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இலங்கை கனிப்பொருள் மணல் லிமிடட்
LANKA MINERAL SANDS LIMITED



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ஆண்டறிக்கை
ANNUAL REPORT
2018

VISION

To be one of the leading foreign exchange earners in the country.



MISSION

To optimize the worth of heavy mineral beach sands and other natural resources accessible to the company.

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CORPORATE INFORMATION

Name	:	Lanka Mineral Sands Limited
Legal Form	:	A limited liability company fully owned by the Government of Sri Lanka
Company Registration No	:	PB 587
Registered Office	:	No. 341/21, Sarana Mawatha, Rajagiriya
Directors	:	Mrs.I. Ranatunga – Acting Chairman Mr.M. R. Habeeb – Managing Director (From 01.01.2018 to 20.09.2018) Mr. S.L.A. Razzak – Executive Director Mr.A.K.D.D.D.Arandara – Director/Treasury Representative Mr.M.I. Bathurdeen – Director Mr.H.B. Dayarathne – Director
Management Team	:	Mr.A.D.P.I. Prasanna – General Manager, SLAS, B.Sc (Agri) Sp. M.Sc (Mgt.) Mr. S.Gnaneswaran – Deputy General Manager B.Sc. Eng., (Plant/Operations) Associate Member of the Institute of Engineers Mr.T.M.P.K.Munasinghe – Deputy General Manager (Human Resources & Administration) Mrs. W.K. Thamara – Deputy General Manager L.I.C.A., APFA (Finance) Mr. M.A.I.G.Jayathilake – Chief Internal Auditor L.I.C.A. Mr.W.W.D.W. Kumara – Supplies Manager B.Sc. Mr. P.B.M. Wijebandara – Marketing Manager B.Sc.

CORPORATE INFORMATION

- Auditors** : Auditor General,
National Audit Office,
No. 306/72,
Polduwa Road,
Battaramulla.
- Bankers** : Bank of Ceylon
People's Bank
Hatton National Bank
- Secretaries** : Acting Company Secretary,
Legal Officer/Board Secretary,
Mrs. Damayanthi Cooray,
Lanka Mineral Sands Limited.
(From 01.01.2018 – 14.12.2018)
- Corporate Affairs (Pvt) Limited.
(From 14.12.2018 – 31.12.2018)

CHAIRMAN'S MESSAGE

It is with great pleasure that I present the Annual Report for the year 2018.

Established in 1957 as Ceylon Mineral Sands Corporation to mine and process heavy beach mineral sands the Corporation was converted to a limited liability company fully owned by the Government under the name "Lanka Mineral Sands Limited" in 1992.

Lanka Mineral Sands Limited operates under the purview of the Ministry of Industry and Commerce.

The production, sales and profit were increased during the year.

		<u>2018</u>	<u>2017</u>
Sales	- M.T	50,787	47,728
Sales Value	-Rs.Mln	1,542	1,424
Profit After			
Tax	-Rs.Mln	516	474

The Company was able to provide for a dividend of Rs. 180.7 million to the Treasury.

The head count at the end of the year was 656. Priority was given to training of staff through workshops, seminars and training programmes were conducted at all three workstations and which enabled employees gain valuable knowledge of the industry.

A major step forward was obtaining of mining license for Kokkilai Land for the establishment of a new upgrading plant. It is intended to increase production and thereby revenue with the exploration of the site and acquisition of new machinery. Preparation of Project Proposal was made for the establishment of new Plant at Kokilai.

Upgrading of existing plant with new machine to increase production and quantity of the Ilmenite, Rutile, Zircon and Hi.Ti. Ilmenite.

Value addition is our prime motive and we are confident of achieving set targets in the ensuring year. However, the net value to the country and other important factors such as environmental protection etc., should be carefully balanced.

I thank the Hon. Minister, the Secretary and the staff of the Ministry of Industry & Commerce, Resettlement of Protracted Displaced Persons, Co-operative Development and Vocational Training and Skills Development, and the General Treasury for continued support.

I also thank the Board of Directors, for their diligent guidance and support and employees at every level, for their exemplary efforts and dedication.

Indika Ranatunga,
Chairman Acting.

REPORT OF THE DIRECTORS

The Directors of Lanka Mineral Sands Limited present herewith their report, audited financial statements for the year ended 31st December 2018 and the Auditor's Report.

Principal Activities

The objectives in accordance with the Articles of Association of Lanka Mineral Sands Limited provide the Board of Directors.

1. to do mining, separating, refining and processing of heavy mineral sands.
2. to manufacture and sale of any product of commercial or industrial value from heavy beach sands and any product derived there from.
3. to manufacture and sale of any by-product which may be produced as a result of refining and processing heavy beach mineral sands.

Production

Production for the year in M.T was:-

Ilmenite	50,098
Rutile	2,319
Zircon	785
Hi.Ti. Ilmenite	10,749
Non Magnetic Heavy Mineral Concentrate	51,972

Spiral Plant Fines Concentrate	491
Zircon Crude Low Grade	15,536
Crude Monazite	23
Magnetite	468
New Wet Table Tailings	<u>12,224</u>
	<u>144,665</u>

Sales

Rs. 1,542 million was earned from the sale of 50,787.39 M.T of mineral sands.

M.T Rs.Mln.

Ilmenite	28,960.30	682
Rutile	2,177.28	284
Zircon	908.10	199
Hi.Ti. Ilmenite	5,017.09	118
Magnetite	2.00	0.02
Zircon Crude Low Grade	8,722.62	28
Non Magnetic Heavy Mineral Concentrate	<u>5,000.00</u>	<u>231</u>
	<u>50,787.39</u>	<u>1,542.02</u>

Results and Dividends

The Company's profit after tax was Rs.516 million. The profit would have been more if not for the unabsorbed overheads of the Plant amounting to Rs.138 million. The limited production and

REPORT OF THE DIRECTORS

absence of direct shipments from Pulmoddai resulted in the unabsorbed overhead expenditure.

A dividend of Rs.181.8 million was provided.

	Rs. Million	
	<u>2018</u>	<u>2017</u>
Gross Revenue	1,542	1,424
Gross Profit	868	953
Net Profit	516	474

Property, Plant and Equipment

The written down value of property, Plant, and Equipment as at 31st December, 2018 was 42% of the original value, which was Rs.1,432 million as per details in Note 12. Capital work-in-progress was 199 million. This is a clear indication of the need to replace the existing plant and machinery. A reserve was created for replacement and upgrading of plant and machinery. Some years ago and funds invested in a Sinking fund. However, the funds had to be used for payment of dividends during the year 2012.

Additions to fixed assets during the year were Rs. 129 million.

Stated Capital

The Stated Capital remains

unchanged at Rs. 800 million shares, the sole shareholder being the Secretary to the Treasury. Details as per Note 23.

Reserves and Retained Earnings

On approval of the Cabinet Ministers Rs. 500 million was paid as an advance to State Resources Management Corporation Limited in year 2012 and this has not been settled not repaid year to date. This amount and the interest receivable Rs. 512 million was transferred to retained earnings during the year under review. As a result the retained earnings decreased by this amount.

Short Term Financial Assets

Short Term Financial Assets decreased from Rs. 965 million to Rs. 541 million.

Short Term Loan

Bank overdraft (Rs.536,248,788) amount has been settled by the Lanka Mineral Sands Limited in year 2018.

Taxation

The normal tax in effect during the year was 28%. However, the company enjoyed a conce-

REPORT OF THE DIRECTORS

ssionary rate of 12% for its exports. A provision of Rs. 65 million was made for income Tax.

Share Information

Basic earnings per share improved to Rs. 6.46 in 2018 compared to that of Rs. 5.92 in year 2017.

Events Occurring After Statement of Financial Position Date

Overdraft facility of Rs. 100 million obtained from Bank of Ceylon was not made use in year 2018.

No any other circumstances have arisen since the Statement of Financial Position date that would require adjustment.

Employment Policies

The number of employees as at 31.12.2018 was 656. The management gave more attention to Human Resource Management during the year under review.

Training of employees through workshops, seminars and training programmes continued in 2018.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the government have been made up to date.

Directorate

The directorate of the company was changed as follows:-

Mrs.R.A..I.I.Ranatunga – Director
–Acting Chairman

Mr.M.R. Habeeb–Managing Director
From 01.01.2018 to 20.09.2018

Mr.S.L.A.Razzak–Executive Director

Mr.A.K.D.D.D.Arandara– Director/
Treasury Representative
From 03.04.2018 to 31.12.2018

Mr.M.I. Bathurdeen – Director

Mr.H.B. Dayarathne – Director

Future Plans

Future plans of the company include:-

- ❖ Diversifying into new products and locations.
- ❖ Expanding to Value Added products

REPORT OF THE DIRECTORS

- ❖ Establishment of mineral processing Plant at the Northern side of Kokillai Lagoon.
- ❖ Continue refurbishment of staff quarters
- ❖ Increase welfare facilities of staff.
- ❖ Renovation of internal electrical distribution system.
- ❖ Construction of a new warehouse to store 25,000 M.T of heavy minerals.
- ❖ Renovation of Rutile Plant by replacing the old High Tension Roller Separators & High Tension Plate Separators to increase the production of Rutile & Zircon.
- ❖ Gabion wall to protect coastal land used for coconut cultivation and housing scheme.
- ❖ Commissioning of fluidized bed dryer for dry zircon plant.
- ❖ Renovation & Upgrading of the existing plant complex.
- ❖ Construction of a new Laboratory Building.
- ❖ Renovation of Wet High Intensity Magnetic Separation Plant by replacing the old WHIMS Machines by new ones.
- ❖ Upgrading the Civil, Mechanical & Electrical Workshops.
- ❖ Construction of sheds to park the Wheel Loader & Tractors.
- ❖ Design & Fabrication of Trommel for Block “A” Plant.
- ❖ Purchasing of brand new 02 Nos. Double Cab, Jeep, Lorry, Hydraulic Excavator, 02 Nos. Wheel Loaders & Forklift.
- ❖ Provide training to employees’ to develop their skills.
- ❖ Renovation of vehicle service station.
- ❖ Replacement of 11 kv main distribution panel.
- ❖ Rewiring of the staff quarters.
- ❖ Modification of the electrical systems of Dry Mill and Wet Mill.

Directors Shareholdings

Directors did not hold any shares of the company. 100% of shares are held by the Secretary to the Treasury.

Corporate Social Responsibility

The company spent Rs.2.02 million to discharge corporate social responsibility. Sponsorship of social welfare activities, religious activities, educational activities etc. were undertaken.

REPORT OF THE DIRECTORS

Directors Interest in Contracts

The Directors have no direct or indirect interest in any contract or proposed contract with the Company.

Corporate Governance/Internal Control

The Directors acknowledge their responsibility for Company's internal control. The system is designed to give assurance inter alia on the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure only reasonable and not absolute assurance that errors

and irregularities are prevented or detected within a reasonable time.

The Board is satisfied with the effectiveness of the systems of internal control for the period up to the date of signing the Financial Statements.

Going Concern

Directors have adopted the going concern basis in preparing the Financial Statements.

Auditors

Auditor General's Department functioned as external auditors for the year ended 31st December, 2018.

Secretaries

Legal Officer/ Board Secretary, Mrs. Damayanthi Cooray, of Lanka Mineral Sands Limited acted as Acting Company Secretary – From 01.01.2018 – 14.12.2018 and from 14.12.2018 – 31.12.2018 M/s Corporate Affairs (Pvt) Limited acted as Company Secretary.

By order of the Board,
Corporate Affairs (Pvt) Limited.

FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

		2014	2015	2016	2017	2018
Gross Sales Revenue	– Rs.mln.	1,220	1,688	1,174	1,424	1,542
Gross Profit	– Rs.mln.	694	821	607	953	868
Other Income	– Rs.mln.	56	136	55	134	124
Profit Before Tax	– Rs.mln.	328	503	170	535	622
Profit After Tax	– Rs.mln.	329	457	154	474	516
Unabsorbed Overheads	– Rs.mln.	259	277	305	325	138
Total Assets	– Rs.mln.	2,829	2,764	3,100	3,489	3,945
Total Liabilities	– Rs.mln.	847	489	556	1,216	933
Shareholders' Equity	– Rs.mln.	1,981	2,276	2,544	2,309	3,012
Income Tax	– Rs.mln.	(2)	46	16	54	65
Dividend to Treasury	– Rs.mln.	14	158.5	54	161	181.8
Number of employees		636	847	685	695	656
Net Profit Before Tax to Equity		17%	22%	7%	23%	21%
Net Profit Before Tax to Total Assets		12%	18%	5%	15%	16%
Current Ratio		2:1	4:1	4:1	3:1	3:1

AUDIT AND MANAGEMENT COMMITTEE REPORT

The Audit and Management committee was established on 25 September 2018, as per the requirements of Good Governance Guidelines of Public Enterprises issued in 2002.

Appointment of committee members to this committee was delayed in first few months of year 2018, due to the absence of Non-executive Directors of the company.

However, as per the status prevailing from the year 2018 of following members were appointed to the Audit and Management Committee.

1. Mr.A. K. D. D. D.
Arandara – Chairman
(Treasury Representative /
Director – Lanka Mineral Sands
Limited)
2. Mr.M.I.Badurdeen – Committee
Member
(Director–Lanka Mineral Sands
Limited)
3. Mr.Abdul Razzak– Committee
Member
(Director–Lanka Mineral Sands
Limited)

During the Year under review the committee met three (3) times. The

committee reviewed and evaluated the quarterly internal audit reports of 2018-01 / 2018-02 / 2018-03. Further, Committee has discussed in depth the reports and queries issued by National Audit Office, and recommendations was given to the Management and Directed to the Board of Directors for further discussions and necessary actions.

Chief Internal Auditor of the Ministry of Industry and Commerce, Resettlement of Protracted Displaced Persons, Cooperative Development of Vocational Training and Skills Department and Officers from National Audit office also participated as observers.

The Committee addressed the issues relevant to the Management Information and given recommendations to the same, in additions to the issues forwarded to the Audit and Management Committee.

Mr. A. K. D. D. D. Arandara
Chairman
Audit and Management Committee.

INDEPENDENT AUDITOR'S REPORT

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		දිනය திகதி Date } 20 August 2019

THE ACTING CHAIRMAN,
Lanka Mineral Sand Company Limited



Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Mineral Sand Company Limited for the year ended 31 December 2018 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 the Lanka Mineral Sand Company Limited ("Company") for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income 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 appropriate audit evidence to provide a basis for an audit opinion on these financial statements

අංක 306/72, පොල්ලා පාර, බත්තරමුල්ල, කොළඹ 05. ශ්‍රී ලංකාව. අංක. 306/72, පොල්ලා පාර, බත්තරමුල්ල, කොළඹ 05. ශ්‍රී ලංකාව. No. 306/72, Polhara Road, Battaramulla, Sri Lanka.

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INDEPENDENT AUDITOR'S REPORT



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NATIONAL AUDIT OFFICE

1.2. Basis for Disclaimer of Opinion

- (a) A sand stock (Block A tailing) of 416,901.79 Metric tons having 7.88 per cent of mineral composition had been valued at Rs. 879,525,348 since last four years, and shown in the financial statements under current assets. In process of absorbing production cost to different mineral products, company had used an absorption rate without considering the percentage of mineral composition of mineral products. Further, machineries belonging to the company have the capacity to process only sand stocks having 40 percent mineral composition. Such stock had not been sold up to the date of this report and hence possibility to sell this stock in future is in doubt. As a result of this practice cost of sale of other mineral products is understated and profit of the years are overstated.
- (b) In terms of the Cabinet decision dated 09 November 2011, Lanka Mineral Sands Limited (LMSL) has granted a sum of Rs. 500,000,000 to State Resources Management Corporation Limited (SRMCL) on 10 January 2012. Third party confirmation for this advance had not been provided for the audit. Further there were no repayments until as at the reporting date. Further, as per section 5 of Memorandum of Understanding (MOU) signed by the two parties, repayment terms regarding the advance of Rs.500,000,000 and interest receivable thereon amounting to Rs.17,421,448 were not included. Further, as per section 6 of MOU, the General Treasury had been nominated as the third party to settle the dues in case of default by SRMCL. However, such clause is not valid since the required consent had not been obtained from the General Treasury. Due to these facts the recoverability of said advance and the interest receivable thereon are doubtful. However, impairment, if any has not been assessed and provided in this regard.
- (c) Lanka Mineral Sands Limited had granted a sum of Rs.25,000,000 to State Plantation Corporation on 10 August 2012 and there were no repayments until as at the reporting date. However, Impairment, if any has not been assessed and provided in this regard.
- (d) Stock shortages amounting to Rs.63,014,139 and stock surpluses amounting to Rs 4,418,351 recognized during the stock verification had been adjusted to the retained earnings instead of being adjusted to the current year income statement. Hence, profit of the year under review had been overstated by Rs 58,595,788.
- (e) According to the stock verification reports of the company as at 31 December 2018, a shortage of 35,724 Metric tons is in the block tailing stock had been identified and the estimated value of the stock shortage was Rs.75, 366,939. However, such shortage had not been adjusted in the financial statement. As a result, the profit of the year under review had been overstated by similar amount.

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National Audit Office

- (f) Tax liability of the company had been understated by Rs. 14,538,363 due to application of 12 per cent tax rate instead of 14 per cent tax rate.
- (g) The company had not made provision for the ESC tax liability amounting to Rs. 7,709,489 for the year under review. As a result, current liabilities had been understated and profit had been overstated by similar amount.
- (h) According to Ilmenite trading account, the cost of final finished stock of one metric ton ilmenite should be calculated at a rate of Rs. 1,573.50. However, value of such stocks had been calculated based on the rate of other costs of the final stock value of ilmenite. Hence, value of such stocks and profit of the year under review had been overstated by Rs. 7,052,804.70.
- (i) Sand collection expenses in respect of the year 2017 was amounting to Rs.13,145,346 and year 2018 amounting Rs. 9,988,949. However, expenses relating to year 2017 had been recognised as expenses of the year under review while expenses of the year 2018 had been recognised as expenses of year 2019. As a result, profit of the year under review had been understated by Rs 3,156,397.
- (j) Annual trip expenses of the preceding year amounting to Rs. 8,158,136 had been accounted as expenses of the year under review. As a result, profit of the year under review had been understated by similar amount.
- (k) Fully depreciated motor vehicles and buildings valued at Rs.138,960,439 and Rs. 40,859,572 respectively are being continuously utilized by the company without reviewing the useful economic life time of such assets in terms of Sri Lanka Accounting Standard on Property, Plant and Equipment (LKAS 16).
- (l) Although twelve (12) units of staff quarters and new water pipe line costing Rs.190,911,256 are being used by the company are shown as work in progress without being transferred to the respective asset accounts. Hence, depreciation on such assets amounting to Rs.17,691,669 had not been made in terms of paragraph 55 of the Sri Lanka Accounting Standard on Property, Plant and Equipment (LKAS 16). As a result, profit of the year under review had been overstated by similar amount.
- (m) As per paragraph 79(b) of the Sri Lanka Accounting Standard on Presentation of Financial Statements (LKAS 01), the nature and purpose had not been disclosed in respect of head office building sinking reserve, workmen's compensation sinking fund reserve and T-sunami repair sinking fund reserve amounting to Rs.171,149,672, Rs.10,246,237 and Rs.18,801,474 respectively shown in the financial statements.

INDEPENDENT AUDITOR'S REPORT



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National Audit Office

- (n) Contrary to paragraph 28 of the Sri Lanka Accounting Standard on Inventory (LKAS 2), cost of the obsolete consumable stocks amounting to Rs 168,817,886 had been included in the inventory.
- (o) As per paragraph 80 and 81 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12), the disclosures had not been made with regards to the changes and application of the new Inland Revenue Act, No. 24 of 2017 in the financial statement of the Company.
- (p) As per paragraph 46(b) of the Sri Lanka Accounting Standard on Financial Instruments Recognition & Measurement (LKAS 39), the loans given to employees of the company less than the market interest should be recognized at amortized cost using effective interest method. However, the difference between the market interest rate and the actual interest rate charged for the loans had been recognized as costs of employees.

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

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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

INDEPENDENT AUDITOR'S REPORT



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National Audit Office

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

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences 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 and I was unable to determine whether proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- Except for the effect of the matters described in the Basis for Disclaimer of Opinion, 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 do not includes all the recommendations made by me in the previous year as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No.19 of 2018.

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 normal 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:

INDEPENDENT AUDITOR'S REPORT

Reference to Laws / Directions	Description
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<p>(a) Public Enterprises Circular No. PED 12 of 02 June 2003</p> <p style="margin-left: 40px;">(i) Section 8.2.3</p> <p style="margin-left: 40px;">(iii) Section 6.5.1</p> <p style="margin-left: 40px;">(iv) Section 7.4.5</p> <p>(b) Section 01 of the Public Enterprises Circular No. PED/2015/01 of 25 May 2015</p>	<p>Concurrence of the Minister of Finance had not been obtained for the investment made in fixed deposits amounting to Rs. 347, 544,421.</p> <p>The financial statement of the Company had been presented on 03 May 2019, after delay of 02 months.</p> <p>The Company had not carried out assets verification during the year under review.</p> <p>Monthly transport allowances amounting to Rs.55, 972,250 had been paid to 611 officers without obtaining the approvals from the Secretary to the General Treasury.</p>
<ul style="list-style-type: none"> • 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. • 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 except for: <ul style="list-style-type: none"> (a) The company has obtained a land from Urban Development Authority for 30 years lease at a sum of Rs. 24,220,118 for the construction of the head office of the company. Although the contract awarded on 27 February 2018 for the amount of 189,147,019, the both parties had not been signed an agreement and the work had not been commenced up to the date of this report. (b) As per the recommendation of the Technical Evaluation Committee (TEC), the Company had imported a dryer machine on 30 June 2016 at a cost of Rs. 62,370,234 to save 50 per cent of operational cost. Further, a late fee of Rs. 1,164,350 had also been 	
6	

INDEPENDENT AUDITOR'S REPORT



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NATIONAL AUDIT OFFICE

paid for the importation of the machine. Due to unnecessary delay in commissioning the machine, the Company was not able to save Rs.55, 927,339 though the purpose of procurement of the machine was to save the cost.

- (c) The board of directors of the company had decided to write off the consultancy fee paid during the year 2011 to 2014 for the construction works which had been shown as work-in Progress amounting to Rs. 4,086,803 as expenses since the construction works had not been commenced


W.P.C. Wickramaratne
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 ST DECEMBER	NOTE	2018 Rs.	2017 Rs.
Gross Revenue	3	1,541,897,793	1,424,358,555
Value Added Tax		<u>(279,186)</u>	<u>(98,081)</u>
Net Revenue		1,541,618,607	1,424,260,474
Cost of Sales	4	<u>(673,270,906)</u>	<u>(471,561,438)</u>
Gross Profit		868,347,701	952,699,036
Other Operating Income	5	<u>39,195,564</u>	<u>37,101,717</u>
		907,543,265	989,800,753
Distribution Cost	6	(9,984,372)	(6,827,758)
Administrative Expenses	7	(198,778,166)	(179,889,185)
Other Operating Expenses	8	<u>(161,504,556)</u>	<u>(364,943,423)</u>
		<u>(370,267,094)</u>	<u>(551,660,366)</u>
Operating Profit		537,276,171	438,140,387
Finance Income	9	<u>84,453,625</u>	<u>96,399,804</u>
Profit before Income Tax for the year		621,729,796	534,540,191
Income Tax Expenses	10	<u>(105,359,309)</u>	<u>(60,940,329)</u>
Profit after Income Tax for the year		<u>516,370,487</u>	<u>473,599,862</u>
Net Profit for the year		<u>516,370,487</u>	<u>473,599,862</u>
Basic Earnings Per Share	11	6.46	5.92
Net Profit for the year		516,370,487	473,599,862
Net Actuarial Gain/(Loss) on Retirement Benefit Obligation		<u>3,247,017</u>	<u>(12,598,135)</u>
Total Comprehensive Income for the year		<u>519,617,504</u>	<u>461,001,727</u>

STATEMENT OF FINANCIAL POSITION

AS AT 31 ST DECEMBER	NOTE	2018 Rs.	2017 Rs.
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	12	796,653,943	821,389,073
Lease Hold Assets	13	19,982,233	20,813,639
Intangible Assets	14	606,854	468,479
Advance	15	<u>562,421,448</u>	<u>45,000,000</u>
TOTAL NON CURRENT ASSETS		<u>1,379,664,478</u>	<u>887,671,191</u>
CURRENT ASSETS			
Inventories	16	1,645,425,234	1,270,630,969
Short Term Financial Assets	17	193,403,294	65,215,069
Fixed Deposits	18	347,557,191	900,000,000
Advances and Deposits	19	123,812,517	49,191,331
Prepaid Expenses	20	31,517,851	7,076,726
Other Receivable	21	212,960,515	309,125,599
Cash & Cash Equivalents	22	<u>10,738,301</u>	<u>35,346,730</u>
TOTAL CURRENT ASSETS		<u>2,565,414,903</u>	<u>2,636,586,424</u>
TOTAL ASSETS		<u>3,945,079,381</u>	<u>3,524,257,615</u>
EQUITY AND LIABILITIES			
EQUITY			
Stated Capital	23	800,000,000	800,000,000
Other Reserves	24	906,544,343	906,544,343
Retained Earnings /(Loss)	25	<u>1,305,465,096</u>	<u>602,029,845</u>
Total Share holders Equity		<u>3,012,009,439</u>	<u>2,308,574,188</u>
LIABILITIES			
Non-Current Liabilities			
Retirement Benefit Obligations	26	62,789,635	68,012,638
Deferred Taxation	27	56,206,564	55,901,318
Income Tax Payable	28	<u>44,772,475</u>	<u>24,357,801</u>
		<u>163,768,674</u>	<u>148,271,757</u>
CURRENT LIABILITIES			
Trade & Other Creditors	29	682,447,511	466,731,800
Provisions and Accrued Expenses	30	86,853,757	64,431,082
Bank Overdraft	31	<u>-----</u>	<u>536,248,788</u>
		<u>769,301,268</u>	<u>1,067,411,670</u>
TOTAL LIABILITIES		<u>933,069,942</u>	<u>1,215,683,427</u>
TOTAL EQUITY AND LIABILITIES		<u>3,945,079,380</u>	<u>3,524,257,615</u>

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

Sgd – – Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of the Board by,

Sgd. Mrs. I. Ranatunga – Chairman

Sgd. Director Mr. S.L.A. Razzak

In Rs.

	STATED CAPITAL	RETAINED EARNINGS	REPLACEMENT /UPGRADING PLANT & MACHINERY SINKING FUND RESERVE	HEAD OFFICE BUILDING SINKING FUND RESERVE	WORKMEN'S COMPENSA- TION SINKING FUND RESERVE	TSUNAMI REPAIR SINKING FUND RESERVE	TOTAL
Balance as at 01 January,2017	800,000,000	837,317,294	706,346,960	171,149,672	10,246,237	18,801,474	2,543,861,637
Total Comprehensive Income for the year	-----	473,599,862	-----	-----	-----	-----	473,599,862
Total Other Comprehensive Income for the year	-----	(12,598,135)	-----	-----	-----	-----	(12,598,135)
Adjustment of Royalty	-----	(17,559,398)	-----	-----	-----	-----	(17,559,398)
Under Provision of Income Tax Y/A 2016/2017	-----	(5,308,330)	-----	-----	-----	-----	(5,308,330)
Adjustment of State Resources Management	-----	(512,421,448)	-----	-----	-----	-----	(512,421,448)
Dividend to the Treasury	-----	(161,000,000)	-----	-----	-----	-----	(161,000,000)
Balance as at 31 December, 2017	<u>800,000,000</u>	<u>602,029,845</u>	<u>706,346,960</u>	<u>171,149,672</u>	<u>10,246,237</u>	<u>18,801,474</u>	<u>2,308,574,188</u>
Balance as at 01 January,2018	800,000,000	602,029,845	706,346,960	171,149,672	10,26,237	18,801,474	2,308,574,188
Total Comprehensive Income for the year	-----	516,370,487	-----	-----	-----	-----	516,370,487
Total Other Comprehensive Income for the year	-----	3,247,017	-----	-----	-----	-----	3,247,017
Adjustment of Stocks	-----	(111,541,043)	-----	-----	-----	-----	(111,541,043)
Adjustment of Fixed Deposits Interest	-----	(36,332,988)	-----	-----	-----	-----	(36,332,988)
Adjustment of State Resources Management	-----	512,421,448	-----	-----	-----	-----	512,421,448
Dividend to the Treasury	-----	(180,729,670)	-----	-----	-----	-----	(180,729,670)
Balance as at 31 December, 2018	<u>800,000,000</u>	<u>1,305,465,096</u>	<u>706,346,960</u>	<u>171,149,672</u>	<u>10,246,237</u>	<u>18,801,474</u>	<u>3,012,009,439</u>

STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December, 2018

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31ST DECEMBER

	2018 Rs.	2017 Rs
Profit/ (Loss) before Taxation	621,729,796	534,540,191
Adjustments:		
Depreciation and Amortization	95,224,657	74,500,678
Interest Income	(84,453,625)	(96,399,804)
Gratuity	12,397,663	10,374,656
Fair Value of planned Assets	(288,629)	(270,726)
Actuarial Loss on retirement benefits obligation	(3,247,017)	12,598,135
Profit on Disposal of Property, Plant & Equipment	(9,810)	(3,249,932)
Operating Profit before working capital changes	641,353,035	532,093,198
(Increase)/Decrease in Inventories	(374,794,265)	(322,040,964)
(Increase)/Decrease in Trade & Other Receivables	(2,897,227)	17,119,890
Increase/(Decrease) in Trade & Other Payables	215,715,711	61,794,779
Increase/(Decrease) in Credit Facility	-----	-----
Cash Generated from Operations	479,377,254	288,966,903
Gratuity Paid	(14,085,021)	(13,114,170)
Income Tax Paid	(1,000,000)	(5,000,000)
Net Cash from Operating Activities	464,292,233	270,852,733
Cash Flow From Investing Activities		
Deposits placed with Investments	191,407,646	(686,887,780)
Interest Income	(84,453,625)	(96,399,804)
Capital Work-in Progress	(20,519,872)	(13,233,654)
Acquisition of Property, Plant & Equipment and Intangible Assets	(4,095,833)	(3,836,584)
Proceeds from Disposal of Property, Plant & Equip.	9,810	3,249,950
Net Cash flow from Investing Activities	82,348,126	(797,107,872)
Cash Flow From Financing Activities		
Dividend paid	(35,000,000)	-----
Net Cash Flow from Financing Activities	(35,000,000)	-----
Net Increase/(Decrease)in Cash & Cash Equivalents	511,640,359	(526,255,139)
Cash & Cash Equivalents at the beginning of the period	(500,902,058)	25,353,081
Cash & Cash Equivalent at the end of the period	10,738,301	(500,902,058)
Analysis of Cash & Cash Equivalents		
Cash at Banks	10,578,735	(501,054,053)
Cash in Hand	59,566	51,995
Petty Cash	100,000	100,000
	<u>10,738,301</u>	<u>(500,902,058)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. CORPORATE INFORMATION

1.1 General

Lanka Mineral Sands Limited is a limited liability company fully owned by the Government of Sri Lanka incorporated and domiciled in Sri Lanka. The registered office of the company is located at No 341/21, Sarana Mawatha, Rajagiriya.

1.2 Nature of Operations and Principal Business Activities

The principal activity of the company is mining, processing and marketing of heavy mineral sands.

The floating craft section at Cod-Bay, Trincomalee was closed down.

1.3 Number of Employees

The number of employees of the company as at the end of the year was 656.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of Lanka Mineral Sands limited have been prepared in accordance with Sri Lanka Accounting Standards (SLAS). The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLAS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2.2 Changes in accounting policies

The presentation and classification of the financial statements of the previous year have been amended where relevant, for better presentation and to be comparable with those of the current year.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

Transaction and balances included in the financial statements of the company is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sri Lanka Rupees (LKR), which is the company's presentation currency.

2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment are initially recognized at cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Subsequent costs are included in the asset's carrying amount or recognized as an asset, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:-

Site Development	20 Years	5%
Buildings	20 Years	5%
Plant & Machinery	10 Years	10%
Loose Tools & Equipment	10 Years	10%
Furniture, Fitting & equipment	10 Years	10%
Motor Vehicles	6.5-5 Years	15%-20%
Water Supply	10 Years	10%
Floating craft	10 Years	10%
Slime-pit	4 years	25%
Computer Hardware	4 Years	25%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Revaluation of property, plant equipment for the time being has been ruled out as several attempts made by the company to obtain a valuation from the Government Valuer did not materialize.

2.5 Intangible Assets

Acquired computer software and operating systems are capitalized on the basis of the costs incurred to acquire and bring to use the specific software and systems. Intangible assets acquired are stated at cost less accumulated amortization and accumulated impairment

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

losses. These costs are amortized over their estimated useful lives, as follows:–

Computer Software	4 Years	25%
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Costs associated with maintaining computer software programs are recognized as an expense incurred.

2.6 Impairment of non-financial assets

At each end of reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss(if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company determines the cash-generating unit and estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

2.7 Financial Assets

2.7.1 Classification

The company determines the classification of its financial assets as loans and receivables at initial recognition as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The company's loans and receivables comprise trade and other receivables, repurchase government securities, investment in State Institution Temporary Surplus Fund, prepayments, deposits, loans to employees and cash and cash equivalents at the end of reporting period.

Advance of Rs. 500 million with accrued interest of Rs. 12.4 million have been reversed to retained earnings since there is a court case against the State Resources Management Corporation Limited.

A legal action has been taken to recover the other loans of Rs. 45 million.

2.7.2 Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the company originates the transaction. A financial asset is measured initially at fair value plus directly attributable transaction costs.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership of the financial assets.

2.7.3 Subsequent Measurement

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2.7.4 Impairment of financial assets Assets carried at amortized cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables carried at amortized cost, 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

2.8 Inventories

Inventories are stated at lower of cost or net realizable value. Cost is determined on the basis of Weighted Average Cost (WAC).

2.9 Trade Receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Collection is expected in the normal

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

operating cycle of the business and they are classified as current assets.

Trade receivables are recognized initially at fair value, which is the invoice amount and subsequently measured at the original invoice amount less provision for impairment as they are expected to be received within short period, such that the time value of money is not significant.

The company assesses at the end of each reporting period whether there is objective evidence that trade receivables is impaired. Objective evidence of impairment for trade receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments. Trade receivables are impaired and impairment losses are incurred, only if there is objective evidence of impairment.

2.10 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.11 Stated Capital

Stated Capital represents the value of shares that have been issued. Ordinary shares are classified as equity.

2.12 Financial Liabilities

The company classifies financial liabilities into other financial liabilities. The Company's other financial liabilities include trade and other payables. The other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at the original invoice amount as they are expected to be

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

paid within short period, such that the time value of money is not significant.

The company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

2.13 Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities as there in the normal operating cycle of the business.

Trade and other payables are recognized initially at fair value, which is the transaction price and subsequently measured at the original invoice amount as they are expected to be paid within short period, such that the time value of money is not significant.

2.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted at the reporting period end applicable for the company and generate taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority.

2.15 Employee benefits

The company has both defined benefit and defined contribution plans.

2.15.1 Defined Contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

The company contributes 12% of gross emoluments of employee to Employee Provident Fund (EPF) and 3% on gross emoluments of employees to Employee Trust Fund (ETF).

2.15.2 Defined benefit plan

The company obligation in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is measured annually using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and the long – term nature, such estimates are subject to significant uncertainty and the obligation is highly sensitive to the changes of these estimates and assumptions. Details of the key assumptions used in the estimates are specified in Note 26 to the Financial Statements.

2.15.3 Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted amount expected to be paid for related services provided by the employees.

2.16 Provisions and Contingent Liabilities

Provisions for operational expenses are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the company and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

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

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sale of goods

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

stated at net of Value Added Taxes (VAT). The company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

The company applies the revenue recognition criteria set out below to each identifiable major type's revenue generated.

2.17.1 Sale of Goods

Revenue from the sale of goods is recognized at the point that the risks and rewards of the goods have passed to the customer, which is the point of dispatch.

2.17.2 Interest Income

Interest Income is recognized using the effective interest method.

2.17.3 Gain and Losses on Disposal of Property, Plant and Equipment

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

2.18 Expenses

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

2.19 Events Occurring after the Reporting Period

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

2.20 Commitments

All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2A. Significant Accounting Estimates and judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

2A.1 The following are significant judgments in applying the accounting policies that have most significant effect on the financial statements.

2A1.1 Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

2A.2 Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

2A.2.1 Useful life time of depreciable assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

2A.2.2 Defined benefit plan

The present value of the defined benefit plan obligations depends on a number of factors that are determined on the basis of projected unit credit method using a number of assumptions. The assumptions are used in determining the net cost and obligation for defined benefit plan including the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

			2018 Rs.	2017 Rs.
NOTE 03 REVENUE	Gross Sales Rs.	VAT Rs.	Net Sales Rs.	
Rutile	284,392,905	-----	284,392,905	224,502,090
Ilmenite	681,767,663	(174)	681,767,489	872,086,715
Zircon	199,431,438	(279,012)	199,152,426	128,703,342
Hi.Ti. Ilmenite	117,600,452	-----	117,600,452	84,355,494
Non Magnetic Heavy Mineral Concentrate	231,100,526	-----	231,100,526	-----
Zircon Crude	-----	-----	-----	39,754,876
Zircon Crude High Grade	-----	-----	-----	67,174,412
Zircon Crude Low Grade	27,578,566	-----	27,578,566	172,260
Magnetite	26,243	-----	26,243	-----
Crude Monazite	-----	-----	-----	12,998
Screen Oversize Con.	-----	-----	-----	7,498,287
	<u>1,541,897,793</u>	<u>(279,186)</u>	<u>1,541,618,607</u>	<u>1,424,260,474</u>

NOTE 04 COST OF SALES

Rutile	51,968,263	49,076,178
Ilmenite	239,017,610	256,111,509
Zircon	27,154,010	24,411,397
Hi.Ti. Ilmenite	81,395,650	50,007,445
Non Magnetic Heavy Mineral Concentrate	177,033,426	-----
Zircon Crude	-----	22,448,796
Zircon Crude High Grade	-----	37,948,021
Zircon Crude Low Grade	96,676,463	28,552,970
Magnetite	25,483	-----
Crude Monazite	-----	2,198
Screen Oversize	-----	3,002,924
	<u>673,270,905</u>	<u>471,561,438</u>

NOTE 05 OTHER OPERATING INCOME

Demurrage Income	39,195,563	18,132,480
Profit on Sale of Assets	-----	3,249,932
Exchange Fluctuation	-----	15,719,305
	<u>39,195,563</u>	<u>37,101,717</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 06 DISTRIBUTION COST

Salaries & Wages	3,971,716	3,819,712
Overtime	475,073	61,058
Attendance Incentive	155,200	173,800
Meal Allowance	222,900	204,450
Provident Fund Contribution	801,280	526,776
Transportation of Employees	462,000	-----
Licence fees	113,498	334,389
Postage, & Telephone	128,486	73,823
Printing & Stationery	800	223
Advertising & Sales Promotion – Local	944,149	1,365,425
Publicity & Exhibition	2,000	136,408
Exchange Fluctuation	2,573,670	--
Employees Trust Fund	<u>133,600</u>	<u>131,694</u>
	<u>9,984,372</u>	<u>6,827,758</u>

NOTE 07 ADMINISTRATIVE EXPENSES

Directors' payments	1,727,500	205,000
Chairman's payments	743,887	1,143,823
Salaries & Wages	10,450	267,500
Salaries & Wages	2,228,502	1,244,025
Entertainment	60,000	320,565
Fuel & Lubricants	892,607	626,336
Vehicle Running Expenses	1,045,161	675,000
Postage & Telephone	333,499	95,639
Foreign Travel	-----	25,116
Administrative / General Expenses (Note 7A)	<u>191,736,560</u>	<u>175,286,181</u>
	<u>198,778,166</u>	<u>179,889,185</u>

NOTE 7A – ADMINISTRATION/GENERAL EXPENSES

Salaries & Wages	57,126,436	58,080,912
Overtime	8,697,486	6,414,288
Attendance Incentive	2,328,400	2,796,100
Gratuity	9,578,244	7,311,699
Meal Allowance	3,445,035	3,449,850
Staff Tea	771,451	534,243
Languages Allowance	47,841	82,680
Provident Fund Contribution	7,461,422	7,711,002
Staff Welfare	2,437,181	2,365,633
25 years service award ceremony	257,200	630,000
60 th Anniversary Expenses	5,009,965	-----
Uniforms	2,566,635	2,463,032
Medical Scheme	822,011	243,091
Travelling & Subsistence	402,047	458,582

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 ST DECEMBER	2018 Rs	2017 Rs.
Transportation of Employees	12,043,094	----
Entertainment	5,589	12,453
Refreshment	333,350	356,343
Professional Charges	5,306,296	4,366,475
Electricity	2,218,101	2,143,877
Fuel & Lubricants	2,587,889	2,198,316
Consumables	1,414,714	392,163
Repairs & Maintenance – Equipment	2,092,491	1,435,242
Water Charges	338,415	318,350
Freight Prepaid	-----	-----
Staff Training	181,000	1,515,686
Rent & Rates	9,426,469	9,545,816
Insurance – Motor Vehicles	605,384	623,015
Insurance – Personnel Accident	3,988	1,363
Insurance – Cash in Transit	22,882	32,176
Insurance – Fidelity Guarantee	108,678	126,449
Insurance – Fire	12,936	6,748
Insurance – Medical	5,378,625	5,547,988
Licence Fees	32,157	61,570
Vehicle Running Expenses– Rep & Maint.	3,653,544	11,827,021
Vehicle Hire Charges	220,969	237,884
Hire of Generator	-----	20,000
Postage & Telephone	1,701,431	1,629,894
Printing & Stationery	2,045,740	1,444,313
Books & Periodicals	-----	7,820
Subscription	1,020,168.41	873,210
Sundry Expenses	95,996	119,345
Audit Fees	302,500	347,000
Advertising Expenses	384,425	85,050
Foreign Travel	1,098,344	-----
Corporate Social Responsibility	2,022,174	1,457,673
Legal Expenses	1,297,366	3,602,202
Press Notices	2,668,160	3,609,450
Joint Venture & Value Addition	91,935	-----
Bank Charges	21,049,522	13,746,236
Depreciation	1,657,406	1,458,317
Amortization of Software	91,612	94,516
Amortization of Leasehold Land	831,406	831,406
Employees Trust Fund	1,596,760	1,928,072
Bonus	1,454,107	1,431,591
Profit Incentive	5,389,583	9,310,039
	<u>191,736,560</u>	<u>175,286,181</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 08 OTHER OPERATING EXPENSES

Unabsorbed Overheads –	Note 8.1	138,390,823	325,382,702
Low Grade Crude Zircon	-- NRV	23,044,621	39,449,525
Sale of Assets		47,112	--
Donation		22,000	111,200
		<u>161,504,556</u>	<u>364,943,427</u>

NOTE 08.1 UNABSORBED PLANT OVERHEADS

Shipping	6,179,860	4,884,232
Magnetic Separation Plant	6,928,433	34,743,044
Wet & Dry Mill	24,152	10,664,779
Transferred from other cost centers	<u>125,258,378</u>	<u>275,090,643</u>
	<u>138,390,823</u>	<u>325,382,698</u>

NOTE 09 FINANCE INCOME

Interest on Gratuity Fund Investments	296,653	300,807
Interest on General Investments	68,804,886	85,014,719
Interest on Staff Loans and Other Income	8,562,530	8,862,186
Interest on Housing Loan – HDFC	1,608,648	1,778,710
Interest on Foreign Currency Account	180,908	383,486
Interest on S.R.M.C.L. Loan	5,000,000	--
Forfeited Tender Deposits	-----	59,896
	<u>84,453,625</u>	<u>96,399,804</u>

NOTE 10 INCOME TAX EXPENSES

Income Tax Expenses for the year – Note 10.1	65,000,000	53,500,000
Deferred Taxation	305,246	7,440,329
Under Provision of Income Tax Y/A 2017/2018	<u>40,054,063</u>	-----
	<u>105,359,309</u>	<u>60,940,329</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 10.1 RECONCILIATION BETWEEN THE CURRENT TAX EXPENSES AND THE PRODUCT OF ACCOUNTING PROFIT

Accounting Profit before Taxation	621,729,796	534,540,191
Aggregated Expenses Disallowed for Tax	220,110,687	192,201,375
Aggregated Expenses Allowed for Tax	(101,234,641)	(107,626,561)
Aggregated Income for Other Sources	(84,453,625)	(96,339,908)
Taxable Business Profit/(Loss) for the year	<u>656,152,217</u>	<u>522,775,097</u>
Other Income Liable for Tax	84,272,717	95,956,422
Total Statutory Income	740,424,934	618,731,519
Deduction under Section 32	(110,112,567)	(101,651,381)
Assessable Income	630,312,367	517,080,138
Qualifying Payments	(102,031,370)	(72,280,171)
Taxable Income	528,280,997	444,799,967
Income Tax Expenses – @ 12 %	63,393,719	53,375,996
Rounded Up	<u>65,000,000</u>	<u>53,500,000</u>
	<u>65,000,000</u>	<u>53,500,000</u>

NOTE 11 BASIC EARNINGS PER SHARE

The calculation of Basic Earning Per Share is based on the Net Profit attributable to Ordinary Shareholders divided by the Weighted Average Number of Ordinary Shares outstanding during the year.

Net Profit attributable to Ordinary Shareholders	516,370,487	473,599,862
Weighted Average Number of Ordinary Shares	80,000,000	80,000,000
Basic Earnings per share (Rs.)	6.46	5.92

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 PROPERTY, PLANT & EQUIPMENT

Rs.

Description	As at 01.01.2018	Additions	Disposals/ Adjustments	Transfer	As at 31.12.2018
COST					
Freehold Land	3,029,245	----	----	----	3,029,245
Site Development	49,107,211	1,501,092	----	----	50,608,304
Upgrading of Garden	-----	4,520,948	----	----	4,520,948
Building	214,076,468	42,404,455	----	----	256,480,923
Plants & Machinery	645,722,871	45,276,934	----	----	690,999,805
Loose Tools & Equipment	49,794,323	16,088,439	428,776	----	65,453,987
Furniture, Fittings & Equip.	30,498,960	4,938,566	47,002	----	35,390,524
Motor Vehicles	266,755,879	-----	----	----	266,755,879
Water Supply Scheme	14,694,456	12,837,260	----	----	27,531,715
Floating Crafts	10,931,234	-----	----	----	10,931,233
Computer Hardware	19,289,543	1,156,541	320,950	----	20,125,134
	<u>1,303,900,190</u>	<u>128,724,235</u>	<u>796,728</u>	----	<u>1,431,827,697</u>
DEPPRECIATION					
Freehold Land	-----	-----	----	----	-----
Site Development	14,112,923	2,450,054	----	----	16,562,977
Upgrading of Garden	-----	56,440	----	----	56,440
Building	74,262,514	10,291,041	----	----	84,553,555
Plants & Machinery	393,689,231	47,022,071	----	----	440,711,302
Loose Tools & Equipment	33,596,042	4,321,533	371,878	----	37,545,695
Furniture, Fittings & Equip.	17,920,041	2,641,967	46,991	----	20,515,017
Motor Vehicles	165,997,315	25,582,108	----	----	191,579,423
Water Supply Scheme	14,647,345	333,969	----	----	14,981,314
Floating Crafts	10,350,899	115,105	----	----	10,466,004
Computer Hardware	15,618,814	1,409,637	320,936	----	16,707,515
	<u>740,195,124</u>	<u>94,223,925</u>	<u>739,805</u>	----	<u>833,679,242</u>
Net Carrying Value	563,705,066				598,148,455
Capital Work-in-Progress	<u>257,684,007</u>	<u>20,519,872</u>	----	79,698,391	<u>198,505,488</u>
	<u>821,389,073</u>	<u>20,519,872</u>	----		<u>796,653,943</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 LEASE HOLD ASSETS

Rs.

Description	As at 01.01.2018	Additions	Disposals/ Adjustments	Transfer	As at 31.12.2018
COST					
Leasehold Land	24,222,334	--	--	--	24,222,334
AMORTIZATION					
Leasehold land	<u>3,408,695</u>	<u>831,406</u>	--	--	<u>4,240,101</u>
Net Carrying Value	<u>20,813,639</u>	<u>831,406</u>	<u>--</u>	<u>--</u>	<u>19,982,233</u>

NOTE 14 INTANGIBLE ASSETS

Rs.

Description	As at 01.01.2018	Additions	(Disposals)/ Adjustments	Transfer	As at 31.12.2018
COST					
Computer Software	4,095,833	307,700	---	---	4,403,532
AMORTIZATION					
Computer Software	<u>3,627,355</u>	<u>169,324</u>	---	---	<u>3,796,679</u>
Net Carrying Value	<u>468,478</u>		<u>--</u>	<u>---</u>	<u>606,853</u>

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 15 ADVANCE

State Resources Management Corporation Ltd.	500,000,000	--
State Plantation Corporation	25,000,000	25,000,000
Janatha Estate Development Board	15,000,000	15,000,000
National Paper Company Ltd.	5,000,000	5,000,000
Interest Receivable	<u>17,421,448</u>	-----
	<u>562,421,448</u>	<u>45,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 16 INVENTORIES

Head Office	1,015,477	1,886,173
Consumables & Spares	168,817,887	168,746,272
Raw Materials and Intermediary Products	73,139,911	139,019,435
Finished & Semi Processes Goods		
– Ilmenite	113,744,861	73,365,988
– Rutile	16,657,896	18,441,176
– Zircon	5,834,596	8,114,075
– Monazite	4,658,965	4,473,756
– Hi.Ti. Ilmenite	71,404,624	26,339,183
– Zircon Crude	10,311,103	52,661,624
– Spiral Fine Concentrate	17,212,269	8,880,781
– High Grade Zircon Crude	154,774,601	99,959,893
– Magnetite	2,654,460	1,928,736
– Low Grade Zircon Crude	106,227,458	53,440,521
– Screen Oversize Concentrate	10,394,857	4,889,365
– New Wet Table Tailings	614,509	1,020,676
– Block A Tailings	879,525,348	607,463,315
– Tailing & Upgrading	8,436,411	-----
	<u>1,645,425,233</u>	<u>1,270,630,969</u>

NOTE 17 SHORT TERM FINANCIAL ASSETS

Treasury Bills	185,383,671	-----
Interest Debtors	8,019,622	65,215,068
	<u>193,403,293</u>	<u>65,215,068</u>

NOTE 18 FIXED DEPOSITS

Seylan Bank	-----	900,000,000
Bank of Ceylon	347,544,422	-----
BOC – Security Deposits	12,769	-----
	<u>347,557,191</u>	<u>900,000,000</u>

NOTE 19 ADVANCES AND DEPOSITS

Advances and Deposits	123,812,517	49,191,331
	<u>123,812,517</u>	<u>49,191,331</u>

NOTE 20 PREPAID EXPENSES

Prepaid Expenses	31,517,851	7,076,726
	<u>31,517,851</u>	<u>7,076,726</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 21 OTHER CURRENT ASSETS

VAT Recoverable	36,059,186	118,998,300
Sundry Debtors	-----	18,408
Housing Loans – HDFC Bank	50,699,154	57,013,562
Other Debtors	7,799,372	7,227,958
Loans and Advances to Staff	<u>118,627,784</u>	<u>126,092,352</u>
	213,185,496	309,350,580
<u>Less: Impairment</u>	<u>(224,981)</u>	<u>(224,981)</u>
	<u>212,960,515</u>	<u>309,125,599</u>

NOTE 21.1 IMPAIRMENT

Movements in the impairment allowance for receivables are as follows:

As at 01 st of January	224,981	224,981
Recoveries during the year	-----	-----
As at 31st December	<u>224,981</u>	<u>224,981</u>

NOTE 22 CASH AND CASH EQUIVALENTS

Bank of Ceylon – Foreign Currency – A.C 0073449850	7,663,542	35,143,622
Bank of Ceylon – Corporate Branch– A.C 0000000931	2,363,458	-----
Bank of Ceylon – Pulmoddai –A.C 00002367534	393,929	13,333
Hatton National Bank, Cinnamon Garden Branch – A.C 076010004078	2,282	19,082
People’s Bank, Pulmoddai–A.C 352–1001–5–0000244	155,524	18,698
Cash in hand – Pulmoddai	59,565	51,995
Petty Cash – Head Office	50,000	50,000
Special Imprest–Head Office	<u>50,000</u>	<u>50,000</u>
	<u>10,738,300</u>	<u>35,346,730</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 23 STATED CAPITAL

Issued and Fully Paid 80,000,000 Ordinary Shares	<u>800,000,000</u>	<u>800,000,000</u>
--	--------------------	--------------------

NOTE 24 OTHER RESERVES

Replacement/Upgrading of Plant & Machinery		
Sinking Fund Reserve	706,346,958	706,346,958
Head Office Building Sinking Fund Reserve	171,149,673	171,149,673
Workmen's compensation Sinking Fund Reserve	10,246,238	10,246,238
Tsunami Repair Sinking Fund Reserve	<u>18,801,474</u>	<u>18,801,474</u>
	<u>906,544,343</u>	<u>906,544,343</u>

NOTE 25 RETAINED EARNINGS /(LOSS)

Opening Balance	602,029,845	837,317,294
Dividend to the Treasury	(180,729,670)	(161,000,000)
Adjustment of Royalty	-----	(17,559,398)
Adjustment of Stocks	(111,541,042)	-----
Adjustments of Fixed Deposits Interest	(36,332,988)	-----
Under provision of Income Tax Y/A 2016/2017	-----	(5,308,330)
Actuarial Gain/(Loss) on retirement benefits	3,247,017	(12,598,135)
Advance due from State Resources		
Management Corp.	512,421,448	(512,421,448)
Profit of (Loss) for the year	<u>516,370,486</u>	<u>473,599,862</u>
	<u>1,305,465,096</u>	<u>602,029,845</u>

NOTE 26 INVESTMENT AGAINST RETIREMENT BENEFIT OBLIGATIONS

Balance as at 01 January	72,646,104	62,787,484
Expenses recognized in Comprehensive		
Income (Note 26-1)	12,397,663	10,374,656
Actuarial (Gain)/loss Recognized in other		
Comprehensive Income	(3,247,016)	12,598,135
Payments made during the year	<u>(14,085,021)</u>	<u>(13,114,171)</u>
	67,711,730	72,646,104
<u>Less:</u> Fair Value of Planned Assets	<u>(4,922,095)</u>	<u>(4,633,466)</u>
Balance as at 31 December	<u>62,789,635</u>	<u>68,012,638</u>

NOTE 26.1 EXPENSES RECOGNIZED IN

Current Service Cost	3,636,543	3,869,872
Interest Charge for the Year	<u>8,761,120</u>	<u>6,504,784</u>
	<u>12,397,663</u>	<u>10,374,656</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 26.2 ACTUARIAL ASSUMPTION

The principle actuarial assumption used in determining calculating the present value of the defined benefit obligation include.

Discount Rate	12.06%	10.36%
Salary Incremental Rate		
Retirement Age	60 years	60 years
Staff Turnover Rate		
Upto 55	1.52%	1.18%
Thereafter	0.00%	0.00%

Rates of annual salary increment were based on management circular No. 30(1) issued by the Management Service Department of the General Treasury.

NOTE 27 DEFERRED TAX ASSETS AND LIABILITIES

Balance as at 01 st January	55,901,318	48,460,989
Charge to Income Statement	<u>305,246</u>	<u>7,440,329</u>
Balance as at 31 st December	<u>56,206,564</u>	<u>55,901,318</u>

NOTE 27.1 DEFERRED TAX LIABILITY

	Carrying Amount 31.12.2018	Tax Base 31.12.2018	Net 31.12.2018	Net 31.12.2017
Deferred Tax liability on capital allowance on ppe	618,737,542	83,510,056	535,227,486	538,056,038
Deferred tax assets on retirement benefits obligation	<u>(67,711,730)</u>	-----	<u>(67,711,730)</u>	<u>(72,646,104)</u>
Net Temporary Difference			<u>467,515,756</u>	<u>465,409,934</u>
Deferred Tax Liability on capital allowance on ppe	535,227,486	99.86%*12% 0.14 * 28%	64,137,380 <u>209,809</u> <u>64,347,189</u>	64,521,528 <u>105,459</u> <u>64,626,987</u>
Deferred Tax Liability Assets on retirement benefits obligation	67,711,730	99.86%*12% 0.14 * 28%	8,114,082 <u>26,543</u> <u>8,140,625</u>	8,711,430 <u>14,239</u> <u>8,725,669</u>
Net Deferred Tax Liability as at 31 December			<u>56,206,564</u>	<u>55,901,318</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2018
Rs.

2017
Rs.

NOTE 28 INCOME TAX PAYABLES

Balance as at 01 January	24,357,801	(20,918,976)
Provision for the year	65,000,000	53,500,000
Payments made during the year	(6,920,060)	(13,531,553)
Adjustment for under/over provision	<u>(37,665,266)</u>	<u>5,308,330</u>
Balance as at 31 December	<u>44,772,475</u>	<u>24,357,801</u>

NOTE 29 TRADE AND OTHER CREDITORS

Advance from Buyers	85,047,612	800,057
Sundry Creditors	20,537,527	19,745,063
Tender Deposits	30,707,062	47,253,782
Retention Money	14,728,838	14,620,416
Staff Emoluments	11,208,374	9,824,054
Gratuity payable	108,728	108,728
Dividend Payable	519,177,670	373,448,000
Trade Creditors	<u>931,700</u>	<u>931,700</u>
	<u>682,447,511</u>	<u>466,731,800</u>

NOTE 30 PROVISION AND ACCRUED EXPENSES

Provisions and Accrued Expenses	<u>86,853,757</u>	<u>64,431,082</u>
---------------------------------	--------------------------	--------------------------

NOTE 31 SHORT TERM LOAN

Bank Overdraft	<u>-----</u>	<u>536,248,787</u>
	<u>-----</u>	<u>536,248,788</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32 RELATED PARTY DISCLOSURES

NOTE 32.1 TRANSACTIONS WITH KEY MANAGERIAL PERSONS

According to the Sri Lanka Accounting Standards LKAS 24 “Related Party Disclosures” key Management personnel are those having responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (Including executive and Non-Executive Directors) has been classified as key management personnel.

Transactions with Key Managerial Persons are given below.

	31.12.2018	31.12.2017
	Rs.	Rs.
Expenses Incurred to Key Managerial Persons	2,481,837	2,141,250
Loans and advances given to Key Managerial Persons	Nil.	Nil.

NOTE 32.2 RELATED PARTY TRANSACTIONS

Details of significant related party transactions are as follows:-

<u>Name of the Institution</u>	<u>Relationship</u>	<u>Nature of Transaction</u>	<u>Value 2018</u>	<u>Value 2017</u>
			Rs.	Rs.
Geological Survey & Mines Bureau	Related entity	Royalty paid	110,112,567	101,651,381
Janatha Estate Development Board		Loan granted	15,000,000	15,000,000
National Paper Co. Ltd		Loan granted	5,000,000	5,000,000
State Management Resource Corporation	Related entity	Loan granted	500,000,000	-----
State Plantation Corporation		Loan granted	25,000,000	25,000,000
Central Bank		Interest earned	68,804,886	5,851,058
Central Bank		Withdrawals of deposits	1,128,083,045	973,305,685

NOTE 33 EVENTS OCCURRING AFTER THE REPORTING PERIOD END

There were no events which required adjustments or disclosure in these financial statements, subsequent to the reporting period end.

NOTE 34 COMMITMENTS

An overdraft facility of Rs. 100 million was obtained from Bank of Ceylon pledging stocks of mineral sands as security. This facility was not used as at the Balance Sheet date. Overdraft facility of Rs. 440 million was obtained from Seylan Bank in year 2017 was settled during the year,

NOTE 35 CONTINGENCIES

There are no contingent liabilities which would require adjustments to or disclosure in the Financial Statements, subsequent to the reporting.

