

2017 වාර්ෂික වාර්තාව
ஆண்டறிக்கை
ANNUAL REPORT



TRACKING THE TRENDS

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இலங்கை கனிப்பொருள் மணல் லிமிடட்
LANKA MINERAL SANDS LIMITED

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. R. Habeeb – Managing Director Mr. S.L.A, Razzack – Executive Director Mrs.K.L. Ramyakanthi – Director/Treasury Representative
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. L.S. Abeyrathna – Acting Deputy General Accountancy & Manager (Human Reso- Finance – Special urces & 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,
Auditor General's Department,
Polduwa Road,
Battaramulla.
- Bankers** : Bank of Ceylon
People's Bank
Hatton National Bank
Seylan Bank
- Secretaries** : (From 01.01.2017 to 03.10.2017)
P W Corporate Secretarial (Pvt) Ltd.,
3/17, Kynsey Road,
Colombo – 08
- (From 04.10.2017 to 31.12.2017)
Acting Company Secretary,
Legal Officer/Board Secretary,
Mrs. Damayanthi Cooray,
Lanka Mineral Sands Limited.

CHAIRMAN'S MESSAGE

It is with great pleasure that I present the Annual Report for the year 2017.

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 was increased during the year. Sales to the value of Rs. 1,424 million was made from 47,728 M.T of mineral sands in the year. The profit after tax was Rs.474 million. Accordingly, the company was able to provide for a dividend of Rs. 161 million to the Treasury. Though the tonnage sold had decreased compared to year 2016, the value and profitability has increased as a result of higher prices.

The head count at the end of the year was 695. 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.

Value addition is our prime motive and we are confident of achieving set targets in the ensuing 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 and Commerce 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.

ACTIVITIES TOOK PLACE IN 2017

- ❖ Construction of 12 units three storied staff quarters.
- ❖ Laying of P.E Pipes for raw water transmission from Yan Oya Water Intake Site to I.R.Z Plant,
- ❖ Purchase of two brand new Wheel Loaders for smooth plant operations. Wheel Loader Operators were given a training at CETRAC, Galkulama.
- ❖ Purchase of two brand new Backhoe Loaders and One Skid Steer Loader for Plant use
- ❖ Construction of rest room and wash room complex for dry Mill employees
- ❖ Purchase of five brand new four Wheel Tractors for Plant use
- ❖ Fabrication of five Tractor Trailers at Mechanical Workshop
- ❖ Installation of Tailings Upgrading Plant at Wet Mill by plant employees to upgrade the tailings
- ❖ Installation of Tailings Upgrading Plant at Wet Gravity Upgrading Plant by Block “A” plant employees to upgrade the tailings
- ❖ Installation of Dry Magnetic Separation Plant by Wet Mill plant employees to reduce magnetic content of feed material to the Rutile Circuit
- ❖ Installation of new main L.V. Distribution Board to Power House. After installing of the board, generators start auto-matically and restore power supply within 40 seconds in a power failure
- ❖ Installation of new control panels at the Wet High Intensity Magnetic Separation Plant to improve the quality of Ilmenite
- ❖ Installation of new transformer with overhead bundled cables to give power supply to the housing scheme with energy meter. Due to this the tariff of the housing scheme was changed to domestic supply from commercial supply and causes considerable savings in the electricity bills.
- ❖ Modernization of Electrical Workshop and infrastructure of the same was improved to provide pleasant working environment to the employees
- ❖ Purchase of Magnetic Roller Separator for the Laboratory.
- ❖ Purchase of two Brand New crew Cabs for the Plant usage.
- ❖ Replacement of P.V.C Pipe Line for sea Water Transmission from Sea Water Pump to Wet Gravity Upgrading Plant by P.E Pipes.
- ❖ Renovation of Ilmenite Ware House.

REPORT OF THE DIRECTORS

The Directors of Lanka Mineral Sands Limited present herewith their report, audited financial statements for the year ended 31st December 2017 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	47,659
Rutile	2,174
Zircon	1,061
Hi.Ti. Ilmenite	4,281
Zircon Crude	365
Non Magnetic Heavy Mineral Concentrate	35,968

Crude Zircon	7,508
Spiral Plant Fines Concentrate	335
Zircon Crude High Grade	6,500
Zircon Crude Low Grade	10,237
Crude Monazite	30
Screen Oversize Concentrate	700
Magnetite	246
New Wet Table Tailings	<u>6,572</u>
	<u>123,636</u>

Sales

Rs. 1,424 million was earned from the sale of 47,728.12 M.T of mineral sands.

	M.T	Rs.Mln.
Ilmenite	38,039	872
Rutile	1,979	225
Zircon	945	129
Hi.Ti. Ilmenite	3,750	84
Screen Oversize Concentrate	498	7
Zircon Crude	1,110	40
Zircon Crude High Grade	1,275	67
Zircon Crude Low Grade	132	0.2
Crude Monazite	0.12	0.01
	<u>47,728.12</u>	<u>1,424.21</u>

Results and Dividends

The Company's profit after tax was Rs. 474 million. The profit

REPORT OF THE DIRECTORS

would have been more if not for the unabsorbed overheads of the Plant amounting to Rs.325 million. The limited production and absence of direct shipments from Pulmoddai resulted in the unabsorbed overhead expenditure.

A dividend of Rs.161 million was provided.

	Rs. Million	
	<u>2017</u>	<u>2016</u>
Gross Revenue	1,424	1,174
Gross Profit	953	607
Net Profit	474	154

Property, Plant and Equipment

The written down value of property, Plant, and Equipment as at 31st December, 2017 was 43% of the original value, which was Rs. 1,304 million as per details in Note 12. Capital work-in-progress was 258 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. 123 million.

Stated Capital

The Stated Capital remains unchanged at Rs. 800 million comprising of 80 million shares, the sole shareholder being the Secretary to the Treasury. Details as per Note 24.

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 increased from Rs. 384 million to Rs. 965 million.

REPORT OF THE DIRECTORS

Taxation

The normal tax in effect during the year was 28%. However, the company enjoyed a concessionary rate of 12% for its exports. A provision of Rs. 54 million was made for income Tax.

Share Information

Basic earnings per share improved to Rs. 5.92 in 2017 compared to that of Rs. 1.93 in year 2016.

Events Occurring After Statement of Financial Position Date

Fixed Deposit of Rs. 900 million invested through Seylan Bank for 3 years was uplifted during year 2018 to settle the overdraft facility of Rs. 440 million obtained from Seylan Bank and Rs. 100 million obtained from Bank of Ceylon.

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 31.12.2017 was 695. 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 2017.

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:-

Mr.M.Gunaratne – Competent Authority

From 07.02.2017 to 19.03.2017

– Chairman

From 20.03.2017 to 18.12.2017
(resigned on 19.12.2017)

REPORT OF THE DIRECTORS

Mrs.I.Ranatunga – Director
From 15.08.2017 to 18.12.2017
–Acting Chairman
From 19.12.2017 up-to-date
Mr. R. Habeeb – Executive
Director
From 15.08.2017 to 11.12.2017
– Managing Director
From 12.12.2017 up-to-date
Mrs.K.L.Ramyakanthi– Director/
Treasury Representative
From 15.08.2017 to 19.12.2017
Mr. S.L.A. Razzack – Director
From 31.10.2017 to 03.01.2018

Future Plans

Future plans of the company include:-

- ❖ Diversifying into new products and locations.
- ❖ Expanding to Value added products.
- ❖ Establishment of spiral gravity concentration plant on the Northern side of Kokillai.
- ❖ Renovation & upgrading of the existing plant complex.
- ❖ Renovation of Rutile Plant by replacing the old High Tension Roller Separators and Plate Separators to increase the production of Rutile & Zircon.
- ❖ Renovation of Wet High Intensity Magnetic Separation Plant.
- ❖ Installation of submersible pump for supplying sea water to Block “A” plant operations.
- ❖ Design & fabrication of trammel for Block “A” Plant.
- ❖ Fabrication of Block “A” Concentrate Cyclone Tower.
- ❖ Modification of the electrical systems of Dry Mill and Wet Mill.
- ❖ Renovation of internal electrical distribution system.
- ❖ Replacement of 11 kv main distribution panel.
- ❖ Commissioning of fluidized bed dryer for dry zircon plant.
- ❖ Upgrading the Civil, Mechanical & Electrical Workshops.
- ❖ Upgrading the Laboratory to internationally recognized standard.
- ❖ Repair the existing damaged warehouse
- ❖ Replacing 09 Nos. Wet Tables in the Wet Mill to increase Zircon production.
- ❖ Fixing support frames to strengthen the old Block “A” structure.

REPORT OF THE DIRECTORS

- ❖ Purchasing of XRF machine for Laboratory.
- ❖ Renovation of vehicle service station.
- ❖ Purchasing of brand new Hydraulic Excavator, Forklift.
- ❖ Construction of sheds to part the wheel loader & tractors
- ❖ Continue refurbishment of staff quarters.
- ❖ Rewiring of the staff quarters.
- ❖ Gabion wall to protect coastal land used for coconut cultivation and housing scheme.
- ❖ Increase welfare facilities of staff.
- ❖ Provide training to employees to develop their skills.

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.1.7 million to discharge corporate social responsibility. Sponsorship

of social welfare activities, religious activities, educational activities etc. were undertaken.

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.

REPORT OF THE DIRECTORS

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, 2017.

Secretaries

P.W. Corporate Secretarial (Pvt) Ltd., continued as secretaries.

By order of the Board,
P.W. Corporate Secretarial
(Pvt)Ltd.,
Secretaries.

Acting Company Secretary,
Legal Officer/Board Secretary,
Mrs. Damayanthi Cooray,
Lanka Mineral Sands Limited.

FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

		2013	2014	2015	2016	2017
Gross Sales Revenue	– Rs.mln.	679	1,220	1,688	1,174	1,424
Gross Profit	– Rs.mln.	500	694	821	607	953
Other Income	– Rs.mln.	56	56	136	55	134
Profit before Tax	– Rs.mln.	30	328	503	170	535
Profit after Tax	– Rs.mln.	20	329	457	154	474
Unabsorbed Overheads	– Rs.mln.	358	259	277	305	325
Total Assets	– Rs.mln.	2,400	2,829	2,764	3,100	3,489
Total Liabilities	– Rs.mln.	715	847	489	556	1,180
Shareholders' Equity	– Rs.mln.	1,684	1,981	2,276	2,544	2,309
Income Tax	– Rs.mln.	10	(2)	46	16	54
Dividend to Treasury	– Rs.mln.	43	14	158.5	54	161
Number of employees		629	636	847	685	695
Net Profit Before Tax to Equity		2%	17%	22%	7%	23%
Net Profit Before Tax to Total Assets		1%	12%	18%	5%	15%
Current Ratio		2:1	2:1	4:1	4:1	3:1

AUDIT AND MANAGEMENT COMMITTEE REPORT

All three Directors appointed to the Director Board in year 2017 were Executive Directors. As such no members have been appointed to the Audit and Management Committee. Accordingly, no meetings have been held during year 2017.

Chairman,
Lanka Mineral Sands Limited.

AUDITOR GENERAL'S REPORT



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මගේ අංකය } HMU/A/LMSL/FA/1/17/21
எனது இல }
My No. }

ඔබේ අංකය }
உமது இல }
Your No. }

විවෘත දිනය } 31 July 2018
தேதி }
Date }

To the Shareholders of the
Lanka Mineral Sand Limited

Report of the Auditor General on the Financial Statements of the Lanka Mineral Sands Limited for the year ended 31 December 2017.

The audit of the financial statements of the Lanka Mineral Sands Limited ("Company") for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and statement of comprehensive Income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, 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.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on conducting audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

AUDITOR GENERAL'S REPORT

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

- (1) During past three years, the management of the Company has identified and accounted sand stock (block A tailing) which has 7.88 percent mineral content valued at Rs.607,463,314 on the basis of designing the current machinery to process such stock since the current machinery could process only sand which has at least a 40 percent mineral content. However, current machinery had not been designed to process such stock as planned and remained without been processed as at 31 December 2017. As a result, operating profit and the closing stock for the year under review had been overstated by Rs. 172,595,796.
- (2) In terms of decision of the Cabinet of Ministers dated 09 November 2011 an advance amounting to Rs.500,000,000 had been granted to the State Resource Management Corporation Limited(SRMCL). However, without obtaining the approval of the General Treasury the advance and the accrued interest thereon amounting to Rs.12,421,448 has been written off against the retained earnings while having a court case against the SRMCL to recover the outstanding advance and interest thereon.
- (3) A sum of Rs.45, 000,000 shown as advance to Government Institutions had remained without being recovered for more than six years.

AUDITOR GENERAL'S REPORT

- (4) Under provision of income tax of Rs.5,308,330 has been adjusted to the statement in changes in equity in the financial statements as at 31 December 2017 without adjusting as under provision of income tax expense of the year under review.
- (5) The Company had been computed the tax liability of the year under review by deducting an disallowable allowances. As a result, the tax liability of the Company had been understated by Rs. 8, 673,621.

Qualified Opinion

In my opinion, except for the effects of the matters described in basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Lanka Mineral Sand Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirement

As required by Section 163(2) of the Companies Act No.07 of 2007, I state the followings:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion:
- Except for the matters described in basis for qualified opinion paragraph, I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company comply with the requirement of Section 151 of the Companies Act No. 07 of 2007.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.


W.P.C. Wickramaratne
Acting Auditor General

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 ST DECEMBER	NOTE	2017 Rs.	2016 Rs.
Gross Revenue	3	1,424,358,555	1,173,915,676
Value Added Tax		<u>(98,081)</u>	<u>(326,289)</u>
Net Revenue		1,424,260,474	1,173,589,387
Cost of Sales	4	<u>(471,561,438)</u>	<u>(566,332,585)</u>
Gross Profit		952,699,036	607,256,802
Other Operating Income	5	<u>37,101,717</u>	<u>3,083,602</u>
		989,800,753	610,340,404
Distribution Cost	6	(6,827,758)	(6,633,016)
Administrative Expenses	7	(179,889,185)	(170,221,121)
Other Operating Expenses	8	<u>(364,943,423)</u>	<u>(315,324,692)</u>
		(551,660,366)	(492,178,829)
Operating Profit		438,140,387	118,161,575
Finance Income	9	<u>96,399,804</u>	<u>52,337,064</u>
Profit before Income Tax for the year		534,540,191	170,498,639
Income Tax Expenses	10	<u>(60,940,329)</u>	<u>(16,360,033)</u>
Profit after Income Tax for the year		<u>473,599,862</u>	<u>154,138,606</u>
Net Profit for the year		<u>473,599,862</u>	<u>154,138,606</u>
Basic Earnings Per Share	11	5.92	1.93
Net Profit for the year		473,599,862	154,138,606
Net Actuarial Gain/(Loss) on Retirement Benefit Obligation		<u>(12,598,135)</u>	<u>2,859,003</u>
Total Comprehensive Income for the year		<u>461,001,727</u>	<u>156,997,609</u>

STATEMENT OF FINANCIAL POSITION

AS AT 31 ST DECEMBER	NOTE	2017 Rs.	2016 Rs.
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	12	821,389,073	758,802,341
Lease Hold Assets	13	20,813,639	21,645,046
Intangible Assets	14	468,479	357,054
Advance	15	45,000,000	557,421,448
TOTAL NON CURRENT ASSETS		<u>887,671,191</u>	<u>1,338,225,889</u>
CURRENT ASSETS			
Inventories	16	1,270,630,969	948,590,005
Short Term Financial Assets	17	65,215,069	18,981,226
Fixed Deposits	18	900,000,000	365,313,874
Advances and Deposits	19	49,191,331	46,955,953
Prepaid Expenses	20	7,076,726	32,618,903
Other Receivable	21	309,125,599	302,938,689
Income Tax Receivable	22	--	20,918,976
Cash & Cash Equivalents	23	35,346,730	25,353,081
TOTAL CURRENT ASSETS		<u>2,636,586,424</u>	<u>1,761,670,707</u>
TOTAL ASSETS		<u>3,524,257,615</u>	<u>3,099,896,596</u>
EQUITY AND LIABILITIES			
EQUITY			
Stated Capital	24	800,000,000	800,000,000
Other Reserves	25	906,544,343	906,544,343
Retained Earnings /(Loss)	26	602,029,845	837,317,294
Total Share holders Equity		<u>2,308,574,188</u>	<u>2,543,861,637</u>
LIABILITIES			
Non-Current Liabilities			
Retirement Benefit Obligations	27	68,012,638	58,424,744
Deferred Taxation	28	55,901,318	48,460,989
Income Tax Payable	29	24,357,801	-----
		<u>148,271,757</u>	<u>106,885,733</u>
CURRENT LIABILITIES			
Trade & Other Creditors	30	466,731,800	404,937,520
Provisions and Accrued Expenses	31	64,431,082	44,211,706
Bank Overdraft	32	536,248,788	-----
		<u>1,067,411,670</u>	<u>449,149,226</u>
TOTAL LIABILITIES		<u>1,215,683,427</u>	<u>556,034,959</u>
TOTAL EQUITY AND LIABILITIES		<u>3,524,257,615</u>	<u>3,099,896,596</u>

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

Sgd – Mrs. W.K.Thamara – 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. R. Habeeb – Managing Director

Date: 23rd July, 2018

STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December, 2017

Rs.

	STATED CAPITAL	RETAINED EARNINGS	FLOATING CRAFT INSURANCE SINKING FUND RESERVE	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,2016	800,000,000	631,093,031	111,000,000	706,346,960	171,149,672	10,246,237	18,801,474	2,448,637,374
Total Comprehensive Income for the year	-----	154,138,606	-----	-----	-----	-----	-----	154,138,606
Total Other Comprehensive Income for the year	-----	2,859,003	-----	-----	-----	-----	-----	2,859,003
Floating Craft Sinking Funds Adjustment	-----	111,000,000	(111,000,000)	-----	-----	-----	-----	-----
Adjustment of W.H.T	-----	163,066	-----	-----	-----	-----	-----	163,066
Under Provision of Income Tax Y/A 2015/2016	-----	(7,988,412)	-----	-----	-----	-----	-----	(7,988,412)
Dividend to the Treasury	-----	(53,948,000)	-----	-----	-----	-----	-----	(53,948,000)
Balance as at 31 December, 2016	800,000,000	837,317,294	-----	706,346,960	171,149,672	10,246,237	18,801,474	2,543,861,637
Balance as at 01 January,2017	800,000,000	837,317,294	-----	706,346,960	171,149,672	10,26,237	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)
Advance due from SRMC	-----	(512,421,448)	-----	-----	-----	-----	-----	(512,421,448)
Dividend to the Treasury	-----	(161,000,000)	-----	-----	-----	-----	-----	(161,000,000)
Balance as at 31 December, 2017	800,000,000	602,029,845	-----	706,346,960	171,149,672	10,246,237	18,801,474	2,308,574,188

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 ST DECEMBER	2017 Rs	2016 Rs.
Profit/ (Loss) before Taxation	534,540,191	170,498,639
Adjustments:		
Depreciation and Amortization	74,500,678	75,839,656
Interest Income	(96,399,804)	(52,337,064)
Gratuity	10,374,656	11,708,997
Fair Value of planned Assets	(270,726)	(256,203)
Actuarial Loss on retirement benefits obligation	12,598,135	-----
Profit on Disposal of Property, Plant & Equipment	<u>(3,249,932)</u>	<u>(1,025,093)</u>
Operating Profit before working capital changes	532,093,198	204,428,932
(Increase)/Decrease in Inventories	(322,040,964)	28,441,335
(Increase)/Decrease in Trade & Other Receivables	17,119,890	(244,804,859)
Increase/(Decrease) in Trade & Other Payables	61,794,779	62,049,358
Increase/(Decrease) in Credit Facility	-----	-----
Cash Generated from Operations	288,966,903	50,114,766
Gratuity Paid	(13,114,170)	(13,720,373)
Income Tax Paid	<u>(5,000,000)</u>	<u>(30,893,654)</u>
Net Cash from Operating Activities	270,852,733	5,500,739
Cash Flow From Investing Activities		
Deposits placed with Investments	(686,887,780)	108,612,596
Interest Income	(96,399,804)	(52,337,064)
Capital Work-in Progress	(13,233,654)	(52,106,097)
Acquisition of Property, Plant & Equipment and Intangible Assets	(3,836,584)	(4,568,344)
Proceeds from Disposal of Property, Plant & Equip.	<u>3,249,950</u>	<u>1,794,197</u>
Net Cash flow from Investing Activities	(797,107,872)	1,395,2887
Cash Flow From Financing Activities		
Dividend paid	-----	-----
Net Cash Flow from Financing Activities	-----	-----
Net Increase/(Decrease)in Cash & Cash Equivalents	(526,255,139)	6,896,027
Cash & Cash Equivalents at the beginning of the period	<u>25,353,081</u>	<u>18,457,054</u>
Cash & Cash Equivalent at the end of the period	<u>(500,902,058)</u>	<u>25,353,081</u>
Analysis of Cash & Cash Equivalents		
Cash at Banks	(501,054,053)	25,178,229
Cash in Hand	51,995	154,852
Petty Cash	100,000	20,000
	<u>(500,902,058)</u>	<u>25,353,081</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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.

1.3 Number of Employees

The number of employees of the company as at the end of the year was 695.

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 (SLFRSs). The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRSs) 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.

2.2 Changes in accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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

Computer Software	4 Years	25%
-------------------	---------	-----

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31. 2017

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:

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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). Net realizable value represents the estimated selling price for inventories less all estimated cost of sale completion and cost necessary to make the sale.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

and other payables are classified as current liabilities as they are 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 a 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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 27 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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 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 time of raising commercial invoice after receiving the bill of lading from the buyer.

2.17.2 Interest Income

Interest Income is recognized using the effective interest method.

2.17.3 Gains 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

2.20 Commitments

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

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 are 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

			2017 Rs.	2016 Rs.
NOTE 03 REVENUE	Gross Sales Rs.	VAT Rs.		
Rutile	224,502,090	-----	224,502,090	215,754,000
Ilmenite	872,086,715	-----	872,086,715	211,022,355
Zircon	128,799,473	96,131	128,703,342	30,936,823
Hi.Ti. Ilmenite	84,355,494	-----	84,355,494	27,778,214
Non Magnetic	-----	-----	-----	190,617,812
Spiral Fine Concentrate	-----	-----	-----	132,197,810
Zircon Crude	39,754,876	-----	39,754,876	229,965,362
Zircon Crude High Grade	67,174,412	-----	67,174,412	89,880,676
Zircon Crude Low Grade	172,260	-----	172,260	3,817,595
Crude Monazite	14,948	1,950	12,998	41,618,740
Screen Oversize Con.	<u>7,498,287</u>	-----	<u>7,498,287</u>	-----
	<u>1,424,358,555</u>	<u>98,081</u>	<u>1,424,260,474</u>	<u>1,173,589,387</u>

NOTE 04 COST OF SALES

Rutile	49,076,178	56,644,369
Ilmenite	256,111,509	110,925,238
Zircon	24,411,397	9,441,973
Hi.Ti. Ilmenite	50,007,445	43,665,024
Non Magnetic	-----	72,019,638
Spiral Fine Concentrate	-----	59,246,040
Zircon Crude	22,448,796	153,522,028
Zircon Crude High Grade	37,948,021	45,299,060
Zircon Crude Low Grade	28,552,970	8,488,891
Crude Monazite	2,198	7,080,324
Screen Oversize	<u>3,002,924</u>	-----
	<u>471,561,438</u>	<u>566,332,585</u>

NOTE 05 OTHER OPERATING INCOME

Demurrage Income	18,132,480	2,058,509
Profit on Sale of Assets	3,249,932	1,025,093
Exchange Fluctuation	<u>15,719,305</u>	-----
	<u>37,101,717</u>	<u>3,083,602</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs.

2016
Rs.

NOTE 06 DISTRIBUTION COST

Salaries & Wages	3,819,712	4,016,334
Overtime	61,058	62,718
Attendance Incentive	173,800	146,400
Meal Allowance	204,450	222,900
Provident Fund Contribution	526,776	505,910
Licence fees	334,389	122,384
Postage, & telephone	73,823	74,107
Printing & Stationery	223	----
Advertising & Sales Promotion – Local	1,365,425	1,065,500
Publicity & Exhibition	136,408	----
Exchange Fluctuation	--	301,615
Employees Trust Fund	131,694	115,148
	<u>6,827,758</u>	<u>6,633,016</u>

NOTE 07 ADMINISTRATIVE EXPENSES

Directors' payments	205,000	58,000
Chairman's payments	1,143,823	600,000
Salaries & Wages	267,500	-----
Salaries & Wages	1,244,025	-----
Entertainment	320,565	300,000
Fuel & Lubricants	626,336	205,409
Vehicle Running Expenses	675,000	298,667
Vehicle Hire Charges	--	12,462
Foreign Travel	25,116	
Postage & Telephone charges	95,639	113,903
Administrative / General Expenses (Note 7A)	175,286,181	168,632,680
	<u>179,889,185</u>	<u>170,221,121</u>

NOTE 07A ADMINISTRATION/GENERAL EXPENSES

Salaries & Wages	58,080,912	61,897,346
Overtime	6,414,288	5,972,932
Attendance Incentive	2,796,100	2,533,850
Gratuity	7,311,699	9,337,461
Meal Allowance	3,449,850	3,643,425
Staff Tea	534,243	648,364
Languages Allowance	82,680	151,771
Provident Fund Contribution	7,711,002	7,850,239
Staff Welfare	2,365,633	2,369,582
25 years service award ceremony	630,000	-----
Uniforms	2,463,032	2,394,562
Medical Scheme	243,091	2,365,798
Travelling & Subsistence	458,582	447,732

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 ST DECEMBER	2017 Rs.	2016 Rs.
NOTE 07A ADMINISTRATION/GENERAL EXPENSES CONTD		
Entertainment	12,453	38,321
Refreshment	356,343	359,828
Professional Charges	4,366,475	817,751
Electricity	2,143,877	2,500,140
Fuel & Lubricants	2,198,316	2,441,368
Consumables	392,163	884,720
Repairs & Maintenance	1,435,242	2,483,449
Water	318,350	484,653
Freight Prepaid	-----	142
Staff Training	1,515,686	2,417,525
Rent & Rates	9,545,816	10,261,647
Insurance – Motor Vehicles	623,015	655,417
Insurance – Personnel Accident	1,363	45,791
Insurance – Cash in Transit	32,176	2,146
Insurance – Fidelity Guarantee	126,449	203,828
Insurance – Fire	6,748	18,157
Insurance – Medical	5,547,988	5,103,074
Licence Fees	61,570	65,220
Vehicle Running Expenses	11,827,021	7,240,763
Vehicle Hire Charges	237,884	462,253
Hire of Generator	20,000	-----
Postage & Telephone	1,629,894	1,528,097
Printing & Stationery	1,444,313	1,145,904
Books & Periodicals	7,820	83,407
Subscription	873,210	718,565
Sundry Expenses	119,345	264,064
Stores Miscellaneous	-----	720
Audit Fees	347,000	215,005
Advertising Expenses	85,050	-----
Corporate Social Responsibility	1,457,673	30,552
Legal Expenses	3,602,202	529,857
Press Notices	3,609,450	1,332,835
Bank Charges	13,746,236	217,341
Depreciation	1,458,317	7,056,196
Amortization of Software	94,516	181,033
Amortization of Leasehold Land	831,406	831,406
Employees Trust Fund	1,928,072	1,963,148
Workmen Compensation	-----	13,089,720
Bonus	1,431,591	1,529,679
Profit Incentive	9,310,039	1,815,896
	<u>175,286,181</u>	<u>168,632,680</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs.

2016
Rs.

NOTE 08 OTHER OPERATING EXPENSES

Unabsorbed Overheads –	Note 8.1	325,382,698	305,270,258
Hi.Ti. Ilmenite Stock adjustment -- NRV		--	5,699,101
Low Grade Crude Zircon -- NRV		39,449,525	4,375,637
Write Offs		--	(20,304)
Donation		111,200	-----
		<u>364,943,423</u>	<u>315,324,692</u>

NOTE 08.1 UNABSORBED PLANT OVERHEADS

Shipping	4,884,232	4,093,507
Magnetic Separation Plant	34,743,044	54,342,544
Wet & Dry Mill	10,664,779	18,520,318
Transferred from other cost centers	275,090,643	228,313,889
	<u>325,382,698</u>	<u>305,270,258</u>

NOTE 09 FINANCE INCOME

Interest on Gratuity Fund Investments	300,807	284,671
Interest on General Investments	85,014,719	36,817,791
Interest on Staff Loans and Other Income	8,862,186	4,943,264
Interest on Housing Loan – HDFC	1,778,710	2,216,459
Interest on Foreign Currency Account	383,486	149,351
Interest on S.R.M.C.L. Loan	--	2,500,000
Forfeited Tender Deposits	59,896	5,425,528
	<u>96,399,804</u>	<u>52,337,064</u>

NOTE 10 INCOME TAX EXPENSES

Income Tax Expenses for the year – Note 10.1	53,500,000	-----
Deferred Taxation	7,440,329	16,360,033
	<u>60,940,329</u>	<u>16,360,033</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs

2016
Rs.

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

Accounting Profit before Taxation	534,540,191	170,498,638
Aggregated Expenses Disallowed for Tax	192,201,375	182,303,038
Aggregated Expenses Allowed for Tax	(107,626,561)	(132,079,266)
Aggregated Income for Other Sources	<u>(96,339,908)</u>	<u>(46,911,535)</u>
Taxable Business Profit/(Loss) for the year	<u>522,775,097</u>	<u>173,810,875</u>
Other Income Liable for Tax	95,956,422	46,762,184
Total Statutory Income	618,731,519	220,573,059
Deduction under Section 32	(101,651,381)	(82,806,351)
Assessable Income	517,080,138	137,766,708
Qualifying Payments	(72,280,171)	(151,721,711)
Taxable Income	444,799,967	-----
Income Tax Expenses – @ 12 %	53,375,996	-----
Rounded Up	<u>53,500,000</u>	-----
	<u>53,500,000</u>	<u>-----</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	473,599,862	154,138,606
Weighted Average Number of Ordinary Shares	80,000,000	80,000,000
Basic Earnings per share (Rs.)	5.92	1.93

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 PROPERTY, PLANT & EQUIPMENT

Rs.

Description	As at 01.01.2017	Additions	Disposals/ Adjustment s	Transfer	As at 31.12.2017
COST					
Freehold Land	3,029,245	---	---	---	3,029,245
Site Development	49,107,211	---	---	---	49,107,211
Building	209,076,617	4,999,851	---	---	214,076,468
Plants & Machinery	631,854,080	17,192,142	3,223,351	---	645,722,871
Loose Tools & Equipment	45,695,476	4,434,697	146,627	---	49,794,323
Furniture, Fittings & Equip.	28,143,906	2,188,427	22,596	(189,222)	30,498,960
Motor Vehicles	176,951,670	91,009,800	1,205,591	189,222	266,755,879
Water Supply Scheme	14,694,456	---	---	---	14,694,456
Floating Crafts	10,931,234	---	---	---	10,931,234
Computer Hardware	16,780,897	3,643,022	1,134,376	---	19,289,543
	<u>1,186,264,792</u>	<u>123,467,939</u>	<u>5,732,541</u>	<u>---</u>	<u>1,303,900,190</u>
DEPPRECIATION					
Freehold Land	---	---	---	---	---
Site Development	11,675,376	2,437,545	---	---	14,112,923
Building	66,115,507	8,147,007	---	---	74,262,514
Plants & Machinery	353,167,422	43,845,156	3,323,347	---	393,689,231
Loose Tools & Equipment	30,877,171	3,050,660	146,607	---	33,596,042
Furniture, Fittings & Equip.	15,436,730	2,320,719	22,590	---	17,920,041
Motor Vehicles	154,793,995	12,408,909	1,205,589	---	165,997,315
Water Supply Scheme	14,634,309	13,037	---	---	14,647,345
Floating Crafts	10,235,795	115,105	---	---	10,350,899
Computer Hardware	15,569,859	1,183,308	1,134,353	---	15,618,814
	<u>672,506,164</u>	<u>73,521,446</u>	<u>5,832,486</u>	<u>---</u>	<u>740,195,124</u>
Net Carrying Value	513,758,628	---	---	---	563,705,066
Capital Work-in-Progress	245,043,713	13,233,659	593,365	---	257,684,007
	<u>758,802,341</u>	<u>13,233,659</u>	<u>---</u>	<u>---</u>	<u>821,389,073</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 LEASE HOLD ASSETS

Rs.

Description	As at 01.01.2017	Additions	Disposals/ Adjustments	As at 31.12.2017
COST				
Leasehold Land	24,222,334	-----		24,222,334
AMORTIZATION				
Leasehold land	<u>2,577,288</u>	<u>831,407</u>		<u>3,408,695</u>
Net Carrying Value	<u>21,645,046</u>	<u>831,407</u>		<u>20,813,639</u>

NOTE 14 INTANGIBLE ASSETS

Rs.

Description	As at 01.01.2017	Additions	(Disposals)/ Adjustments	As at 31.12.2017
COST				
Computer Software	3,836,584	259,249	---	4,095,833
AMORTIZATION				
Computer Software	<u>3,479,530</u>	<u>147,825</u>	<u>---</u>	<u>3,627,355</u>
Net Carrying Value	<u>357,054</u>	<u>111,424</u>	<u>---</u>	<u>468,478</u>

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs.

2016
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>12,421,448</u>
	<u>45,000,000</u>	<u>557,421,448</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs.

2016
Rs.

NOTE 16 INVENTORIES

Sundry Items	1,886,173	1,094,505
Consumables & Spares	168,746,272	185,158,284
Raw Materials and Intermediary Products	139,019,436	64,489,026
Finished & Semi Processes Goods		
– Ilmenite	73,365,987	51,679,615
– Rutile	18,441,176	22,982,438
– Zircon	8,114,075	9,874,631
– Monazite	4,473,756	4,234,761
– Hi.Ti. Ilmenite	26,339,183	23,777,868
– Zircon Crude	52,661,624	68,436,878
– Spiral Fine Concentrate	8,880,781	6,181,258
– High Grade Zircon Crude	99,959,893	63,154,371
– Magnetite	1,928,736	1,507,781
– Low Grade Zircon Crude	53,440,521	11,151,071
– Screen Oversize Concentrate	4,889,365	-----
– New Wet Table Tailings	1,020,676	-----
– Block A Tailings	607,463,315	434,867,518
	<u>1,270,630,969</u>	<u>948,590,005</u>

NOTE 17 SHORT TERM FINANCIAL ASSETS

Hatton National Bank	-----	16,200,354
Interest Debtors	65,215,069	2,780,872
	<u>65,215,069</u>	<u>18,981,226</u>

NOTE 18 FIXED DEPOSITS

Hatton National Bank	-----	215,313,874
Bank of Ceylon	-----	150,000,000
Seylan Bank	900,000,000	-----
	<u>900,000,000</u>	<u>365,313,874</u>

NOTE 19 ADVANCES AND DEPOSITS

Advances and Deposits	49,191,331	46,955,953
	<u>49,191,331</u>	<u>46,955,953</u>

NOTE 20 PREPAID EXPENSES

Prepaid Expenses	7,076,726	32,618,903
	<u>7,076,726</u>	<u>32,618,903</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs. 2016
Rs.

NOTE 21 OTHER CURRENT ASSETS

VAT Recoverable	118,998,300	116,555,768
Sundry Debtors	18,408	1,000
Housing Loans – HDFC Bank	57,013,562	62,271,704
Other Debtors	7,227,958	5,676,489
Loans and Advances to Staff	126,092,352	<u>118,658,709</u>
	309,350,580	303,163,670
<u>Less: Impairment</u>	<u>(224,981)</u>	<u>(224,981)</u>
	<u>309,125,599</u>	<u>302,938,689</u>

20.1

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 INCOME TAX RECEIVABLES

Balance as at 01 January		(6,096,184)
Provision for the Year	PI refer Note	-----
Payments made during the year	No 29	34,603,900
Adjustment on Under/Over Provision		<u>(7,588,740)</u>
Balance as at 31 st December		<u>20,918,976</u>

NOTE 23 CASH AND CASH EQUIVALENTS

Bank of Ceylon – Foreign Currency – A.C 0073449850	35,143,622	20,464,869
Bank of Ceylon – Corporate Branch– A.C 0000000931	-----	3,753,866
Bank of Ceylon – Pulmoddai –A.C 00002367534	13,333	60,752
Hatton National Bank, Cinnamon Garden Branch – A.C 076010004078	19,082	771,135
People’s Bank, Pulmoddai–A.C 352–1001–5–0000244	18,698	127,607
Cash in hand – Pulmoddai	51,995	154,852
Petty Cash – Head Office	50,000	20,000
Special Imprest–Head Office	50,000	-----
	<u>35,346,730</u>	<u>25,353,081</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs.

2016
Rs.

NOTE 24 STATED CAPITAL

Issued and Fully Paid 80,000,000 Ordinary Shares

800,000,000

800,000,000

NOTE 25 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

18,801,474

18,801,474

906,544,343

906,544,343

NOTE 26 RETAINED EARNINGS /(LOSS)

Opening Balance

837,317,294

631,093,031

Dividend to the Treasury

(161,000,000)

(53,948,000)

Floating Craft Sinking Funds adjustment

--

111,000,000

Adjustment of Royalty

(17,559,398)

Adjustment of W.H.T

--

163,066

Under provision of Income Tax Y/A 2015/2016

--

(7,988,412)

Actuarial Gain/(Loss) on retirement benefits

(12,598,135)

2,859,004

Advance due from State Resources Management Corp.

(512,421,448)

Under provision of Income Tax Y/A 2016/2017

(5,308,330)

Profit of (Loss) for the year

473,599,862

154,138,605

602,029,845

837,317,294

NOTE 27 INVESTMENT AGAINST RETIREMENT BENEFIT OBLIGATIONS

Balance as at 01 January

62,787,484

67,657,864

Expenses recognized in Comprehensive

Income (Note 26-1)

10,374,656

11,708,997

Actuarial (Gain)/loss Recognized in other

Comprehensive Income

12,598,135

(2,859,003)

Payments made during the year

(13,114,171)

(13,720,374)

72,646,104

62,787,484

Less: Fair Value of Planned Assets

(4,633,466)

(4,362,740)

Balance as at 31 December

68,012,638

58,424,744

NOTE 27.1 EXPENSES RECOGNIZED IN

Current Service Cost

3,869,872

3,089,385

Interest Charge for the Year

6,504,784

8,619,612

10,374,656

11,708,997

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs.

2016
Rs.

NOTE 27.2 ACTUARIAL ASSUMPTION

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

Discount Rate	10.36%	12.74 %
Salary Incremental Rate	-----	-----
Retirement Age	60 years	60 Years
Staff Turnover Rate		
Upto 55	1.18%	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 28 DEFERRED TAX ASSETS AND LIABILITIES

Balance as at 01 st January	48,460,989	32,100,956
Charge to Income Statement	7,440,329	16,360,033
Assets Recognition during the year	-----	-----
Balance as at 31 st December	<u>55,901,318</u>	<u>48,460,989</u>

NOTE 28.1 DEFERRED TAX LIABILITY

	Carrying Amount 31.12.2017	Tax Base 31.12.2017	Net 31.12.2017	Net 31.12.2016
Deferred Tax liability on capital allowance on ppe	584,987,182	46,931,144	538,056,038	465,126,992
Deferred tax assets on retirement benefits obligation	<u>(72,646,104)</u>	-----	<u>(72,646,104)</u>	<u>(62,787,485)</u>
Net Temporary Difference			<u>465,409,934</u>	<u>402,339,507</u>
Deferred Tax Liability on capital allowance on ppe	538,056,038	99.93 * 12% 0.07 * 28%	64,521,528 <u>105,459</u> <u>64,626,987</u>	55,658,956 <u>364,660</u> <u>56,023,616</u>
Deferred Tax Liability Assets on retirement benefits obligation	72,646,104	99.93 * 12% 0.07 * 28%	8,711,430 <u>14,239</u> <u>8,725,669</u>	7,513,402 <u>49,225</u> <u>7,562,627</u>
Net Deferred Tax Liability as at 31 December			<u>55,901,318</u>	<u>48,460,989</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

2017
Rs.

2016
Rs.

NOTE 29 INCOME TAX PAYABLES

Balance as at 01 January	(20,918,976)	PI refer Note
Provision for the year	53,500,000	No. 22
Payments made during the year	(13,531,553)	
Adjustment for under/over provision	<u>5,308,330</u>	
Balance as at 31 December	<u>24,357,801</u>	

NOTE 30 TRADE AND OTHER CREDITORS

Advance from Buyers	800,057	140,885,205
Sundry Creditors	19,745,063	10,862,244
Tender Deposits	47,253,782	3,671,322
Retention Money	14,620,416	21,051,156
Staff Emoluments	9,824,054	14,979,165
Gratuity payable	108,728	108,728
Dividend Payable	373,448,000	212,448,000
Trade Creditors	<u>931,700</u>	<u>931,700</u>
	<u>466,731,800</u>	<u>404,937,520</u>

NOTE 31 PROVISION AND ACCRUED EXPENSES

Provisions and Accrued Expenses	<u>64,431,082</u>	<u>44,211,706</u>
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NOTE 32 BANK OVER DRAFT

Bank of Ceylon	89,515,661	----
Seylan Bank	<u>446,733,127</u>	----
	<u>536,248,788</u>	<u>----</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 33 RELATED PARTY DISCLOSURES

NOTE 33.1 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.

	31.12.2017	31.12.2016
	Rs.	Rs.
Expenses Incurred to Key Managerial Persons	1,348,823	658,000
Loans and advances given to Key Managerial Persons	Nil.	Nil.

NOTE 33.2 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 2017</u>	<u>Value 2016</u>
			Rs.	Rs.
Geological Survey & Mines Bureau	Related entity	Royalty paid	101,651,381	82,806,351
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	85,000,000	33,136,012
Central Bank		Withdrawals of deposits	1,860,000,000	1,801,370,609

NOTE 34 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 35 COMMITMENTS

An overdraft facility of Rs. 100 million was obtained from Bank of Ceylon pledging stocks of mineral sands as security. Further overdraft facility of Rs. 440 million was obtained from Seylan Bank pledging fixed Deposits. Both facilities made use during the year.

NOTE 36 CONTINGENCIES

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