21 local suppliers within a period of 01 to 07 years and advances amounting to Rs. 6,524,060 provided to 35 foreign suppliers had not been settled even by 31 July 2021, the date of audit. Moreover, these goods had not been included in the inventory books and goods received notes had not been issued.

(f) Even though the Sevanagala Unit had entered into an agreement with "Industrial Gases Private Company" in the year 2014 for a period of 20 years to produce carbon dioxide gas and sell it at Rs. 25 per one kilogram, the gas had been sold to another company called "Lanka Carbonic Industries". Moreover, it is not possible to satisfy that proper income is being earned by selling carbon dioxide as action had not been taken to recover an amount of Rs. 17,770,596 to be recovered as at 31 December 2019, including an amount of Rs.7,473,696 receivable in the years of 2015 and 2016 and to revise the sales price for a period of 05 years and to install a meter to measure the quantity of carbon dioxide produced.

(g) Although the maximum capacity of the factories of the Company is 897,500 metric tons of sugarcane, 63% of the capacity of the factories had been utilized in the year under review as the supply of sugarcane in the year 2019 had been 571,370 metric tons. It was not possible to reach the maximum capacity levels by the factories of the Company due to the short supply of sugarcane.

(h) The ethanol production of the Company, which was 9,787,259 litres in the year 2018, had decreased by 47% to 5,212,560 litres in the year 2019 due to the low demand.

(i) The annual sugar production of Pelwatte Unit was 28,061 metric tons in the year 2018 and it had decreased by 10% to 25,162 metric tons in the year 2019. The supply of sugarcane and the decrease in their sugar percentage had been the main reason for this. However, the necessary action to increase them had not been taken.

(j) Although the total land extent belonging to the Sevanagala Unit, where sugarcane can be cultivated was 4215 hectares, the total land extent under the sugarcane cultivation by the end of 2019 was 3240 hectares. Although the Sevanagala Unit had lands that could provide sufficient sugarcane supply to maintain the operations of the factory at the maximum capacity, action had not been taken to cultivate sugarcane in those lands and to increase the production of the factory.

3 Other Audit Observations

(a) Although the balance of the cash book of the Company was Rs. 17,932,382 as at 31 December 2019, the bank overdraft balance was Rs.614,111,255. Therefore, the net cash balance had been a negative value of Rs.596,178,873. The reason for that was the prevailing of negative net cash balances as at that date in Pelwatta and Sevanagala Units amounting to Rs.555,465,760 and Rs. 17,768,995 respectively. The bank overdraft interest during the year under review was Rs.75,470,783 and the situation in the previous years was also the same. Furthermore, all the fixed deposits amounting to Rs.829,068,708 owned by the Pelwatta Unit and 07 fixed deposits amounting to Rs.285,000,000 owned by the Sevanagala Unit had been kept as a security for obtaining bank loans and bank overdraft facilities.

(b) Reasons for not recovering a total of Rs. 67,539,641 comprised of a sum of Rs. 62,850,641 payable to sugarcane farmers, Rs.1,226,088 payable to various creditors and Rs.3,462,912 payable to 17 trade creditors for a period more than 02 years to 07 years had not been submitted.

(c) There had been loan balances amounting to Rs.500,580,561 and Rs.56,356,770 that had not been recovered for a period more than 02 years and more than 10 years respectively included in the loan balances of Rs.1,027,194,679 and Rs.230,202,208 that had to be recovered as at 31 December 2019 from the sugarcane farmers in Pelwatte and Sevanagala Units. It was observed that the reasons for this were not taking proper measures to recover the loan installments and not taking the necessary action to divert the farmers, who had resorted to illegal crop cultivations to cultivate sugarcane.

(d) Two (02) projects which had been started by the Pelwatta Unit at a cost of Rs. 37,982,159 prior to the year 2011 and 17 projects which had been started at a cost of Rs. 55,915,889 during the period of 2011-2015 had been abandoned without completing work. It was observed that this expenditure had been contentious and idle and any inquiry had not been carried out in respect of the expenditure.

(e) Existing of stocks amounting to 4,904,160 for a period more than 05 to 07 years within the stock in transit as at 31 December 2019 in Pelwatta Unit is observed as a contentious matter.

(f) A sum of Rs.6,232,595 and Rs.6,618,123 had been spent in the years 2018 and 2019 respectively for conducting a golf course in Pelwatta Unit and for its maintenance and for the payment of wages and it was observed that the money spent had been idle as the golf course had not been used to play golf.

(g) Pelwatta Unit had purchased a crane worth Rs.128,910,000 in the year 2013, under lease facility and paid Rs.120,750,000 for it and spent a sum of Rs.2,254,850 to provide electricity required for that machine. However, the amount of Rs.123,004,850 spent had been idle expenses as the machine had not been installed in the factory as agreed by the supplier and remained without utilizing it from the date of purchasing the machine.

(h) The late fee amounting to Rs.5,874,073 paid to the Excise Department is observed as a loss to the Company incurred due to management inefficiency owing to the delay of taxes payable on molasses production amounting to Rs.4,698,431 for the period of 01 November 2017 to 30 June 2019 at Sevanagala Unit and Rs.175,642 for the period of 01 January to 31 March 2019 at Pelwatta Unit.

(i) The Pelwatta Unit had allocated 3% out of the 12% interest income charged for farmer loans was allocated for the welfare of the farmers and 1% for the welfare of the institution from the year 2012 based on a management decision. Farmers' Welfare Account was Rs. 91,061,803 and the institution's Welfare Account was Rs.30,419,099 as per the financial statements as at 31 December 2019. However, any welfare activity had not been carried out with the money allocated in that manner from the year 2012 to the year 2019.

(j) Although it had been stated in the financial statements of the Pelwatta Unit that Rs.121,664,307 should be paid to a number of customers under 24 creditor accounts for the period of 2002 to 2018, the reasons for not recovering those balances had not been submitted to audit.

(k) Non-recovery of an amount of Rs.188,485,761 payable to 1379 creditors related to the purchase of goods and services indicated in the financial statements of the Pelwatta Unit for a period of 01 to 10 years is observed as a contentious matter.

(l) Even though Rs. 9,251,437 has been deducted as obsolete stock from the stock balance in the financial statements of Pelwatta Unit from the year 2011, when it was taken over to the Company up to the end of the year under review, it was not possible to identify that stock.

(m) Action had not been taken to recover the total of Rs. 7,296,045, comprised of the advance amounting to Rs. 5,990,286 outstanding for a period of 11 to 20 years and given to 124 suppliers for the procurement of goods and services by the Pelwatta Unit and a total of Rs.284,102 in 07 ledger accounts outstanding since the year 2012 and the loan amounting to Rs.1,021,657 provided to the employees' club prior to the year 2014, even by 30 September 2021, the date of audit.

(n) Paying and settling a total of Rs. 38,480,354 by the Company to the relevant parties from the year 2012 to 2018 comprised of a sum of Rs. 38,096,521 payable to the government institutions and farmers for getting electricity, water and sugarcane grass belonging to the Company when there was no obligation to settle the liabilities of that Company at the time of taking over "Sevanagala Sugar Industries" by the government in the year 2012 and Rs. 383,833 for refunding the deposit to employees, who had vacated the official quarters was a contentious matter.

(o) Getting a house rent of Rs.132,000 at the rate of Rs.1,000 per month for a period from 2020 to 2030 without taking over of the official quarters of the Sevanagala Unit provided to a politician to maintain an office is a contentious matter. Furthermore, arrangements had not been made to acquire a house, which had been rented out to a government officer at the rate of Rs.2,000 per month and of which the term of hire had expired in April 2016.

(p) In the year 1988, the female officer recruited to the post of clerk was promoted to the position of Manager (Finance) by considering only the request made by the female officer and the service experience of the female officer and acting allowance amounting to Rs. 15,000 for acting in the post of Deputy General Manager (Finance), fuel allowance of Rs.15,000 and vehicle allowance amounting to Rs.50,000 had been paid monthly from May 2018 until the end of the year under review.

(q) Action had not been taken to revise the rent of 300 official quarters belonging to 10 categories provided to the officers in the Sevanagala Unit to match the present needs and a monthly rental between Rs. 20 and Rs. 85, which had been charged from the beginning, had been charged.

(r) Although the officer should pay for water, electricity and gas in the government rented houses, the Sevanagala Unit had paid Rs. 712,671 for electricity and Rs. 97,240 for water without doing so.

(s) Although an officer should vacate the official quarters at the time of his retirement, it was observed that 38 retired employees of the Sevanagala Unit were residing at the same official quarters even by the date of audit.

(t) Authorization for payment, approval, certification and payment had been made for the functions related to the financial control of the company, without delegation of powers on the approval of the Board of Directors.

(u) Although the Inland Revenue Department had exempted the Company from charging VAT on sugar and sugar-related products with effect from 01 January 2008, charging VAT on those products continuously by the Sevanagala Unit had been a contentious matter and that charge in the year under review was Rs. 5,133,694.

W.P.C. Wickramaratne
Auditor General

Lanka Sugar Company (Private) Limited
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	2019 Rs.	2018 Rs.
Revenue	4	7,545,539,093	6,242,954,355
Cost of Sales		(7,522,967,783)	(5,025,819,435)
Gross Profit		22,571,310	1,217,134,920
Other Income and Gains	5	75,604,257	69,689,588
Administrative Expenses		(1,447,171,687)	(1,261,139,692)
Finance Cost	6	(186,654,036)	(152,670,574)
Finance Income	6	223,437,263	271,328,127
Profit/(Loss) before tax	7	(1,312,212,893)	144,342,369
Income Tax Expense	8	(50,160,251)	(307,729,392)
Profit/(Loss) for the year		(1,362,373,144)	(163,387,022)
Other Comprehensive Income for the period, net of tax		1,287,797	83,725,670
Total Comprehensive Income/ (Expense) for the period, net of tax		(1,361,085,347)	(79,661,352)
Earnings/(Loss) Per Share	9	(13,623,731)	(1,633,870)

The Accounting Policies and Notes on pages 37 to 57 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

ASSETS	Note	2019 Rs.	2018 Rs.
Property, Plant and Equipment	10	1,871,930,864	1,980,452,307
Deferred Tax Asset	8	-	-
		1,871,930,864	**1,980,452,307**
Current Assets			
Inventories	11	1,661,529,476	3,282,576,901
Biological Assets	12	417,997,013	568,762,078
Trade and Other Receivables	13	366,088,602	297,054,164
Advances and Prepayments		42,516,288	32,898,652
Loans Due from Farmers	14	749,583,878	685,880,265
Amounts due from Related Parties	25.2	21,498,293	19,498,293
Investments	15	1,640,127,712	1,541,789,178
Cash and Cash Equivalents	21	17,932,382	55,793,285
		4,917,273,644	6,484,252,816
Total Assets		**6,789,204,509**	**8,464,705,122**
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	1,000	1,000
Government Grant	17	4,047,853,339	4,047,990,194
Accumulated Profits		(436,688,827)	917,567,759
Total Equity		**3,611,165,512**	**4,965,558,953**
Non-Current Liabilities			
Deferred Tax Liability	8	415,700,268	365,539,736
Retirement Benefit Liability	19	425,834,244	381,093,042
Interest Bearing Loans and Borrowings	18	80,791,974	66,513,088
		922,326,486	813,145,866
Current Liabilities			
Interest Bearing Loans and Borrowings	18	652,895,047	1,253,463,373
Trade and Other Payables	20	1,362,865,724	1,202,378,569
Income Tax Payable		225,689,280	232,307,087
Amounts due to Related Parties		14,262,458	(2,148,726)
		2,255,712,509	2,686,000,303
Total Equity and Liabilities		**6,789,204,509**	**8,464,705,122**

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

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

……………………………………..
Director

……………………………………..
Director

29.03.2021
Colombo

The Accounting Policies and Notes on pages 37 to 57 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Stated Capital Rs.	Government Grant Rs.	Accumulated Profits Rs.	Total Rs.
As at 1 January 2018	1,000	4,047,990,194	997,226,537	5,045,217,731
Repayment of Government Grant	-	-	-	-
Adjustment Entry in Opening Balance Sheet	-	-	2,575	2,575
Dividends Paid	-	-	-	-
Profit/(Loss) for the year	-	-	(163,387,022)	(163,387,022)
Other Comprehensive Income	-		83,725,670	83,725,670
Total comprehensive income	-	-	(79,661,352)	(79,661,352)
As at 31 December 2018	1,000	4,047,990,194	917,567,760	4,965,558,954
Repayment of Government Grant	-	-	-	-
Adjustment Entry in Balance Sheet/ Income Tax Reversal	-	(136,855)	6,828,759	6,691,904
Paid by Company on behalf of previous owner	-	-	-	-
Profit for the year	-	-	(1,362,373,144)	(1,362,373,144)
Other Comprehensive Income			1,287,797	1,287,797
Total comprehensive income	-	-	(1,361,085,347)	(1,361,085,347)
As at 31 December 2019	1,000	4,047,853,339	(436,688,828)	3,611,165,511

The Accounting Policies and Notes on pages 37 to 57 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
STATEMENT OF CASH FLOWS
Year ended 31 December 2019

Cash flows From / (Used in) Operating Activities	**Note**	**2019 Rs.**	**2018 Rs.**
Profit/(Loss) before Taxation		(1,312,212,893)	144,342,369
Adjustments for,			
Depreciation	10	325,760,776	348,266,476
Loss on sale of property, plant and equipment		-	45,144
Finance Income	6	(223,437,263)	(271,328,127)
Finance Cost	6	186,654,036	152,670,574
Provision for Retirement Benefit Liability	19	68,292,860	68,682,140
Provision for farmer loans	11	28,950,504	(42,765,210)
Operating Profit before Working Capital Changes		(925,991,981)	399,913,366
(Increase)/Decrease in Inventories		1,621,047,425	(1,392,937,550)
Increase in Trade and Other Receivables		(80,652,074)	(161,354,101)
Decrease in Loans Due from Farmers		(92,654,117)	148,495,763
Increase/(Decrease) in Related Party Payables		16,411,184	-
Increase/(Decrease) in Trade and Other Payables		160,487,155	(86,170,532)
Net Cash From Operating Activities		698,647,592	(1,092,053,053)
Retirement Benefit Liability Paid	19	(22,263,861)	(29,368,561)
Net Cash Flows From Operating Activities		676,383,731	(1,121,421,614)
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment		(217,239,329)	(125,508,483)
Net (increase)/decrease in investments in Fixed Deposits		(98,338,534)	(80,550,486)
Investment in Biological Assets		150,765,065	9,080,916
Finance Income Received	6	223,437,263	271,328,127
Net Cash Flows Used in Investing Activities		58,624,465	74,350,074
Cash Flows From / (Used in) Financing Activities			
Loans/Finance Leases obtained		150,000,000	588,950,000
Loans settlements	18	(715,688,459)	(13,796,004)
Principle payments under finance lease obligation	18	30,757,085	(45,971,258)
Interest paid	6	(186,654,036)	(152,670,574)
Net Cash Flows Used in Financing Activities		(721,585,410)	376,512,164
Net Increase/(Decrease) in Cash and Cash Equivalents		13,422,787	(670,559,376)
Cash and Cash Equivalents at the beginning of the year	21	(609,601,660)	60,957,716
Cash and Cash Equivalents at the end of the year	21	(596,178,873)	(609,601,660)

The Accounting Policies and Notes on pages 37 to 57 form an integral part of these financial statements.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

1. CORPORATE INFORMATION

1.1 General

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

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

The financial statements of Lanka Sugar Company (Private) Limited for the year ended 31st December 2019 were authorized for issue, in accordance with a resolution of the Board of Directors on 29th March 2021.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. GENERAL POLICIES

2.1 BASIS OF PREPARATION

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

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

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

2.1.1 Statement of Compliance

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

2.1.2 Going Concern

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.2.1 Functional and Presentation Currency

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

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

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

Lanka Sugar Company (Private) Limited
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2.2.2 Revenue recognition

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

Sale of Goods

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

Interest income

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

Gains and losses on Disposal of Assets

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

2.2.3 Taxation

Current Taxes

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

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

Sales tax

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

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

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

Deferred tax

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
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2.2.4 Expenses

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

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

2.2.4.1 Borrowing Cost

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

2.2.4.2 Finance Cost

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

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

2.2.5 Property, Plant and Equipment

Owned Assets

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

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

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

Leased Assets

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

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

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

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

Subsequent expenditure

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

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

De-recognition

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

Depreciation

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

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

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

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

2.2.6 Inventories

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

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

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

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2.2.7 Financial Instruments – initial recognition and subsequent measurement

Financial Assets

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

Loans and Receivables

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

De-recognition

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

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

(a) The company has transferred substantially all the risks and rewards of the asset, or

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

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

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

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Impairment of financial assets

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

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

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

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

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

Financial Liabilities

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

Loans and Borrowings

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

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

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De-recognition

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

2.2.8 Cash and Cash Equivalents

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

2.2.9 Impairment of Non- Financial Assets

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

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

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

2.2.10 Liabilities and Provisions

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

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

2.2.10.1 Employee Benefits

Defined Contribution Plan

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

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

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Defined Benefit Plans

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

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

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

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

The liability is not externally funded.

Short Term Benefits

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

2.2.10.2 Government Grant

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

2.2.10.3 Provisions

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

2.2.11 Changes in Accounting Policies

The accounting policies adopted are consistent with prior year.

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

2.3 USE OF ESTIMATES AND JUDGEMENTS

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

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

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

Impairment of Non-Financial Assets

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

Depreciation of Property, Plant and Equipment

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

Impairment of Receivables

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

3 STANDARDS ISSUED BUT NOT ADOPTED

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38)
- Equity Method in Separate Financial Statements (Amendments to LKAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- Annual Improvements to SLFRSs 2012–2014 Cycle – various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28)
- Disclosure Initiative (Amendments to LKAS 1)

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
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4. REVENUE

4.1 Summary

	2019 Rs.	2018 Rs.
Sales of Goods	7,545,539,093	6,242,954,355
	7,545,539,093	6,242,954,355

4.2 Revenue is derived from the following:

	2019 Rs.	2018 Rs.
Sugar	5,457,822,923	3,148,514,900
Molasses	22,132,500	672,750
ENA	2,065,583,670	3,093,766,705
	7,545,539,093	6,242,954,355

4.3 Segment Information

	Head Office Rs.	Pelwatte Division Rs.	Sevanagala Division Rs.	Elimination Rs.	Total Rs.
Segment Revenue	37,200,000	4,829,975,224	2,715,563,869	(37,200,000)	7,545,539,093
Segment Results					
Gross Profit /(Loss)	37,200,000	(488,625,390)	511,196,700	(37,200,000)	22,571,310
Other					
Capital Expenditure	1,435,140	282,522,341	17,796,192	-	301,753,673
Depreciation	2,882,338	219,258,282	103,620,156	-	325,760,776
Segment Assets					
Non Current Assets	3,642,939	1,547,310,647	320,977,278	-	1,871,930,864
Current Assets	42,808,245	2,762,467,559	2,714,276,743	(602,278,903)	4,917,273,644
Segment Liabilities					
Non Current Liabilities	368,341	773,948,643	148,009,502	-	922,326,486
Current Liabilities	71,319,085	2,044,090,294	742,582,033	(602,278,903)	2,255,712,509

5. OTHER INCOME AND GAINS

	2019 Rs.	2018 Rs.
Other Service Income	52,372,899	43,889,267
Sundry Income	23,231,358	25,800,321
	75,604,257	69,689,588

6. FINANCE COST AND INCOME

6.1 Finance Cost

	2019 Rs.	2018 Rs.
Interest Expenses on Bank Loans	108,233,301	55,461,980
Interest Expenses on Bank Overdrafts	75,470,783	92,825,700
Finance Charges on Lease Liabilities	2,949,952	4,337,750
Loss on Disposal of Fixed Assets	-	45,144
	186,654,036	152,670,574

6.2 Finance Income

	2019 Rs.	2018 Rs.
Interest Income on Loans Due from Farmers	28,889,285	57,176,197
Interest Income on Fixed Deposits	194,536,866	214,151,930
Other Interest Income	11,112	-
	223,437,263	271,328,127

Lanka Sugar Company (Private) Limited
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7. PROFIT BEFORE TAX

Stated after Charging	2019 Rs.	2018 Rs.
Included in Cost of Sales		
Employee Benefits including the following		
- Defined Contribution Plan Costs - EPF and ETF	183,746,526	170,853,138
Depreciation	286,625,273	286,928,164
Included in Administrative Expenses		
Employee Benefits including the following		
- Defined Benefit Plan Costs - Gratuity	72,687,838	69,966,070
- Defined Contribution Plan Costs - EPF and ETF	53,375,967	50,936,193
Depreciation	38,629,579	61,338,312
Audit Fees	850,000	850,000
Bad Debts on Farmers Loans	25,994,101	24,133,855

8. INCOME TAX EXPENSE/(REVERSAL)

	2019 Rs.	2018 Rs.
Current Income Tax	-	70,746,907
Deferred Tax Charge/ (Reversal) (Note 8.2)	50,160,251	236,982,485
	50,160,251	307,729,392

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

	2019	2018
Accounting profit /(loss) before tax	(1,312,212,893)	144,342,369
Interest Income	(194,547,978)	-
Adjusted accounting profit/(loss) before tax	(1,506,760,871)	144,342,369
Aggregate disallowed items	661,107,637	435,883,005
Aggregate allowed items	(194,933,880)	(462,834,234)
Adjustment for previous year profit		-
Business profit/(Loss) for tax purpose	(1,040,587,114)	117,391,140
Other Sources of Income Liable to Tax		
Interest Income	194,547,978	271,328,127
Total Statutory Income	(846,039,136)	388,719,267
Tax losses utilized during the year	(194,547,978)	(136,051,743)
Taxable Income	(1,040,587,114)	252,667,524
Income Tax at @ 28%	-	70,746,907
Tax losses brought forward	153,617,507	642,208,957
Tax losses incurred during the year	1,040,587,115	-
Tax losses utilized during the year	(194,547,978)	(136,051,743)
Tax losses carried forward	999,656,644	506,157,214

8.2 Deferred Tax Assets

	Statement of Financial Position 2019 Rs.	Statement of Financial Position 2018 Rs.	Statement of Profit and Loss 2019 Rs.	Statement of Profit and Loss 2018 Rs.
Deferred Tax Liability				
On Property, Plant & Equipment	(585,949,484)	(658,821,775)	72,872,291	(346,912,468)
	(585,949,484)	(658,821,775)	72,872,291	(346,912,468)
Deferred Tax Asset				
On Property , Plant & Equipment	-	-	-	-
On Retirement Benefit Obligation	119,233,588	106,706,052	12,527,536	(76,646,004)
On Tax Loss /Provisions	51,015,909	186,575,987	(135,560,078)	186,575,987
	170,249,497	293,282,039	(123,032,542)	109,929,983
			(50,160,251)	(236,982,485)
Deferred Income Tax reversal	-			
Net Deferred Tax Asset/(Liability)	(415,699,987)	(365,539,736)		

9. EARNINGS/(LOSS) PER SHARE

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

9.2 Amounts Used as Numerator:	2019 Rs.	2018 Rs.
Net Profit/(Loss) Attributable to Ordinary Shareholders for Earnings Per Share	(1,362,373,144)	(163,387,022)

Numbers of Ordinary Shares Used as Denominator:	2019 Number	2018 Number
Weighted average Number of Ordinary Shares Applicable to Basic Earnings/(Loss) Per Share	100	100

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

	Balance As at 01.01.2019 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2019 Rs.
Land	44,149,728	-	-	44,149,728
Land Development	165,206,052	125,000	-	165,331,052
Factory Buildings	244,364,780	-	-	244,364,780
Buildings Others	229,159,601	-	-	229,159,601
Field Machinery and Equipment	437,690,845	770,000	-	438,460,845
Irrigation and Miscellaneous Equipment	207,205,543	4,425,232	-	211,630,775
Factory Plant and Equipment	2,825,152,078	147,587,038	-	2,972,739,116
Other Plant and Machinery	153,158,403	-	-	153,158,403
Storage Tank	63,398,475	-	-	63,398,475
Roads and Bridges	111,179,516	-	-	111,179,516
Laboratory Equipment	49,291,526	-	-	49,291,526
Motor Vehicles	191,875,106	245,950	-	192,121,056
Furniture, Fittings and Equipment	194,871,491	11,633,269	-	206,504,760
Settler Zone Infrastructure	73,193,739	-	-	73,193,739
	4,989,896,881	164,786,489	-	5,154,683,370
Assets on Finance Leases				
Motor Vehicles	53,645,000	-	-	53,645,000
New Holland Tractor	30,524,000	-	-	30,524,000
Field Machinery -12 Tractors	55,948,920	61,470,000	-	117,418,920
	140,117,920	61,470,000	-	201,587,920
In the Course of Construction				
Land Development	23,815,022	2,708,900	-	26,523,922
Building - Others	4,259,866	-	-	4,259,866
Factory Plant and Equipment	35,480,282	72,788,284	(80,089,112)	28,179,454
Hotel Project	37,410,797	-	-	37,410,797
Compost Plant	571,362	-	-	571,362
Irrigation Project / Tube Well	7,289,676	-	(4,425,232)	2,864,444
Power Generation Project	2,008,690	-	-	2,008,690
Water Treatment Plant	27,067,811	-	-	27,067,811
	137,903,506	75,497,184	(84,514,344)	128,886,346
In the Course of Construction - On Finance Leases				
Factory Plant and Equipment	120,750,000	-	-	120,750,000
	120,750,000	-	-	120,750,000
Total Gross Carrying Amount	5,388,668,307	301,753,673	(84,514,344)	5,605,907,636

10.2 Depreciation

	Balance As at 01.01.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Land Development	71,043,544	3,473,887	-	74,517,431
Factory Buildings	152,344,839	5,476,710	-	157,821,549
Buildings Others	127,124,820	4,827,357	-	131,952,177
Field Machinery and Equipment	425,405,778	9,186,724	-	434,592,502
Irrigation and Miscellaneous Equipment	167,927,056	10,238,816	-	178,165,872
Factory Plant and Equipment	1,708,959,122	229,430,692	-	1,938,389,814
Other Plant and Machinery	76,490,134	13,390,437	-	89,880,571
Storage Tank	28,710,375	2,967,660	-	31,678,035
Roads and Bridges	104,108,336	1,554,431	-	105,662,767
Laboratory Equipment	43,746,998	4,455,558	-	48,202,556
Motor Vehicles	168,919,840	9,374,137	-	178,293,977
Furniture, Fittings and Equipment	165,781,009	12,060,587	-	177,841,596
Settler Zone Infrastructure	69,843,812	801,069	-	70,644,881
	3,310,405,663	307,238,066	-	3,617,643,729
Assets on Finance Leases				
Motor Vehicles	33,805,500	6,731,000	-	40,536,500
New Holland Tractor	12,718,332	6,104,800	-	18,823,132
Field Machinery -12 Tractors	51,286,510	5,686,910	-	56,973,420
	97,810,342	18,522,710	-	116,333,052
Total Depreciation	3,408,216,005	325,760,776	-	3,733,976,781

Lanka Sugar Company (Private) Limite
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

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

10.3 Net Book Values

	2019 Rs.	2018 Rs.
Land	44,149,728	44,149,728
Land Development	90,813,621	94,162,508
Factory Buildings	86,543,231	92,019,941
Buildings Others	97,207,424	102,034,781
Field Machinery and Equipment	3,868,343	(613,857)
Irrigation and Miscellaneous Equipment	33,464,903	46,224,732
Factory Plant and Equipment	1,034,349,302	1,109,320,955
Other Plant and Machinery	63,277,832	83,540,269
Storage Tank	31,720,440	34,688,100
Roads and Bridges	5,516,749	7,071,180
Laboratory Equipment	1,088,970	5,544,528
Motor Vehicles	13,827,079	22,081,517
Furniture, Fittings and Equipment	28,663,164	22,144,235
Settler Zone Infrastructure	2,548,858	3,349,927
	1,537,039,642	1,665,718,544
Assets on Finance Lease		
Motor Vehicles	13,108,500	20,713,250
New Holland Tractor	11,700,868	30,524,000
Field Machinery and Equipment	60,445,500	4,843,002
	85,254,868	56,080,252
In the Course of Construction		
Land Development	26,523,922	23,815,022
Building - Others	4,259,866	4,259,866
Factory Plant and Equipment	28,179,454	35,480,282
Hotel Project	37,410,797	37,410,797
Compost Plant	571,362	571,362
Irrigation Project	2,864,444	7,289,676
Power Generation Project	2,008,690	2,008,690
Water Treatment Plant	27,067,811	27,067,811
	128,886,346	137,903,506
In the Course of Construction - On Finance Leases		
Factory Plant and Equipment	120,750,000	120,750,000
	120,750,000	120,750,000
Total carrying amount of Property, Plant and Equipment	1,871,930,856	1,980,452,302

10.4 During the financial period, the company acquired Property, Plant and Equipment to the aggregate value of **Rs.**301,753,673 (2018 - Rs.125,508,482/-) for cash.

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

	2019	2018
Land Development	50 Years	50 Years
Factory Buildings	50 Years	50 Years
Buildings Others	50 Years	50 Years
Field Machinery and Equipment	5 - 6.67 Years	5 - 6.67 Years
Irrigation and Miscellaneous Equipment	16.67 Years	16.67 Years
Factory Plant and Equipment	10-20 Years	10-20 Years
Other Plant and Machinery	5 - 20 Years	5 - 20 Years
Roads and Bridges	20 Years	20 Years
Motor Vehicles	2 - 5 Years	2 - 5 Years
Furniture, Fittings and Equipment	4 - 5 Years	4 - 5 Years
Settler Zone Infrastructure	3 - 50 Years	3 - 50 Years

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

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

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

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

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

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

		2019 Rs.	2018 Rs.
11.	**INVENTORIES**		
	Produced Inventory (11.1)	716,207,252	2,281,632,725
	Other Inventory (11.2)	945,322,224	1,000,944,171
		1,661,529,476	3,282,576,896
11.1	**Produced Inventory**		
	Sugar	27,267,100	1,772,165,915
	Molasses	446,809,100	149,684,200
	ENA	242,131,052	359,782,610
		716,207,252	2,281,632,725
11.2	**Other Inventory**		
	Fuel and Lubricants	47,151,021	45,713,161
	Factory Chemicals	6,751,056	8,740,672
	Production Items Distillery	1,940,300	1,955,212
	Bags and Liners	5,378,494	3,770,703
	Fertilizers	96,002,185	135,110,025
	General	28,247,612	30,610,576
	Agriculture Spares	195,619,294	195,140,265
	Stationery	2,278,056	2,140,488
	Factory Spares	184,968,142	186,958,053
	Other Inventory	274,031,028	243,911,408
	Tires and Tubes	91,033,261	74,483,887
		933,400,449	928,534,450
	Less: Provision for Obsolete Stocks	(9,251,437)	(9,251,437)
		924,149,012	919,283,013
	Goods-in-Transit	21,173,212	81,661,157
		945,322,224	1,000,944,170

		2019 Rs.	2018 Rs.
12.	**BIOLOGICAL ASSETS**		
	Standing Cane	417,997,013	568,762,078
		417,997,013	568,762,078

		2019 Rs.	2018 Rs.
13.	**TRADE AND OTHER RECEIVABLES**		
	Trade Receivables	440,425	719,165
	Other Receivables	333,140,674	264,953,534
	Staff Loans (13.1)	32,507,503	31,381,465
		366,088,602	297,054,164
13.1	**Staff Loans**		
	Balance at the beginning of the year	31,199,038	19,719,435
	Loans granted during the year	70,230,533	79,709,665
	Repayments made during the year	(68,922,068)	(68,047,634)
	Balance at the end of the year	32,507,503	31,381,466

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

14. LOANS DUE FROM FARMERS

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	1,165,472,115	1,289,834,030
Loans granted during the year	876,153,848	706,715,952
Loans recovered during the year	(783,499,730)	(831,077,867)
Total Loans Granted	1,258,126,233	1,165,472,115
Less: Provision for Doubtful Recoveries	(508,542,361)	(479,591,857)
Balance at the end of the year	749,583,872	685,880,258

15. INVESTMENTS

	2019 Rs.	2018 Rs.
Current		
Fixed Deposits	1,640,127,712	1,541,789,178
	1,640,127,712	1,541,789,178

16. STATED CAPITAL

	2019 Number	2019 Rs.	2018 Number	2018 Rs.
Fully Paid Ordinary Shares	100	1,000	100	1,000

17. GOVERNMENT GRANT

	2019 Rs.	2018 Rs.
As at beginning of the period	4,047,990,194	4,047,990,194
Adjustment	(136,855)	
	4,047,853,339	4,047,990,194

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

18. INTEREST BEARING LOANS AND BORROWINGS

	2019			2018		
	Amounts Repayable Within 1 Year Rs.	Amounts Repayable After 1 year Rs.	Total Rs.	Amounts Repayable Within 1 Year Rs.	Amounts Repayable After 1 year Rs.	Total Rs.
Bank Loans (18.1)	15,905,116	24,077,905	39,983,021	565,763,915	39,891,942	605,655,857
Bank Overdrafts (21.2)	614,111,255	-	614,111,255	665,484,944		665,484,944
Finance Leases (18.2)	22,878,676	56,714,069	79,592,745	22,214,514	26,621,146	48,835,660
	652,895,047	80,791,974	733,687,021	1,253,463,373	66,513,088	1,319,976,461

18.1 Bank Loan

	As at 01.01.2019 Rs.	New Loans Obtained Rs.	Repayments Rs.	As at 31.12.2019 Rs.
Bank of Ceylon	572,515,305	150,000,000	704,725,588	17,789,717
Sampath Bank	5,491,607		3,513,805	1,977,802
NDB Bank	27,648,945		7,433,443	20,215,502
	605,655,857	150,000,000	715,672,836	39,983,021

18.2 Finance Leases

	As at 01.01.2019 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.12.2019 Rs.
Bank of Ceylon	56,672,333	73,909,680	(28,769,114)	101,812,899
Gross Liability	56,672,333	73,909,680	(28,769,114)	101,812,899
Finance Charges Allocated to Future Periods	(7,836,673)	(18,586,680)	4,203,199	(22,220,154)
Net Liability	48,835,660	55,323,000	(24,565,915)	79,592,745

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

		2019	2018
19.	**RETIREMENT BENEFIT LIABILITY**	**Rs.**	**Rs.**
	As at the beginning of the period	381,093,044	425,505,134
	Interest Cost	41,642,127	44,678,039
	Current service cost	26,650,733	24,004,102
	Benefit Paid	(22,263,861)	(29,368,561)
	Actuarial (Gain)/Loss	(1,287,797)	(83,725,670)
	As at the end of the period	425,834,245	381,093,044

19.1 Messers Actuarial and Management Consultation (Private) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 December 2019. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

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

	2019	2018
Pelawatte Division		
Discount Rate	11.00%	11.00%
Rate of Salary Increase	1.50%	1.50%
Retirement Age	60 Years	60 Years
Sevanagala Division		
Discount Rate	10.50%	10.50%
Rate of Salary Increase	Fixed amount	Fixed amount
Retirement Age	60 Years	60 Years

		2019	2018
20.	**TRADE AND OTHER PAYABLES**	**Rs.**	**Rs.**
	Trade Payables (20.1)	243,323,855	284,036,550
	Advances Received from customers	246,764,025	129,857,024
	Other Payables (20.2)	144,242,347	131,969,324
	Sundry Creditors including Accrued Expenses (20.3)	467,509,413	480,866,624
	Incentive Provision for the Employees & Farmers	176,448,928	88,893,163
	Distilleries Company of Sri Lanka PLC	24,784,659	24,784,659
	Recovered from Farmers	59,792,499	59,822,499
		1,362,865,726	1,200,229,843
20.1	**Trade Payables**		
	Trade Creditors	243,323,855	284,036,550
		243,323,855	284,036,550
20.2	**Other Payables**		
	VAT Payable	32,874,708	37,445,578
	NBT Payable	111,367,639	94,523,746
		144,242,347	131,969,324
20.3	**Sundry Creditors including Accrued Expenses**		
	Sundry Creditors	238,068,943	229,254,967
	Accrued Expenditure	229,440,470	251,611,656
		467,509,413	480,866,623

		2019	2018
21.	**CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT**		
	Components of Cash and Cash Equivalents	**Rs.**	**Rs.**
21.1	**Favorable Cash and Cash Equivalents Balances**		
	Cash and Bank Balances	17,932,382	55,793,285
21.2	**Unfavorable Cash and Cash Equivalent Balances**		
	Bank Overdrafts	(614,111,255)	(665,484,944)
	Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(596,178,873)	(609,691,659)

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

22. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

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

23. ASSETS PLEDGED

Nature of Assets	Nature of Liability	Carrying Value Rs.	Included under
Fixed Deposits	Overdraft facility of A/C No 73947899 Bank Of Ceylon	415,320,693	Investment
Fixed Deposits	Overdraft facility of A/C No 75751012 Bank Of Ceylon	361,872,259	Investment
Fixed Deposits	Bank Loan facility (from Sampath bank Buttala)	3,658,662	Investment
Fixed Deposits	Security for Bank Guaranty (Custom duty payable on boiler tubes purchased)	28,217,094	Investment

24. EVENTS OCCURRING AFTER THE REPORTING DATE

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

25. RELATED PARTY DISCLOSURES

25.1 Amounts due from Related Parties

	2019 Rs.	2018 Rs.
Ministry of Plantation Industries	1,102,344	1,102,344
Receivable from Kanthale Sugar Industries	8,831,204	6,831,204
Receivable from Hingurana Sugar Industries	1,445,789	1,445,789
Ministry Of Sugar Industry Receivable	3,453,231	3,453,231
SSP Project - Badulla	6,665,725	6,665,725
	21,498,293	19,498,293

25.2 Transactions with Key Management Personnel of the Company

Key Management Personnel Compensation	2019 Rs.	2018 Rs.
Directors Fee	1,034,800	1,007,500

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

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

Credit risk

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

Trade receivables

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

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

Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years
Interest- bearing loans and borrowings	614,111,255	-	38,783,792	80,791,974
Trade and other payables	1,362,865,724	-	-	-
	1,976,976,979	-	38,783,792	80,791,974

Capital management

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

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2019.

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

Interest Bearing Borrowings	733,687,021
Trade and Other Payables	1,362,865,724
Less: Cash and Cash Equivalents	(17,932,382)
Net Debt	2,078,620,363
Equity	3,611,165,512
Total Capital	3,611,165,512
Gearing ratio	36.53%

27. FAIR VALUE MEASUREMENT

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

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

Lanka Sugar Company (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

28. EVENTS AFTER THE REPORTING PERIOD

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

29. RELATED PARTY DISCLOSURE

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

29.1 Transactions with Key Management Personnel

29.1.1 Loans to Directors

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

29.1.2 Other Transactions With Key Management Personnel

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

30. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and assets reported during the financial year ended 31.12.2019

31. AGRICLUTURE

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

Segmental Financial Information - Pelwatte Division

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 Rs.	2018 Rs.
Revenue	4,829,975,224	3,669,838,737
Cost of Sales	(5,318,600,614)	(3,299,829,392)
Gross Profit	(488,625,390)	370,009,344
Other Income and Gains	9,446,108	9,017,684
Administrative Expenses	(582,876,295)	(569,420,464)
Finance Cost	(163,422,756)	(129,644,972)
Finance Income	110,413,737	127,294,277
Profit / (Loss) before tax	(1,115,064,595)	(192,744,131)
Income Tax Reversal / (Expense)	(58,933,743)	(161,333,482)
Profit / (Loss) for the year	(1,173,998,338)	(354,077,613)
Other Comprehensive Income for the period, net of tax		
Actuarial Gain	5,682,776	85,009,599
Total Comprehensive Income for the period, net of tax	(1,168,315,562)	(269,068,014)

Segmental Financial Information - Pelwatte Division

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2019

ASSETS	2019 Rs.	2018 Rs.
Non-Current Assets		
Property, Plant and Equipment	1,547,310,647	1,568,560,932
Deferred Tax Asset	-	-
	1,547,310,647	1,568,560,932
Current Assets		
Inventories	836,136,687	2,205,871,814
Biological Assets	417,997,013	568,762,078
Trade and Other Receivables	114,401,474	75,471,697
Advances and Prepayments	35,617,100	24,416,167
Loans Due from Farmers	527,895,281	472,976,690
Amounts Due from Related Parties	-	-
Investments	829,068,708	744,065,251
Cash and Cash Equivalents	1,351,296	1,079,739
	2,762,467,558	4,092,643,435
Total Assets	4,309,778,205	5,661,204,367
EQUITY AND LIABILITIES		
Capital and Reserves		
Government Grant	3,468,770,753	3,468,770,753
Accumulated Profit	(1,977,031,485)	(808,715,923)
Total Equity	1,491,739,268	2,660,054,830
Non-Current Liabilities		
Deferred Tax Liability	352,029,510	293,095,766
Retirement Benefit Liability	365,816,904	325,471,361
Interest Bearing Loans and Borrowings	56,102,229	19,888,350
	773,948,642	638,455,477
Current Liabilities		
Interest Bearing Loans and Borrowings	606,133,122	1,122,331,513
Trade and Other Payable	959,766,048	901,434,758
Income Tax Payable	(68,786,648)	(68,786,648)
Amounts Due to Related Parties	546,977,772	407,714,437
	2,044,090,295	2,362,694,060
Total Equity and Liabilities	4,309,778,205	5,661,204,367

Segmental Financial Information - Pelwatte Division

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Government Grant Rs.	Retained Earnings/(Loss) Rs.	Total Rs.
As at 01 January 2018	3,468,770,753	(539,648,008)	2,929,122,744
Profit for the year	-	(354,077,613)	(354,077,613)
Adjustment		99	99
Total Other Comprehensive Income for the year, net of tax	-	85,009,599	85,009,599
As at 31 December 2018	3,468,770,753	(808,715,923)	2,660,054,830
Loss for the year		(1,173,998,338)	(1,173,998,338)
Dividends paid		-	-
Total Other Comprehensive Income for the year, net of tax		5,682,776	5,682,776
As at 31 December 2019	3,468,770,753	(1,977,031,485)	1,491,739,268

Segmental Financial Information - Pelwatte Division

STATEMENT OF CASH FLOWS

As at 31 December 2019

	2019 Rs.	2018 Rs.
Cash Flows From / (Used in) Operating Activities		
Profit / (Loss) before Taxation	(1,115,064,595)	(192,744,131)
Adjustments for,		
Depreciation	219,258,282	230,125,232
Finance Income	(110,413,737)	(127,294,277)
Finance Cost	163,422,756	129,644,972
Provision for slow moving inventory	-	-
Provision for Loans from Farmers	25,994,101	24,133,855
Provision for Retirement Benefit Liability	57,881,458	59,729,750
Operating Profit/(Loss) before Working Capital Changes	(758,921,735)	123,595,402
(Increase)/Decrease in Inventories	1,520,500,192	(1,063,330,199)
(Increase)/Decrease in Trade and Other Receivables	(50,130,710)	(27,325,451)
Increase in Loans Due from Farmers	(80,912,692)	78,979,898
Decrease in Amounts Due from Related Party	-	67,548,086
Increase/(Decrease) in Amounts due to Related Parties	139,263,335	80,573,641
Increase/(Decrease) in Trade and Other Payables	58,331,290	(21,740,292)
Net Cash From Operating Activities	828,129,680	(761,698,916)
Finance Cost Paid	(163,422,756)	(129,644,972)
Income Tax Paid	-	-
Retirement Benefit Liability Paid	(11,853,139)	(21,917,607)
Net Cash From/ (Used in) Operating Activities	652,853,785	(913,261,495)
Cash Flows From / (Used in) Investing Activities		
Acquisition of Property, Plant and Equipment	(198,007,997)	(73,013,076)
(Investments)/Withdrawals in/of Fixed Deposits	(85,003,457)	(68,725,819)
Finance Income Received	110,413,737	127,294,277
Net Cash Flows Used in Investing Activities	(172,597,717)	(14,444,618)
Cash Flows From / (Used in) Financing Activities		
Dividends paid	-	-
Financing obtained during the period	205,323,000	550,000,000
Principle Payments under Finance Lease Liabilities	(14,231,436)	(27,901,522)
Principle Payments under Bank Loan Liabilities	(703,513,805)	(3,273,758)
Net Cash Flows Used in Financing Activities	(512,422,241)	518,824,720
Net Increase/(Decrease) in Cash and Cash Equivalents	(32,166,173)	(408,881,393)
Cash and Cash Equivalents at the beginning of the year	(555,465,760)	(146,584,366)
Cash and Cash Equivalents at the end of the year	(587,631,933)	(555,465,760)

Segmental Financial Information - Sevanagala Division

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 Rs.	2018 Rs.
Revenue	2,715,563,869	2,573,115,619
Cost of Sales	(2,204,367,169)	(1,725,990,043)
Gross Profit	511,196,700	847,125,576
Other Income and Gains	63,953,149	77,551,173
Finance Income	113,015,414	124,848,195
Administrative Expenses	(849,690,806)	(669,910,675)
Finance Cost	(21,201,232)	(22,845,197)
Profit before tax	(182,726,774)	356,769,072
Incentive Provision for the Employees & Farmers		
Income Tax Expense	8,773,492	(146,395,908)
Profit for the year	(173,953,282)	210,373,164
Other Comprehensive Income		
Other Comprehensive Income for the year, net of tax	(4,394,979)	(1,283,929)
Total Comprehensive Income for the year, net of tax	(178,348,261)	209,089,235

Segmental Financial Information - Sevanagala Division

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2019

	2019 Rs.	2018 Rs.
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	320,977,278	406,801,239
Deferred Tax Asset	-	-
	320,977,278	406,801,239
Current Assets		
Inventory	825,392,789	1,076,705,087
Allotees/Farmers Receivables	221,688,597	212,903,575
Amounts Due from Related Parties	614,859,476	464,371,101
Advances and Prepayments	5,457,270	7,731,235
Other Receivable	251,373,065	221,118,476
Investment in Fixed Deposits	788,059,004	774,723,927
Cash and Cash Equivalents	7,359,030	58,595,608
	2,714,189,229	2,816,149,007
Total Assets	**3,035,166,508**	**3,222,950,246**
EQUITY AND LIABILITIES		
Capital and Reserves		
Government Grant	579,082,586	579,082,586
Retained Earnings	1,565,492,388	1,743,928,442
Total Equity	2,144,574,974	2,323,011,028
Non Current Liabilities		
Deferred Tax lIability	63,670,758	72,444,250
Retirement Benefit Liability	59,648,999	55,621,682
Interest Bearing Loans and Borrowings	24,689,745	46,624,739
	148,009,502	174,690,670
Current Liabilities		
Interest Bearing Loans and Borrowings	46,761,925	131,131,860
Trade and Other Payables	401,344,180	299,640,761
Income Tax Payable	294,475,928	294,475,928
	742,582,033	725,248,549
Total Equity and Liabilities	**3,035,166,508**	**3,222,950,246**

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

Segmental Financial Information - Sevanagala Division

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Government Grant Rs.	Retained Earnings Rs.	Total Rs.
As at 01 January 2018	579,172,586	1,528,133,789	2,107,306,375
Profit/Loss for the year		209,089,235	209,089,235
Adjustment of Income Tax		6,705,417	6,705,417
Paid by Company on behalf of previous owner	(90,000)		(90,000)
As at 31 December 2018	579,082,586	1,743,928,441	2,323,011,027
Profit/Loss for the year		(178,348,261)	(178,348,261)
Dividends paid during the year		-	
Adjustment of Income Tax	-	(87,793)	(87,793)
As at 31 December 2019	579,082,586	1,565,492,387	2,144,574,973

Segmental Financial Information - Sevanagala Division

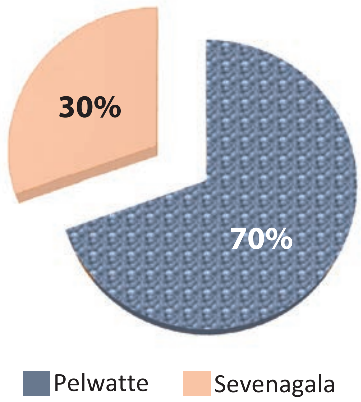
STATEMENT OF CASH FLOWS

As at 31 December 2019

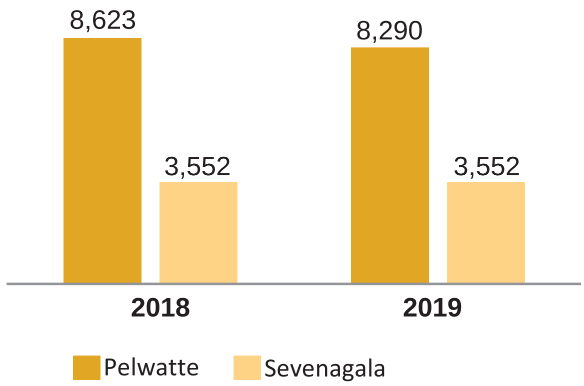
Cash flows From Operating Activities	**2019**	**2018**
Profit before Taxation	(182,726,774)	356,769,072
Adjustments for,		
Depreciation	103,620,155	115,270,172
Finance Income	(113,015,414)	(124,848,195)
Finance Cost	21,201,232	22,845,197
Provision for Retirement Benefit Liability	10,043,061	8,952,391
Operating Profit/(Loss) before Working Capital Changes	(160,877,740)	378,988,636
(Increase)/Decrease in Inventories	251,312,294	(320,526,436)
Increase in Trade and Other Receivables	(36,765,646)	(21,348,573)
Increase in Amounts due from Related Parties	(150,488,375)	(78,848,939)
Increase/(Decrease) in Trade and Other Payables	101,615,626	(64,640,026)
Finance Cost Paid	(21,201,232)	(22,845,197)
Benefit Paid	(10,410,722)	(7,450,954)
Net Cash From Operating Activities	(26,815,796)	(136,671,488)
Cash Flows From Investing Activities		
Acquisition of Property, Plant and Equipment	(17,796,192)	(51,606,768)
Investment in Fixed Deposits	(13,335,077)	(11,824,667)
Finance Income Received	113,015,414	124,848,195
Repayment of Government Grant	-	(90,000)
Net Cash Flows Used in Investing Activities	81,884,145	61,326,760
Cash Flows From Financing Activities		
Repayment of Interest Bearing Loans and Borrowings	(12,159,031)	(10,522,245)
Principle Payment under Finance Lease Liabilities	(10,334,479)	(19,828,791)
Net Cash Flows From/ (Used in) Financing Activities	(22,493,511)	(30,351,037)
Net Increase/(Decrease) in Cash and Cash Equivalents	32,574,839	(105,695,765)
Cash and Cash Equivalents at the beginning of the year	(50,343,835)	55,351,930
Cash and Cash Equivalents at the end of the year	(17,768,996)	(50,343,835)

Graphical Segmental Comparison

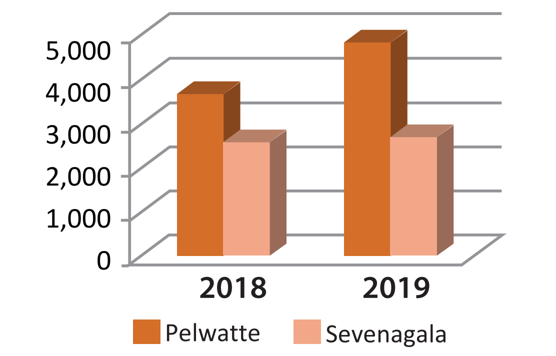
Cultivable Extent (Ha)



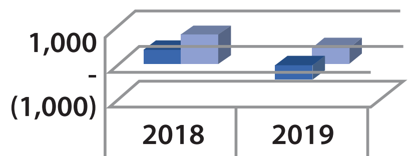
Extent Cultivated (Ha)



Segment Turnover (Rs. Million)

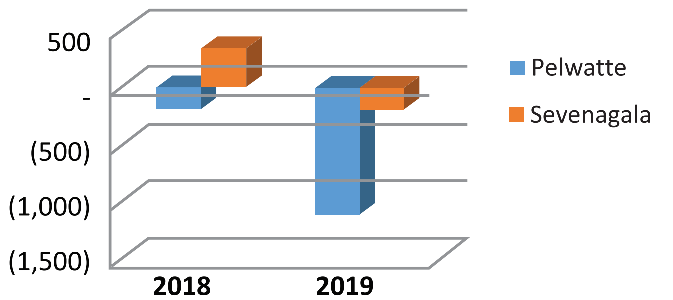


Segmental Gross Profit (Rs. Million)



	2018	2019
Pelwatte	370	(489)
Sevenagala	847	511

Net Profit before Tax (Rs. Million)



Progress Report - 2019

INDUSTRY OVERVIEW

It is estimated that the overall domestic sugar production in 2019 was 52,304 Metric Tons and sufficient to meet 8 per cent of the total sugar requirement of the country. Meanwhile, imports of sugar decreased by 13.7 percent to 556,270 metric tons in 2019 from 644,675 metric tons in 2018.

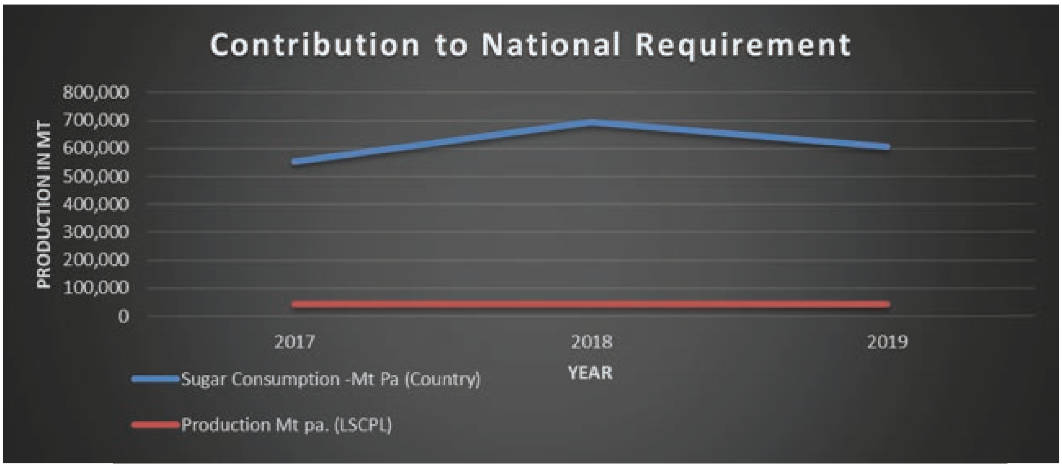
The local sugar industry has vast potential to contribute to GDP, employment, food and energy security and poverty alleviation. It could also lead to an upliftment of the economic status of the underdeveloped areas of the country since a large amount of foreign exchange flowed out from the country.

OUR CONTRIBUTION TO THE NATIONAL ECONOMY

2019 was indeed challenging with many macro and micro economic factors affecting the performance. During the year, sugar cane yield per hectare decreased from 59.65 MT to 55.35 MT, however the sugar recovery rate increased from 6.99% to 7.31%. Even though, the environmental conditions affected badly on the industry, the company was able to produce 41,175 MT of sugar during the year, which was 6.3% of the domestic sugar requirement.

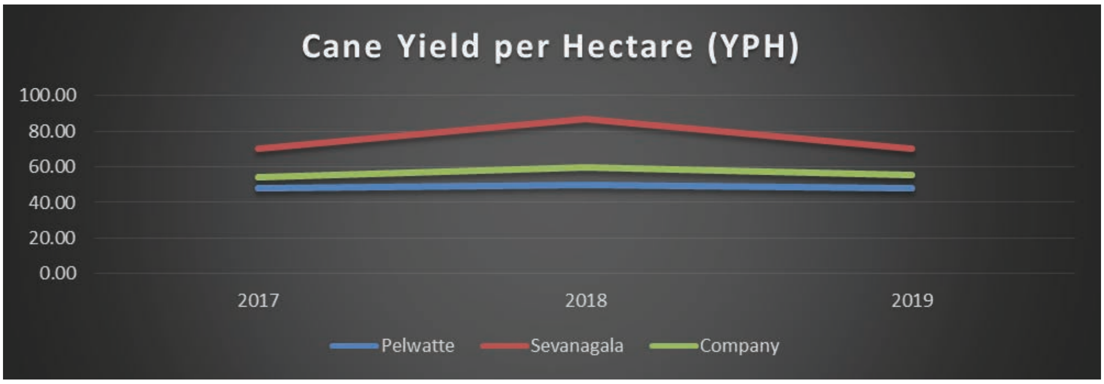
CONTRIBUTION TO THE NATIONAL ECONOMY

Description	2017	2018	2019
Sugar Consumption -Mt Pa (Country)	553,366	696,040	608,574
Production Mt pa. (LSCPL)	42,822	42,770	41,175
Contribution to the Economy	7.74%	6.14%	6.77%



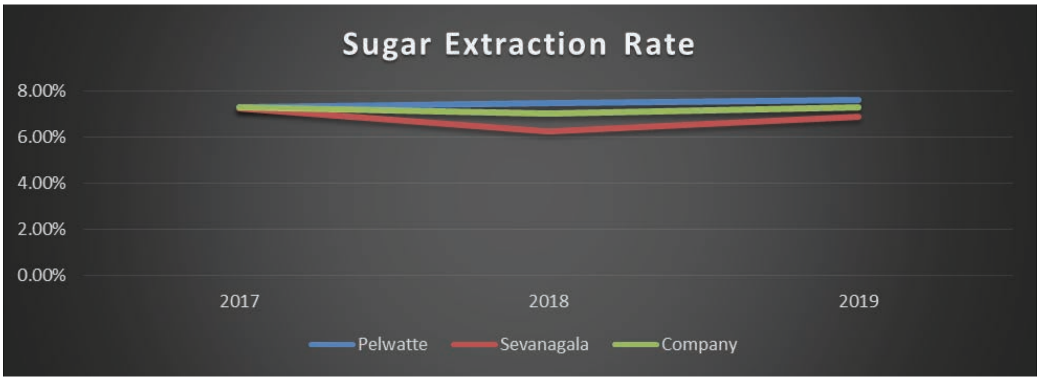
Yield per Hectare (MT)

Division	2017	2018	2019
Pelwatte	48.22	49.86	48.14
Sevenagala	70.02	86.93	70.33
Company	54.23	59.64	55.35



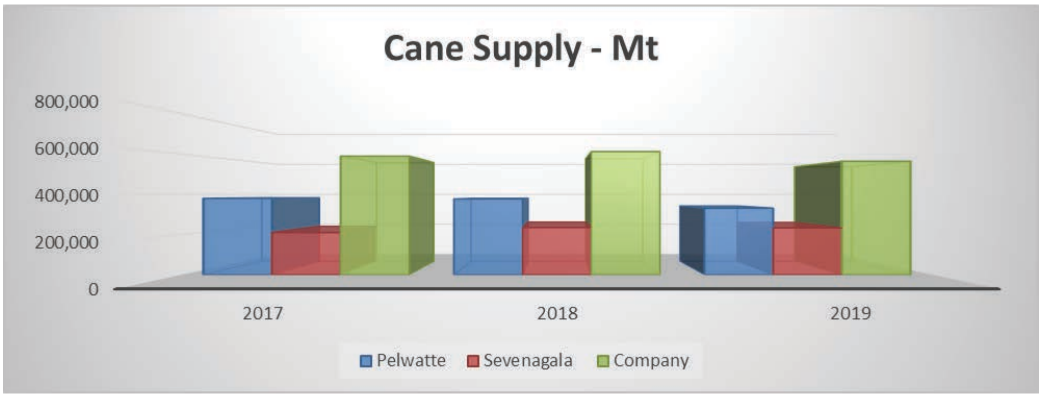
Sugar Recovery Ratio (Mt/ Cane)

Division	2017	2018	2019
Pelwatte	7.28%	7.46%	7.61%
Sevenagala	7.24%	6.25%	6.88%
Company	7.27%	6.99%	7.31%



Cane Supply (MT)

Division	2017	2018	2019
Pelwatte	379,572	376,275	330,824
Sevenagala	209,567	235,244	232,722
Company	**589,139**	**611,519**	**563,546**

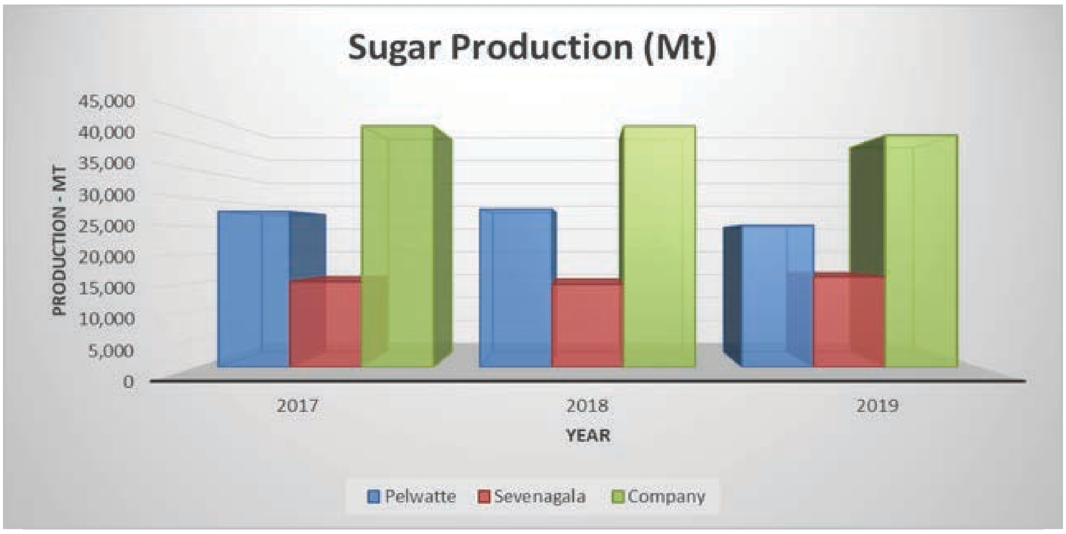


Company Performance

Sugar production has decreased from 42,770 metric tons in the year 2018 to 41,175 metric tons in the year 2019. The Pelwatte factory reported a 10 per cent decrease in production, to 25,162 metric tons in 2019. The Pelwatte factory, which accounted for 65.6 per cent of the total sugar production in 2018, decreased its share to 61.11 per cent. The Sevanagala factory recorded an 8 per cent increase in production to 16,013 metric tons in 2019. ENA production has decreased from 9,787,942 liters in the year 2018 to 5,212,559 liters in the year 2019.

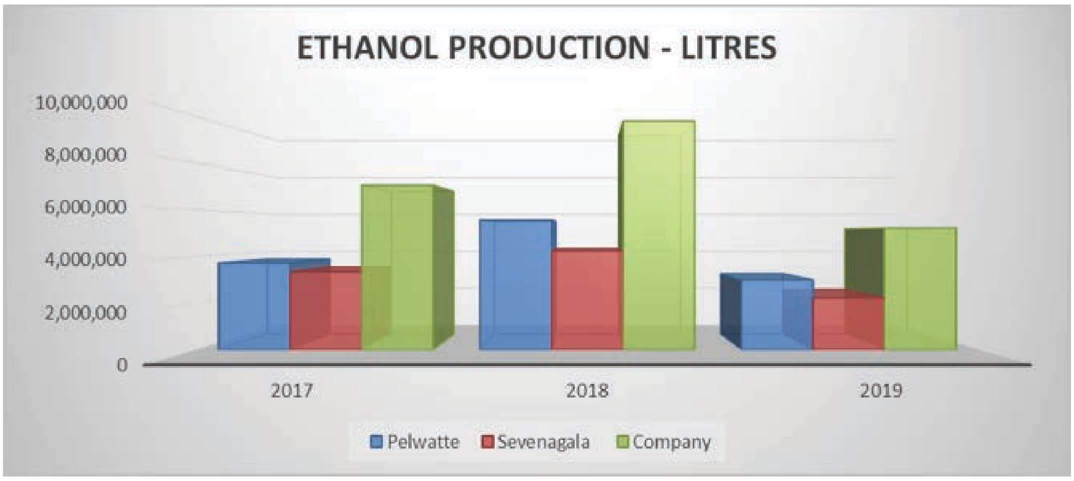
Sugar Production

Division	2017	2018	2019
Pelwatte	27,643	28,061	25,162
Sevenagala	15,179	14,709	16,013
Company	42,822	42,770	41,175



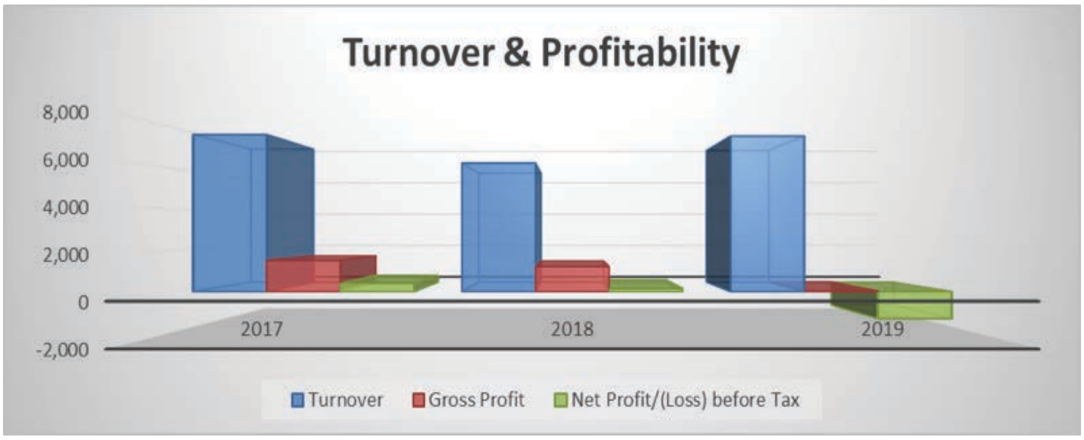
Ethanol Production

Division	2017	2018	2019
Pelwatte	3,713,831	5,555,920	2,993,840
Sevenagala	3,331,392	4,232,022	2,218,719
Company	7,045,223	9,787,942	5,212,559



During the financial year under review, the Company recorded revenue amounting to Rs. 7,546 Million compared to the revenue of Rs. 6.243 Million recorded in the previous year. The Company recorded Rs.1,312 Million operating loss before tax for the year 2019 and it is a sharp decline compared to operating profit before tax of Rs. 144 Million recorded in the year 2018.

Year (Rs. Million)	2017	2018	2019
Turnover	7,617	6,243	7,546
Gross profit	1,514	1,217	23
Net profit / (loss) before tax	403	144	(1,312)



Corporate Information

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

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

Ownership
100% owned by the Government of Sri Lanka.

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

Company Registration Number
PV 87884

Tax Payer Identification Number
174878846

Bankers
Bank of Ceylon
People's Bank

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

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

Directorate

Rajiv Sanjaya Seneviratne - Chairman
Tissa Gamini Wijeratne - Director / Chief Executive Officer
Aluthge Nandasena – Director
Thushara Sampath Perera - Director
Rohana Chaminda Rathnayaka - Director

Management Team - Head Office

Rajiv Sanjaya Seneviratne - Chairman
Tissa Gamini Wijeratne - Director /Chief Executive Officer
Nishantha Asiri Fernando - Deputy General Manager (Finance)
S.J. Senanayaka – Deputy General Manager (Sales/Marketing)

Management Team - Pelwatte

D.M.S. Bandara - Acting COO/DGM Agriculture
Anura Dissanayake - Acting GM (HR)
R.M.W. Hemakumara - DGM Factory
R.M.J. Bandara - ADGM Distillery/Production Manager
D.M.A. Dissanayake - Financial Accountant
K..B. Vidurasinghe - Divisional Manager Outgrower
M.B. Chandana - Chief Engineer – Agri. Workshop
H.M.I.A.K. Katugaha - Production Manager
H.M.S.T. Kumarasiri - Electrical Engineer
M.M.A. Bandara - Engineering Manager
S. K. Kottege - Management Accountant
R.M.C. Pushpakumara - Purchasing Manager
W.S.K. Rathnayake - Land Development Manager
R.A.M. Chandana - Agronomist
L.A.C. Prasanna - NE Manager
J.A.N. Kumara - Acting Settler Estate Manager
A. Masachchi - Chief Internal Auditor
J.P.D.P. Pragnaseela - Harvesting & Buying Section Manager
R.M.N. Karunaratne - Assistant Manager EP & Fire Section
T.M.D. Thennakoon - Security Manager (Covering)
W.A.K. Parakrama- Assistant Investigation Officer

Management Team - Sevanagala

R.S. Jayaratne - Chief Operations Officer
K.A. Walter - General Manager
H.M.S. Samaraweera - Deputy General Manager (Agriculture)
D.K.W. De Silva - Deputy General Manager (Factory)
B.G.T. Prasanga – Deputy General Manager (HR & Admin)
K.D.N. Perera - Manager (Finance)
W.A.Lional - Transport Manager
S. W. Kodithuwakku - Manager (Agriculture Extension)
Athula Siridewa -Manager (Agriculture Extension)
H.S.B.. Pihillegedera - Manager (Procurement & Marketing)
S.V.D.S. Priyantha - Chief Engineer
D.C. Hettiarachchi - Chief Engineer (Power & Workshop)
P.A.K. Nandadewa - Manager (Agriculture Extension)
M. Upul Kumara - Manager (Agriculture Extension)