Lakdiva Engineering Company (Pvt) Ltd

Annual Report

2016

VISION

Contribute towards facilitating a better and attractive service to the passengers.

MISSION

To repair the damaged buses belonged to the Sri Lanka Transport Board as well as to the individual operators under concessionary basis yet in high standard.

Office of Lakdiva Engineering Copmany (Pvt) Ltd.

Legal Status	: Incorporated under the Companies Act No. 17 of 2007.
Date of Incorporation	: 01 October 2001
Registration No. of the Copmany	: PV21948
Address of the Office	: Lakdiva Enginnering Company (Pvt) Ltd. No. 73, Minuwangoda Road, Ekala, Ja-ela.
Telephone No.	- 0112236530 / 0112230458
E-mail Address	- lakdiwaengco@gmail.com

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Lakdiva Engineering Company (Pvt) Limited

Introduction

Honourable Leslie Simon Gunawardena, former Minister of Transport has taken initiative to start this institution by vesting this productive land, which was precisely in the recognizable name of the Automobile Private (Lanka) Ltd, in progressively extend of 24 dedicated acres, for the effective use of the Ceylon Transport Board by powers vested in him under subsection (I) of section 25 of the Motor Transport Act No: 48 of 1957 by publishing a direct order in the Government Gazette No: 14933 of 1970.11.20.

Honourable Srimavo Bandaranayke, then Prime Minister of the United Front Government, started Ekala Central Workshop on 15.02.1974.

With the inception, this Institution is primarily reparing new bus bodies as well as old buse bodies. This workshop consisted precisely of two divisions. One workshop was operated as the Central workshop and organized Central workshop at Ekala belonged to the Sri Lanka Transport Board.

Both the organized workshops were amalgamated on 14.06.1993 to properly form Ekala Engineering works as a private company under the nationalization programme and was privatized.

Subsequently, this private company properly implemented a specific project for the 400 Great wall buses imported from China. Accordingly, since 2001, it was managed as the Lakdiva Engineering Company Private Ltd. as a Government affiliated company administered under the Ministry of Transport. This Institution builds bus bodies required by the country with the objective of achieving the economic development by engaging skilled youths

Chairman's Message

t is my privilege to issue a direct message of heartfelt congratulations and a key note at the time of launching the Annual Report for the successful year of 2016. My sole general expectation is to gradually increase the economic productivity and the required income of the institution by carefully bringing in the fruitful cooperation of the Honourable Minister. I have a particular feeling that the problems faced by the employees in general can be solved as soon as possible and encouragement can be obtained by a moderate increase in economic output. The mandate of the Sri Lanka Transport Board is on the top of the opinion.

Minor repairs and other mandatory services of the motor vehicles of the Ministries are done by our private company and my strong vision is to easily convert Lakdiva in to a Company operates as a going concern. Honourable Nimal Siripala de Silva, Minister of Transport, Honourable Ashok Abeysinghe, Deputy Minister, and the reelvant officers of the Ministry of Civil Aviation have given me advice and guidance and I wholeheartedly commend the Executive Board of Directors and the experienced management team for their commitment and unwavering loyalty to the established company.

The steadfast flexibility of our valued employees has again proven their long-term commitment towards the established company. I would like to humbly thank our valued buyers, official suppliers and business partners for their invaluable support and mutual loyalty. I hope to meet other Heads of Ministries immediately to obtain it further.

Mr. B.R.L. Gunawardene,

Chairman,

Lakdiwa Engineering (Pvt) Ltd.,
Ekala, ja-ela

Members of Lakdiva Engineering Company (Pvt) Limited

Board of Directors	**:** Mr. B.R.L. Gunawardena	- Chairman
	Mr. K.S.M. de Silva	- Director
	Mr. Sarath Apa	- Director
	Mr. A.M.R.J.K. Jayasinghe	- Director
	Mr. G. Ajith Priyantha	- Director
	Mr. Hemantha Rajapakse	- Secretary of the Company
Staff	: Mr. K.S. Anura Kumara	- Engineer
	Mr. J. Amaradiwakara	- Administrative Officer
	Mr. Gayan Chandrasiri	- Accountant
	Mr. Manjula Sampath	- Accounts Officer
	Mr. L. Wijeratne	- Supply Officer
	Mr. Sajith Ravindra	- Chairman Secretary

Objectives

- To Serve SLTB buses for general public at a lower cost and highest quality.
- Produce a skilled workforce for the economic development.
- To carry on the business of the vehicle testing, training in driving motor mechanism, and other related areas.
- Provide services as management consultants, joint venture agents and representatives.

Performance of Lakdiva Engineering Company (Pvt) Limited during the Year 2016

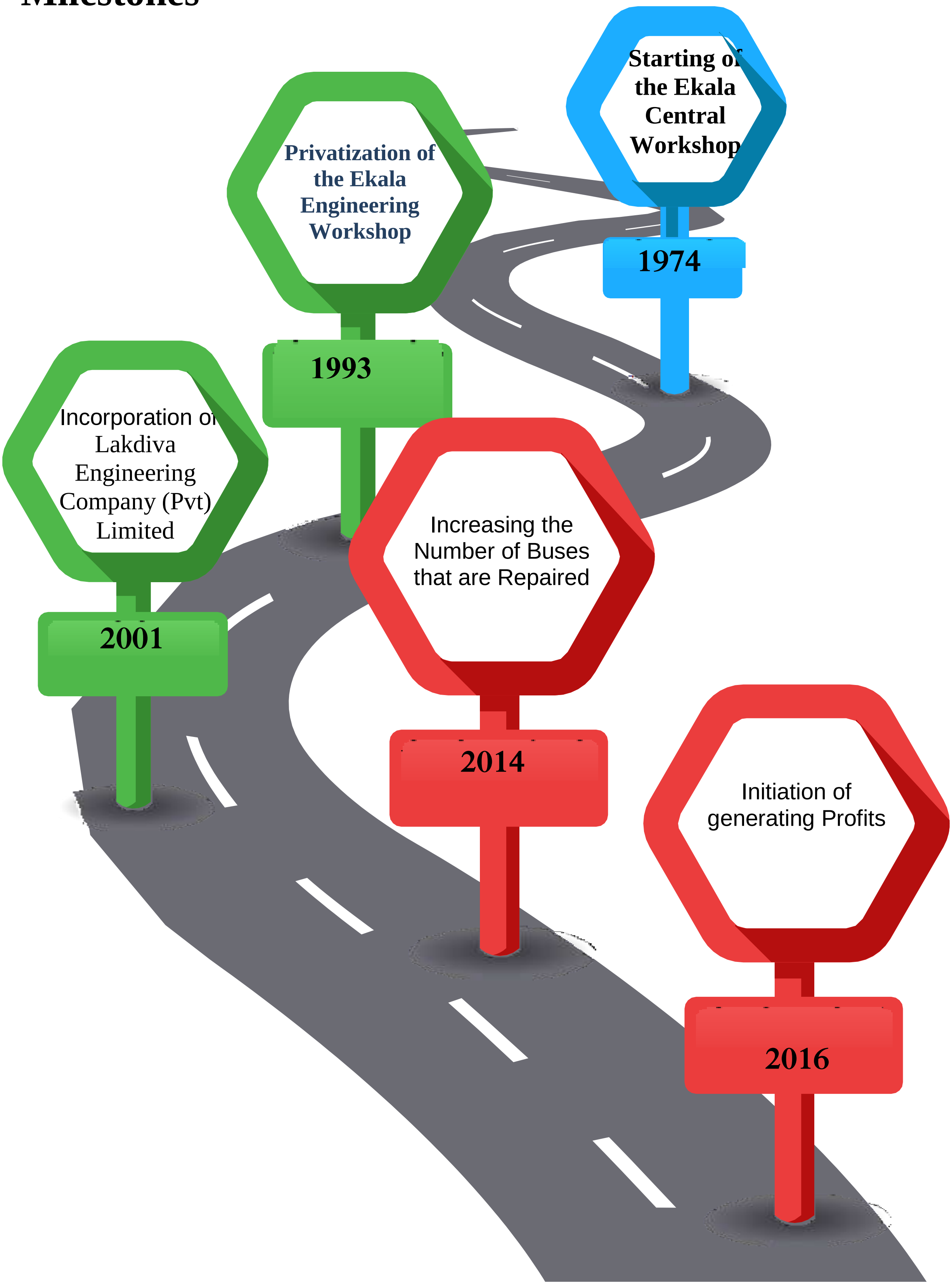
Corporate Governance

The Board of Directors of Lakdiva Engineering Company (Pvt) Limited carefully maintains the best standards of corporate governance with utmost commitment and responsibility. Lakdiva Engineering (Pvt) Ltd. has developed its corporate governance policies and modern practice responsibly to ensure to its key stakeholders that the company pays due attention to its ethical responsibilities and creates unique long-term shareholder value.

The company promptly recognizes the significant interests of all its key shareholders, including shareholders, loyal employees, long-term customers, key suppliers, loyal customers and the governance of other communities in which it effectively operates. Apart from this, mainly, the specific requirements of the Companies Act are equally considered in the corporate governance system. This statement sets out the responsible corporate governance policies, practices and processes to be followed by the Board. The Board traditionally consists of five responsible directors, one of whom is effectively an Executive Director and generally four are non-executive directors who have directly been elected.

During this successful year, the Board had met on at least four verifiable occasions. Prior to each meeting, directors responsible are provided with all the management information and background material relevant to the specific agenda to activate informed decisions and outstanding key board papers are formally presented in relation to the successful performance of the company, recent investments, capital projects and other key issues that reasonably require the specific board approval. The Chairman is responsible for the practical issues positively related to the policy on productivity and for maintaining regular interactions with the other directors of the Company, major shareholders and external stakeholders. He is also responsible for overall commercial, operational and strategic development.

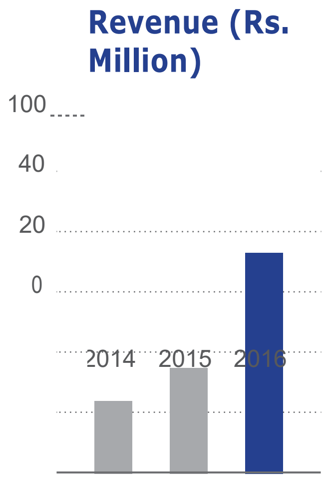
Milestones


Starting of the Ekala Central Workshop
1974
Privatization of the Ekala Engineering Workshop
1993
Incorporation of Lakdiva Engineering Company (Pvt) Limited
2001
Increasing the Number of Buses that are Repaired
2014
Initiation of generating Profits
2016

Financial Highlights

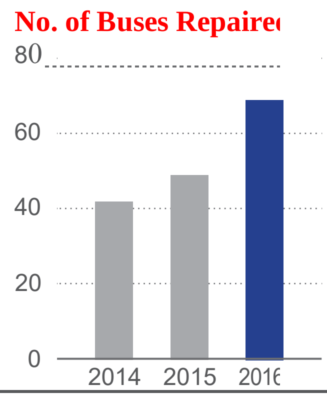
Revenue (Rs. Million)

Year	2014	2015	2016
Revenue from repairs	24	35	73



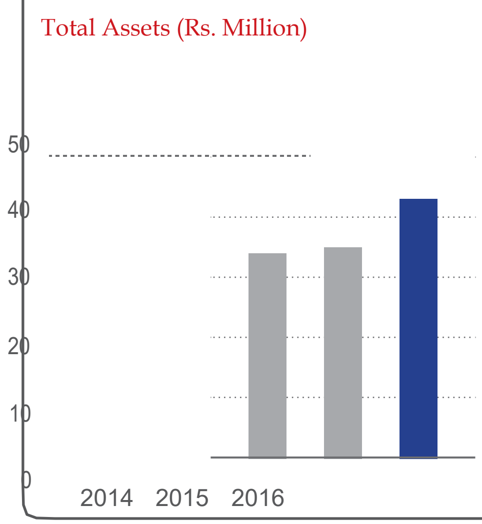
No. of Buses Repaired

Year	2014	2015	2016
Quantity of Buses Repaired	42	49	69



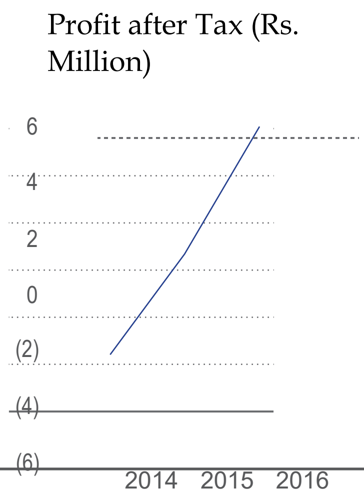
Total Assets (Rs. Million)

Year	2014	2015	2016
Total Assets	34	35	43



Profit after Tax (Rs. Million)

Year	2014	2015	2016
Profit after Tax	(4.04)	0	5.08



Activities and Responsibilities

➲ Financial Reporting

The Committee systematically reviewed and quantitatively discussed the financial reporting system adopted by the Company in preparing the annual financial statements with the management and external auditors to ensure the reliability of the process and the consistency of the accounting policies adopted and the compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 7 of 2007.

➲ Risks and Controls

The Committee duly identified and systematically reviewed key business risks and mitigation measures taken or considered for each business segment. In particular, the committee discussed the financial impact on the company arising from labour issues, wage hikes etc. and appraised the Board as appropriate.

➲ Internal Audit

The internal audit was conducted by the Internal Auditor of the Ministry of Transport and Civil Aviation. The committee carefully reviewed the specific findings of the audit, their urgent recommendations, responses of the Management and regular follow-up on progress. Implementation of such key recommendations is used to improve the overall control environment.

➲ External Audit

The Audit Committee duly met with the external auditors to thoroughly discuss the ambitious scope and audit strategy and specific risk factors positively impacted by the company's smooth operation.

➲ Conclusion

The Audit Committee is sufficiently satisfied with respect to the Company. Reasonable assurance was provided to the accounting policies, operational controls and risk management process. The company's economic affairs were efficiently managed in accordance with government policies and the company's capital assets were properly accounted and adequately safeguarded.

Signed by
Mr. K. S. M. de Silva,
Chairman,
Audit Committee
01-07-2019

Annual Accounts 2016

Statement of Financial Position

As at 31 December 2016

	Notes	31.12.2016 Rs.	31.12.2015 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		13,435,435	8,290,423
Fixed Deposits		2,885,199	2,839,031
		16,320,634	11,129,454
Current Assets			
Inventories	4	15,493,432	16,272,702
Trade and Other Receivables	5	10,486,133	4,904,195
Deposits and Advances	6	728,076	2,356,376
Cash and Cash Equivalents	7	50,095	30,000
		26,757,736	23,563,273
Total Assets		43,078,370	34,692,727
EQUITY AND LIABILITIES			
Equity			
Stated Capital	8	20	20
Capital Reserves		33,293,621	33,293,621
Accumulated Reserve		(15,582,459)	(20,668,325)
		17,711,182	12,625,316
Non-Current Liabilities			
Retirement Benefit Obligation - Gratuity	9	18,109,704	2,365,893
Current Liabilities			
Trade and Other Payables	10	3,667,200	17,585,129
Bank Overdraft		3,590,284	2,116,389
		7,257,484	19,701,518
Total Equity and Liabilities		43,078,370	34,692,727

01 to 21 Accounting policies and notes form an integral part of these financial statements. The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors and signed on their behalf.

Chairman	Director	Accountant
CHAIRMAN GOVERNMENT OWNED LAKDIVA ENGINEERING CO. (PVT) LTD EKALA, JA-ELA.	Director LAKDIWA ENGINEERING COMPANY (PVT) LTD No. 73, Minuwangoda Rd Ekala, Jaela	Accountant Government owned LAKDIVA ENGINEERING COMPANY (PVT) LTD

Statement of Comprehensive Income

For the Year Ended 31 December 2016

	Notes	2016 Rs.	2015 Rs.
Revenue	11	73,340,474	34,657,779
Cost of Sales	12	(64,569,598)	(37,904,747)
Gross Profit		8,770,876	(3,246,968)
Other Income	13	24,512,359	22,566,326
		33,283,235	19,319,358
Administrative Expenses	14	(27,474,024)	(18,980,529)
Distribution Costs	15	(672,127)	(126,269)
Finance Costs	16	(51,218)	(212,152)
Profit before taxation		5,085,866	408
Income Tax Expenses	17	-	-
Profit after taxation		5,085,866	408
Other comprehensive income		-	-
Total comprehensive income for the period		5,085,866	408

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2016

	Stated Capital Rs.	Capital Reserve Rs.	Accumulated Reserves Rs.	Total Rs.
Balance as at 01 January 2014	20	33,293,621	(16,619,812)	16,673,829
Loss of the Year	-	-	(4,048,921)	(4,048,921)
Balance as at 31 December 2014	20	33,293,621	(20,668,733)	12,624,908
Profit for the year				
	-	-	408	408
Balance as at 31st December 2015				
Profit for the year	20	33,293,621	(20,668,325)	12,625,316
	-	-	5,085,866	5,085,866
Balance as at 31st December 2016				
Profit for the year	20	33,293,621	(15,582,459)	17,711,182

Statement of Cash Flows

For the Year Ended 31 December 2016	2016 Rs.	2015 Rs.
Cash flows from operating activities		
Profit/(loss) before tax	5,085,866	408
Adjustments for:		
Gratuity	16,736,021	1,177,387
Interest income	-	(159,150)
Operating profit/(loss) before working capital changes	21,821,887	1,018,645
Working capital adjustments:		
Decrease in inventories	779,270	3,389,376
(Increase)/decrease in Trade and other receivables	(5,581,938)	(3,122,420)
Decrease/(increase) in deposits and advances	1,628,300	336,550
Increase/(decrease) in trade and other payables	(13,917,929)	1,244,355
	(17,092,297)	1,847,861
Cash generated from operations	4,729,589	2,866,506
Gratuity paid	(992,210)	(1,241,855)
Net cash generated from/(used in) operating activities	3,737,379	1,624,651
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,145,012)	(1,164,594)
Investment in fixed deposits	(46,168)	(159,150)
Interest received	-	159,150
Net cash used in investing activities	(5,191,180)	(1,164,594)
Net increase/(decrease) in cash and cash equivalents	(1,453,800)	460,057
Cash and cash equivalents at the beginning of the year	(2,086,389)	(2,546,446)
Cash and cash equivalents at the end of the year	(3,540,189)	(2,086,389)
Analysis of cash and cash equivalents at the end of the year		
Cash in hand	50,095	30,000
Bank overdraft	(3,590,284)	(2,116,389)
	(3,540,189)	(2,086,389)

Accounting Policies and Explanatory Notes to the Financial Statement

For the year ended 31 December 2016

1. GENERAL INFORMATION

1.1 Domicile and Legal Form

Lakdiva Engineering Company (Private) Limited is a limited liability company, incorporated and domiciled in Sri Lanka. The registered office of the Company is situated at No. 73, Minuwangoda Road, Ekala, Ja-Ela and the principal place of business is situated at the same place. The Company was incorporated in 2001.

1.2 Principal Activity and Nature of Operations

The Company is carrying out business of repairing bus bodies of Sri Lanka Transport Board.

1.3 Number of Employees

Total number of employees of the Company as at 31 December 2016 was 89. (It had been 75 as at 31 December 2015)

1.4 Authorization of the Financial Statements

These financial statements were approved by the Board of Directors and authorized to issue on 19 September 2018.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

Statement of Financial Position, Statement of Comprehensive Income, Statement of Economic Changes in Economic Shares, Cash Flow Statement and Notes to the Company's Financial Statements have been prepared in compliance with the specific requirements of Sri Lanka Accounting Standards (SLFRSs) recently issued by the Institute of Chartered Accountants of Sri Lanka, and the Companies Act No. 7 of 2007.

2.2 Basis of Measurement

The financial statements of the Company have been prepared under the historical cost conventionAdjustments for Financial instruments have not been made for inflationary factors affecting the financial statements.

2.3 Comparative Figures

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

2.4 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates and rounded to the nearest rupee value.
These financial statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency.

2.5 Use of Estimates and Judgments

The preparation of financial statements in conformity with the SLFRS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. Summary of Significant Accounting Policies

The financial statements of the Company are prepared in accordance with the SLFRSs issued by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Foreign Currency Transactions/ Conversions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate rulings at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the date of statement of financial position are translated to Sri Lankan Rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction.

Assets and valuation bases

Cash is a valuable asset classified as a constructive and generally effective current asset in the company's statement of financial position and is expected to be converted into cash within any shorter period of time, such as one succeeding year from the reporting date, earned through the company's time or normal operating cycle. The company intends to adequately utilize the remaining assets other than current assets beyond one year from the specified date of the statement of financial position.

3.2 Impairment of non-financial assets

At the end of each reporting period, non-financial assets are reviewed to determine whether there is any indication that the asset has been impaired. If there is an indication of impairment, the recoverable amount of any affected asset (or related group of assets) is accurately estimated and compared with the asset's carrying value. If the estimated recoverable amount is lower, the carrying amount is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

Similarly, at each reporting date, the minimum impairment is accurately assessed by comparing the carrying value of each item (or domestic group of similar items) in the descriptive inventory register with its economic cost less selling price to adequately complete the inventory and sell immediately. If an item of inventory (or a local group of similar items) is damaged, its carrying value is reduced to selling price and an impairment loss is recognized immediately in profit or loss because it would cost less to complete satisfactorily and sell quickly.

If an impairment loss is recovered, the valued asset (or local category of related assets) is increased to its revised estimate of its recoverable amount. (Selling low to complete to satisfaction and selling quickly in rare cases of extensive inventory). But if no impairment loss was immediately recognized for the value asset (domestic category of related assets) in the previous year, not more than the significant amount that can be determined accurately in nature. A major reversal of impairment loss is recognized immediately in a significant profit or economic loss.

Accounting Policies and Explanatory Notes to Financial Statements

For the year ended 31 December 2016

Contd.

3.3 Financial Instruments

Financial assets

3.3.1 Trade and other receivables

Trade and other receivables are primarily recognized at transaction price. Receivables are affected by the fixed basis of normal credit terms for sales that are unaffected by interest and the economic value of the undiscounted amount. Receivables are measured accurately at amortized cost using the effective interest method, when modified credit is extended beyond normal credit terms. At the end of each period the trade receivables brought forward are properly reviewed to determine whether there is any evidence of uncollectibility. Then, an impairment loss is recognized immediately in significant profit or loss.

3.3.2 Impairment of financial assets

At the end of each reporting period, financial assets not measured at fair value are reviewed to determine whether there is objective evidence of asset impairment. In that case, an asset impairment loss is recognized immediately in profit or loss and the carrying value of the financial asset is reduced accordingly.

3.3.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts are shown in current liabilities in the statement of financial position. The cash flow statement is prepared using the “indirect method”.

Financial obligations

3.3.4 Trade and other payables

Trade and other payables are primarily recognized at transaction price (including transaction costs). Trade payables are accurately represented on the basis of normal credit terms and bear no interest. Interest bearing liabilities are then measured at amortized cost using the effective interest method.

3.3.5 Bank overdraft

Bank overdrafts are payable in full on demand and are stated primarily at face value.

Liabilities and Provision

Liabilities that are payable on demand or within one year of the reporting date are classified as current liabilities in the statement of financial position. Noncurrent liabilities are balances that can be scheduled for payment after one year from the reporting date. All known liabilities have been adequately accounted in order to adequately prepare these financial statements. Provisions and liabilities are recognized immediately when the company has a legal or constructive obligation as a direct result of past events and a capital inflow of economic benefits will be required to settle the outstanding liability.

3.4 Retirement benefit cost

The company has both defined benefit and defined contribution plans. A defined contribution plan in general is a pension plan in which the company pays fixed contributions to a separate entity and has a statutory or constructive obligation to make benefit contributions related to current and prior periods of employee service unless the mutual fund has assets of sufficient value to adequately compensate all employees. will not give A defined benefit plan is a pension plan and not a defined contribution plan. In general, defined benefit plans define a specific amount of pension benefit that an employee will receive upon retirement, which is usually dependent on one or more factors such as age, length of service, and compensation.

(a) Defined Contribution Schemes – Employees Provident Fund (EPF) and – Employees Trust Fund (ETF)
All employees eligible for Employees' Provident Fund and Employees' Trust Fund contributions are covered by the respective contributions in accordance with the relevant statutes and regulations.

(b) Defined Benefit Plans - Secured Retirement Benefit Liability - Gratuityprovision is made in the accounts for the retirement benefit liability from the employee's first year of service and shown under deferred liabilities in the statement of financial position. However, as per Payment of Gratuity Act No. 12 of 1983, liability to an employee arises only on successful completion of five years of continuous service. The gratuity is not externally funded.

3.5 Contingencies and capital commitments

All quantifiable capital commitments and potential contingencies at the reporting date are disclosed in the notes to the financial statements.

Statement of Comprehensive Income

3.6 Revenue recognition

Revenue is recognized immediately to the extent that it is probable that economic benefits will flow to the company and the revenue and related costs can be measured reliably. Revenue is accurately measured at the fair value of the consideration received or receivable.

(a) Repair revenue arising from the repair of bus bodies of Sri Lanka Transport Board is recognized in the period in which the service is provided and is valued based on the completion of the service and based on the actual services provided.

(b) Interest income is recognized immediately using the effective interest method.

3.7 Identification of Expenses

All the expenses incurred to run the business successfully and to maintain the property, plant and equipment efficiently are adjusted against the income in making profit or loss for the year.

3.8 Financial cost

All interest and other costs associated with direct borrowing are usually incurred as a major part of the financial cost.

Notes to the Financial Statements

	Notes	31.12.2016 Rs.	31.12.2015 Rs.
4. Inventories			
Work in progress		5,336,112	1,670,009
Spare parts		10,157,320	14,596,046
Fuel Stocks		-	6,647
		15,493,432	16,272,702
5. Trade and Other Receivables			
Trade Debtors		10,486,133	4,858,027
Interest		-	46,168
		10,486,133	4,904,195
6. Deposits and Advances			
Deposits		-	4,000
Advances	6.1	728,076	2,352,376
		728,076	2,356,376
6.1 Advances			
Festival Advances		725,076	405,376
Advances for arrears of wages (Working Staff)		3,000	1,693,000
Advances for arrears of wages (Retired Staff)		-	254,000
	6	728,076	2,352,376
7. Cash and Cash Equivalents			
Petty Cash		50,095	30,000
8. Stated Capital			
Issued and fully paid 2 Ordinary Shares		20	20
9. Retirement Benefit Obligations - Gratuity			
Allocation at the Beginning of the Year		2,365,893	2,430,361
Allocation /(Reserves) for the Year		16,736,021	1,177,387
		19,101,914	3,607,748
Payments during the Year		(992,210)	(1,241,855)
Allocatinos at the end of the Year		18,109,704	2,365,893

	Notes	31.12.2016 Rs.	31.12.2015 Rs.

10. Trade and Other Payables

	Notes	31.12.2016 Rs.	31.12.2015 Rs.
Trade Creditors		-	840,292
Accrued expenses and others	10.1	3,667,200	16,744,837
		3,667,200	17,585,129

10.1 Accrued Expenses and Others

	Notes	31.12.2016 Rs.	31.12.2015 Rs.
Salaries and wages		1,348,061	977,444
Employees' Provident Fund		-	520,832
Employees' Trust Fund	-	70,763	
Overtime		-	77,740
Bonus		194,767	95,103
Contractual Wages		269,856	179,122
Chairman's and directors' - vehicle allowance		50,000	20,000
Chairman's and directors' – Telephone allowance		4,250	-
Chairman's and directors' - fuel allowances		16,150	10,766
Staff welfare society - Ekala		8,200	6,300
Staff welfare society - Sri Lanka Transport Board		1,400	1,400
Staff welfare society - Lakdiva		9,400	7,000
Fine Fund		104,071	43,781
Associations		16,805	8,805
Employees' Loans (Bank Loans)		385,734	375,064
Audit fees		69,990	109,990
Telephone		11,773	8,342
Electricity		115,885	205,275
Security		224,800	187,360
Stamp duty		-	2,420
Advances for salary arrears (Working Staff)		-	10,512,055
Advances for salary arrears (Retired Staff)		-	1,958,737
Arrears Employees' Provident Fund		686,054	859,411
Arrears Employees' Trust Fund		93,293	181,350
Withholding Tax		-	5,374
Canteen Deposits		-	10,000
Refunds of Tender Deposits		40,000	276,692
Sri Lanka Transport Board Head Office		16,711	33,711
	10	3,667,200	16,744,837

Notes to Financial Statements Contd.

	Notes	2016 Rs.	2015 Rs.

11. REVENUE

	Notes	2016 Rs.	2015 Rs.
Revenue from Repairs		73,340,474	34,648,919
Sale of scrap		-	8,860
		73,340,474	34,657,779

12. COST OF SALES

	Notes	2016 Rs.	2015 Rs.
Work-in -Progress at the beginning of the year		1,670,009	2,593,579
Production Cost	12.1	68,235,701	36,981,177
Work-in-Progress at the end of the year		(5,336,112)	(1,670,009)
		64,569,598	37,904,747

12.1 Cost of production

	Notes	2016 Rs.	2015 Rs.
Direct materials		27,718,329	10,985,171
Direct labour	12.1.1	26,907,434	19,635,312
Employees' Provident Fund		2,495,424	2,151,132
Employees' Trust Fund		623,856	537,783
Bus repairing and painting (outsource)		7,361,306	2,707,230
Incentives		3,129,352	964,549
	12	68,235,701	36,981,177

12.1.1 Direct Labour

	Notes	2016 Rs.	2015 Rs.
Salaries and wages		16,899,994	8,735,358
Salary arrears		34,390	282,936
Allowances		2,330,000	4,787,280
Cost of living allowance		4,836,000	4,264,728
Overtime		312,474	158,796
Contractual wages		2,845,064	1,544,091
	12.1	26,907,434	19,635,312

	Notes	2016 Rs.	2015 Rs.

13. OTHER INCOME

Grant received from Treasury		24,000,000	22,000,000
Passenger transport		420,549	354,176
Spare parts of Greatwall		-	3,938
Interest		-	159,150
Tender fees		5,000	3,000
Miscellaneous		31,444	46,062
Scrap Sale		5,866	-
Supplier Registration Fees		49,500	-
		24,512,359	22,566,326

14. ADMINISTRATIVE EXPENSES

Salaries and wages	14.1	8,732,923	7,572,447
Directors' Emoluments	14.2	1,335,633	315,243
Employees' Provident Fund		1,551,241	1,195,783
Employees' Trust Fund		387,810	298,946
Allowances		1,538,587	2,575,926
Writing off of Balances Payable	14.3	(14,187,676)	-
Writing off of Balances Receivable	14.4	1,957,647	-
Gratuity		16,736,021	1,177,387
Employee welfare		142,804	23,887
Medical Expenses		-	2,390
Electricity		1,276,127	923,513
Telephone		118,728	95,091
Rates & taxes		85,080	150,458
Insurance		44,217	2,389
Security Services		3,954,200	3,501,340
Repair and maintenance		2,054,130	122,384
Fuel		815,961	499,930
Sanitary		263,138	143,176
Translation charges		10,000	-
Agreement charges		12,141	-
Postage		4,128	2,890
Audit fees		100,000	69,990
Secretarial fees		75,000	45,000

	Notes	2016 Rs.	2015 Rs.

14 Administrative Expenses....

Legal fees		47,708	84,500
Fines and Surcharges -ETF		7,572	80,936
Donations		5,000	-
Sanitary		128,711	91,989
Miscellaneous		243,041	4,934
Advertisement & Publicity		34,152	-
		27,474,024	18,980,529

14.1 Salaries and wages

Salaries and wages		5,974,911	5,131,999
Salary arrears		8,495	159,789
Cost of living allowance		2,704,780	2,238,600
Overtime		70,612	108,593
Less: Unpaid Salaries		(25,875)	(66,534)
	14	8,732,923	7,572,447

14.2 Directors' Emoluments

Fuel allowance		193,800	107,993
Other Allowances		1,073,000	197,333
Telephone Allowance		53,833	9,917
Travelling Expenses of Directors		15,000	-
	14	1,335,633	315,243

14.3 Writing off of Balances Payable

Arrears E.P.F. Payable		859,411	859,411
Arrears E.T.F. Payable		181,350	181,350
Arrears of Salaries and Wages - Working Staff		10,512,055	10,512,055
Arrears of Salaries and Wages - Retired Staff		1,958,737	1,958,737
Withholding Tax		5,374	5,374
Restaurant Deposits		10,000	10,000
Dishonoured Cheques		276,692	276,692
Trade creditors		306,317	306,317
Overtime payable		77,740	77,740
		14,187,676	14,187,676

	Notes	2016 Rs.	2015 Rs.
14.4 Writing off of Balances Recievable			
Advances for salary arrears of retired staff		254,000	254,000
Advances for salary arrears of working staff		1,693,000	1,693,000
Court deposits		4,000	4,000
Fuel stocks		6,647	6,647
		1,957,647	1,957,647
15. Distribution Costs			
Travelling and transport expenses		72,127	38,269
Vehicle rent		600,000	88,000
		672,127	126,269
16. Finance Cost			
Interest on bank overdrafts		34,218	168,714
Bank charges		17,000	43,438
		51,218	212,152
17. Income Tax Expenses			
Income Tax Expenses		-	-

18. Events After the End of the Reporting Period

There were no events occurring after the end of the reporting period that required adjustments to or disclosures in the Financial Statements.

19. Contingent Liabilities and Capital Commitments

There were no material contingent liabilities or capital commitments as at the date of Statement of Financial Position.

Report of the Auditor General

My No: CTP/A/LEC/FA/06/2016/05 On 03 April 2019.

To the shareholders of
Lakdiva Engineering Company (Pvt.) Limited.

Report of the Auditor General on the Financial Statements of Lakdiva Engineering Company (Pvt) Limited for the year ended 31 December 2016

The audit of the financial statements of the Lakdiva Engineering Company (Pvt) Ltd. for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. This report contains my observations regarding the performance of the company during the year under review which I intend to submit to Parliament in accordance with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Responsibility of Management of the Financial Statements

The Board of Directors are 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 Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards.

Basis for Disclaimer of Opinion

(a) Since there were no fixed asset register or detailed schedules relating to property, plant and equipment property, plant and equipment valued at Rs. 13,435,435 indicated in the Statement of Financial Position as at 31 December 2016, I could not verify the valuation, accuracy and completeness of those assets. Furthermore, the company had not disclosed the depreciation of property, plant and equipment in accordance with the disclosure requirements set out in the Sri Lanka Accounting Standard - LKAS 16.

(b) The company had not carried out physical verification of goods on 31 December 2016. I could not verify the valuation, accuracy and completeness of the property, plant and equipment valued at Rs. 15,493,432 indicated in the Statement of Financial Position as at 31 December 2016. Further, the company had also failed to recognize losses on unissued goods in accordance with Sri Lanka Accounting Standard on Goods-LKAS 2.

(c) Goods worth Rs.12,970,875 had been received by the Company in 1993 for the Great Wall Bus project. However, the goods had not been accounted and the Company had failed to provide inventory valuation reports or sufficient and appropriate audit evidence on the existence and valuation of these goods as at 31 December 2016.

(d) The Company had written off amounts of Rs.13,594,667, Rs.10,000, Rs.276,692 and Rs.306,317 respectively for accrued expenses and other payables against the administrative expenses, restaurant deposits, returned cheques and trade creditors. As a result, the administrative expenses had been understated by Rs.14,187,676.

(e) The Company had not been registered for payment of Income Tax, Value Added Tax and Nation Building Tax.

Disclaimer of Opinion

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. I do not express an opinion on the accompanying financial statements.

Report on Other Legal and Regulatory Requirements

According to Section 163(2) of the Companies Act No. 07 of 2007, I state the following matters.

(a) Basis for opinion and scope and limitations of audit are as set out above.

(b) As stated above, it is my opinion that I have not obtained all the information and explanations required for the audit and that the company has not maintained proper accounting records.

Reporting to Parliament

My report will be tabled in Parliament in due course in accordance with Article 154 (6) of the Constitution,

H.M. Gamini Wijesinghe
Auditor General

MINISTRY OF TRANSPORT & HIGHWAYS

LAKDIVA ENGINEERING COMPANY (PVT) LTD.

NO. 73, MINUWANGODA ROAD, EKALA, JA-ELA, SRI LANKA

Tel: 011-2236530, 2236458 Fax: 011-2236764 E-mail -lakdiwaengco@gmail.com

LEC/AC/AQU/01/2016

2019/05/20

Audit Superintendent,

Auditor General's Department,

No.306/72,

Polduwa Road,

Battaramulla.

Regarding the Auditor General's report dated 2019/04/03 on the financial statements of Lakdiva Engineering (Pvt.) Company for the year ended 31 December 2016 No. - CTP/A/LEC/FA/2016/05.

Basis for Opinion

(a) Accept. In the future, I will maintain a fixed asset register and a detailed sub-register on the depreciation of property and equipment.

(b) Accept. I will take necessary measures to carry out physical verification of the company's goods in future.

(c) Accept. I work to prepare goods documents and valuation reports about the existence of goods and their valuation.

(d) Accept. I will take steps to correct the mistakes in the future.

(e) Accept. I will take the necessary steps to register for paying the relevant taxes in the future.

B. R. L. Gunawardena
Chairman
Lakdiva Engineering Company (Pvt) Ltd
Ekala
Ja-ela