Annual Report | 2017

Lakdiva Engineering Company (Pvt) Ltd

VISSION

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

MISSION

To repair the damaged buses belonged to the Sri Lanaka Transport Board
as well as to the individual operators under concessionary basis
yet in high standard enabling to add them to the passenger service.

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

Contents

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.

In a progressive journey towards integrated reporting, Lakdiva Engineering (Pvt) Ltd. carefully presents its Annual Report for the successful year inevitably ended 31 December 2019. Adequate investigation of contingent financial and managerial and non-financial use is within the scope of operations. The valuable information mentioned is the general facts which effectively maintain the annual reporting cycle of Lakdiva Engineering (Pvt) Ltd. for the specified period from 01 January 2019 to 31 December 2019. The practical purpose of this report is to provide concise and direct communication to our responsible stakeholders regarding the company's strategic direction and successful performance. The financial information has been prepared and presented under the Sri Lanka Financial Reporting Standards in accordance with the Companies Act No. 07 of 2007.

The Board and senior management took the lead in the preparation of this report. This consolidated annual report has focused on all the material issues and presented only an objective view of the consolidated performance of the company and its effects.

Corporate Governance

The Board of Directors of Lakdiva Engineering (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.

Chairman's Review

It 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 2017. 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.

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Corporate Information

Name of the Company	: Lakdiva Engineering Company (Pvt) Ltd.
Legal Status	: Incorporated under the Companies Act.
Date of Incorporation	: 01 October 2001
Registration No. of the Copmany	: **PV21948**
Head / Registered Office	: No. 73, Minuwangoda Road, Ekala, Ja-ela.

Board of Directors:

Mr. B.R.L. Gunawardene	- Chairman
M r. K.S.M. de Silva	- Director
Mr. Sarath Epa	- Director
Mr. A.M.R.J.K. Jayasinghe	- Director
Mr. G. Ajith Priyantha	- Director
Mr. Hemantha Rajapaksha	- Secretary of the Company

Staff:

Mr. K.S. Anura Kumara	- Engineer
Mr. Gayan Chandrasiri	- Accountant
Mr. J. Amaradivakara	- Administrative officer
Mr. Manjula Sampath	- Accounts Officer
Mr. L. Wijerathne	- Supplying 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.
- To buy sell. assemble, let on hire. repair, alter and deal in machinery, component parts, accessories and fittings of all kinds for motors other things and all articles and things or capable of being used in connection with the manufacture, maintenance and working thereof.
- To carry on the business of garage proprietors, taxi cab. Omnibus, motor car, lorry, motor cycle or other public or private conveyance proprietors, job masters, motor car, lorry, motor cycle or other vehicle manufactures and repairs, garage builders, dealers in motor accessories of all kinds, motor and mechanical engineers, dealers in oil and petroleum products of all kinds of carriers and hirers of vehicles of all description.
- To manufacture, assemble, import, buy, sell, export, exchange, alter or improve and deal in vehicles of any kind so constructed as to progress by means of automatic power, whether by means of means of oil, electricity, steam, gas or otherwise.
- To manufacture, assemble, buy, sell, exchange, alter, improve, manipulate, prepare for market and otherwise deal in all kinds of plant, machinery, apparatus, tools, utensils, substances, materials and thing necessary's business or proceedings or usually dealt in by persons engaged in the like.
- To maintain and operate a passenger transport business and to provide a business of haulage in any part of the country.

Milestones

2017

Generated a profit of Rs. 14 million for the first time during the year

2014

Increasing the number of buses repaired

2001

Establishment of Lakdiva Engineering Company Private Ltd

1993

Privatization of the Ekala Engineering Workshop

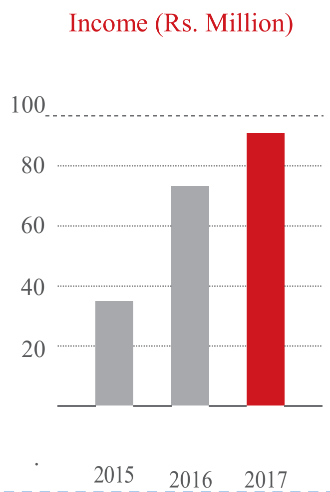
1974

Starting of the Ekala Central Workshop

Financial Highlights

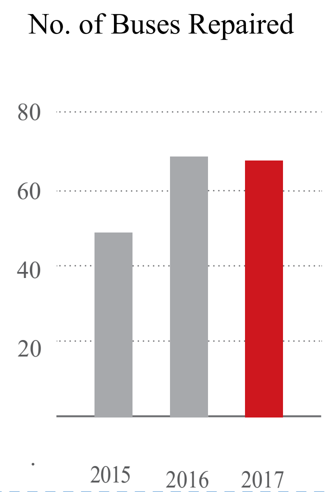
Revenue (Rs. Million)

Year	2015	2016	2017
Revenue from re-pairs	35	73	91



No. of Buses Repaired

Year	2015	2016	2017
Quantity of Buses Repaired		69	68



> Total Assets (Rs. Million)

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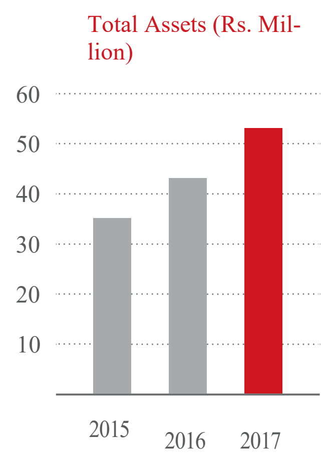
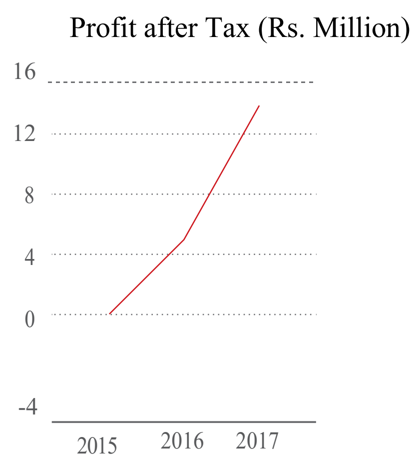
Year	2015	2016	2017
Total Assets	35	43	53



> Profit after Tax (Rs. Million)

Year	2015	2016	2017
Profit after Tax	0	5.08	14.67



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
31-12-2017

Annual Accounts 2017

Statement of Financial Position

As at 31 December 2017

	Notes	31.12.2017 Rs.	31.12.2016 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4.1	13,727,938	13,175,435
Intangible assets	4.2	234,000	260,000
		13,961,938	13,435,435
Current Assets			
Inventories	5	17,565,649	15,493,432
Trade and Other Receivables	6	15,182,219	10,486,133
Deposits and Advances	7	735,776	728,076
Fixed Deposit		2,000,000	2,885,199
Cash and Cash Equivalents	8	4,010,490	50,095
		39,494,135	29,642,935
Total Assets		**53,456,073**	**43,078,370**
EQUITY AND LIABILITIES			
Equity			
Stated Capital		20	20
Capital Reserves		33,293,621	33,293,621
Accumulated Reserve		(904,899)	(15,582,459)
Grants		-	
		32,388,742	17,711,182
Non-Current Liabilities			
Retirement Benefit Obligation - Gratuity	9	16,092,226	18,109,704
Current Liabilities			
Trade and Other Payables	10	4,975,106	3,667,200
Bank Overdraft		-	3,590,284
		4,975,106	7,257,484
Total Equity and Liabilities		**53,456,073**	**43,078,370**

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 LAKDIVA ENGINEERING COMPANY (PVT) LTD No. 73, Minuwangoda Rd Ekala, Ja-ela	Accountant Government owned LAKDIVA ENGINEERING COMPANY (PVT) LTD

Statement of Comprehensive Income

For the Year Ended 31 December 2017

	Notes	2017 Rs.	2016 Rs.
Revenue	11	90,728,459	73,340,474
Cost of Sales	12	(77,400,083)	(64,569,598)
Gross Profit		13,328,376	8,770,876
Other Income	13	29,023,535	24,512,359
		42,351,911	33,283,235
Administrative Expenses	14	(26,907,115)	(27,474,024)
Distribution Costs	15	(692,056)	(672,127)
Finance Costs	16	(75,180)	(51,218)
Profit before taxation		**14,677,560**	**5,085,866**
Taxes		(-)	(-)
Profit after taxation		**14,677,560**	**5,085,866**
Other comprehensive income		-	-
Total comprehensive income for the period		**14,677,560**	**5,085,866**

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2017

	Stated Capital Rs.	Capital Reserve Rs.	Accumulated Reserves Rs.	Total Rs.
Balance as at 31st December 2015	20	33,293,621	(20,668,325)	12,625,316
Profit for the year	-	-	5,085,866	5,085,866
Balance as at 31st December 2016	20	33,293,621	(15,582,459)	17,711,182
Profit for the year			14,677,560	14,677,560
Balance as at 31st December 2017	**20**	**33,293,621**	**(904,899)**	**32,388,742**

Statement of Cash Flows

For the Year Ended 31st December 2017

	2017 Rs.	2016 Rs.
Cash flows from operating activities		
Profit/(loss) before tax	14,677,560	5,085,866
Adjustments for:		
Depreciation of property, plant and equipment	648,249	-
Amortization	26,000	-
Gratuity	1,676,724	16,736,021
Interest income	(423,238)	-
Operating profit/(loss) before working capital changes	16,605,295	21,821,887
Working capital adjustments:		
(Increase)/Decrease in inventories	(2,072,217)	779,270
(Increase)/decrease in Trade and other receivables	(4,696,086)	(5,581,938)
Decrease/(increase) in deposits and advances	(7,700)	1,628,300
Increase/(decrease) in trade and other payables	1,307,906	(13,917,929)
	(5,468,097)	(17,092,297)
Cash generated from operations	11,137,198	4,729,589
Gratuity paid	(3,694,202)	(992,210)
Net cash generated from/(used in) operating activities	**7,442,996**	**3,737,379**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,200,752)	(5,145,012)
Investment in fixed deposits	885,199	(46,168)
Interest received	423,238	-
Net cash used in investing activities	**107,685**	**(5,191,180)**
Net increase/(decrease) in cash and cash equivalents	7,550,679	(1,453,800)
Cash and cash equivalents at the beginning of the year	(3,540,189)	(2,086,389)
Cash and cash equivalents at the end of the year	**4,010,490**	**(3,540,189)**
Analysis of cash and cash equivalents at the end of the year		
Cash in hand	4,010,490	50,095
Bank overdraft	-	(3,590,284)
	4,010,490	**(3,540,189)**

Accounting Policies and Explanatory Notes to the Financial Statement

For the year ended 31 December 2017

1. GENERAL INFORMATION

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 on 15th August 2011.

Principal Activity and Nature of Operations

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

Number of Employees

Total number of employees of the Company as at 31 December 2017 was 103. (It had been 103 as at 31 December 2016)

Authorization of the Financial Statements

These financial statements were authorized for the issue by the Board of Directors on 03 April 2019

2. BASIS OF PREPARATION

- **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.

- 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.

- Comparative Figures

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

- 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.

- 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.

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.

- 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.

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.

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.

Property, plant and equipment

An amount of Rs. 8,290,423, the balance of property, plant and equipment could not be verified due to lack of documentary evidence.

Accounting Policies and Explanatory Notes to Financial Statements

For the year ended 31 December 2017

Financial Instruments

Financial assets

- **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.

- **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.

- **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**

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.

- **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.

- ### 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 - Bonus provision 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.

- ### 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

- ## 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.

- ## 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.

- ## 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

4.1 Property, Plant and Equipment

	Plant and Equipment Rs.	Computer And Equipments Rs.	Motor Vehicles Rs.	Furniture & Office Equipment Rs.	Total Rs.
Balance carried forward					8,290,423
Balance as at 1st January 2017	3,027,870	275,860	63,272	1,518,010	4,885,012
Additions during the period	864,352	112,500	125,000	98,900	1,200,752
Balance as at 31st December 2017	3,892,222	388,360	188,272	1,616,910	14,376,187
Accumulated Depreciation					
Accumulated Depreciation as at 01 January 2017					-
Allocation for the year	370,668	100,934	24,846	151,801	648,249
Accumulated Depreciation As at 31 December 2017	370,668	100,934	24,846	151,801	648,249
As at 01 January 2017	3,027,870	275,860	63,272	1,518,010	13,175,435
As at 31 December 2017	3,521,554	287,426	163,426	1,465,109	13,727,938

4.2 Intangible Assets

Computer Software

<u>Cost</u>	
Balance as at 01 January 2017	260,000
Additions during the year	-
Balance as at 31 December 2017	260,000
<u>Amortization</u>	
Accumulated Amortization	-
Accumulated Amortization as at 01 January 2017	26,000
Allocations for the period	26,000
Balance as at 31 December 2017	260,000
Balance brought Forward as at 31 December 2017	234,000

	Notes	31.12.2017 Rs.	31.12.2016 Rs.
5. INVENTORIES			
Work in progress		12,368,791	5,336,112
Spare parts		5,196,859	10,157,320
		17,565,649	15,493,432
6. TRADE AND OTHER RECEIVABLES			
Trade Debtors		13,610,450	10,486,133
Interest		1,308,437	-
Gratuity Receivable -CTB		263,332	-
		15,182,219	10,486,133
7.DEPOSITS AND ADVANCES			
Advances	7.1	735,776	728,076
		735,776	728,076
7.1 Advances			
Festival advances		735,776	725,076
Advances for arrears of wages (Working Staff)		-	3,000
	7	735,776	728,076
8. CASH AND CASH EQUIVALENTS			
B.O.C		3,960,236	-
Petty cash		50,254	50,095
Fine fund balance		-	-
		4,010,490	50,095
Stated Capital			
Issued and fully paid 2 Ordinary Shares		20	20
9. Retirement Benefit Obligations - Gratuity			
Allocation at the Beginning of the Year		18,109,704	2,365,893
Allocation /(Reserves) for the Year		1,676,724	16,736,021
		19,786,428	19,101,914
Payments during the Year		(3,694,202)	(992,210)
Allocatinos at the end of the Year		16,092,226	18,109,704

Notes to the Financial Statements

	Notes	31.12.2017 Rs.	31.12.2016 Rs.
10. TRADE AND OTHER PAYABLES			
Trade Creditors		1,278,591.58	-
Accrued expenses and others	10.1	3,696,514	3,667,200
		4,975,106	3,667,200

10.1 Accrued Expenses and Others

Salaries and wages	1,277,410	1,348,061
Incentive	312,415	194,767
Contract wages	190,938	269,856
Chairman's and directors' - vehicle allowance	50,000	50,000
Chairman's and directors' – Telephone allowance	4,250	4,250
Chairman's and directors' - fuel allowances	16,150	16,150
Staff welfare society - Ekala	8,900	8,200
Staff welfare society - Sri Lanka Transport Board	1,400	1,400
Staff welfare society - Lakdiva	9,000	9,400
Fine Fund	61,171	104,071
Associations	22,315	16,805
Employees' Loans (Bank Loans)	560,570	385,734
Audit fees	24,243	69,990
Telephone	14,727	11,773
Electricity	91,884	115,885
Security	254,175	224,800
Stamp duty	2,350	-
Arrears Employees' Provident Fund	676,249	686,054
Arrears Employees' Trust Fund	91,956	93,293
Refunds of Tender Deposits	5,000	40,000
Sri Lanka Transport Board Head Office	21,411	16,711
	3,696,514	3,667,200

	Notes	2017 Rs.	2016 Rs.

11. REVENUE

Revenue from Repairs		90,728,459	73,340,474
		90,728,459	73,340,474

12. COST OF SALES

Work-in -Progress at the beginning of the year		5,336,112	1,670,009
Production Cost	12.1	84,432,762	68,235,701
Work-in-Progress at the end of the year		(12,368,791)	(5,336,112)
		77,400,083	64,569,598

12.1 Cost of production

Direct materials		34,134,012	27,718,329
Direct labour	12.1.1	32,342,498	26,907,434
Employees' Provident Fund		2,919,784	2,495,424
Employees' Trust Fund		729,946	623,856
Bus repairing and painting (outsource)		10,842,902	7,361,306
Bonus		3,092,952	3,129,352
Depreciation-Plant & Equipment		370,668	-
		84,432,762	68,235,701

12.1.1 Direct Labour

Salaries and wages		22,986,715	16,549,506
Salary arrears		15,149	34,390
Allowances		-	2,330,000
Cost of living allowance		5,709,600	4,836,000
Overtime		578,988	312,474
Contractual wages		3,052,046	2,845,064
	12.1.1	32,342,498	26,907,434

13. OTHER INCOME

Grant received from Treasury		24,250,000	24,000,000
Passenger transport		745,533	420,549
Interest		423,238	-
Tender fees		3,000	5,000
Miscellaneous		96,985	31,444
Scrap Sale		3,471,779	5,866
Supplier Registration Fees		33,000	49,500
		29,023,535	24,512,359

Notes to the Financial Statements

	Notes	2017 Rs.	2016 Rs.
14. ADMINISTRATIVE EXPENSES			
Salaries and wages	14.1	9,537,016	8,732,923
Directors' Emoluments	14.2	1,435,800	1,335,633
Employees' Provident Fund		1,635,888	1,551,241
Employees' Trust Fund		408,972	387,810
Allowances		262,360	1,538,587
Writing off of Balances Payable	14.3	-	(14,187,676)
Writing off of Balances Receivable	14.4	-	1,957,647
Gratuity		1,676,724	16,736,021
Employee welfare		80,438	142,804
Electricity		1,139,244	1,276,127
Telephone		166,643	118,728
Rates & taxes		85,080	85,080
Vehicle Insurance		88,569	44,217
Security		5,478,675	3,954,200
Repair and maintenance		1,735,090	2,054,130
Fuel		1,231,629	815,961
Stationery		251,198	263,138
Translation charges		10,500	10,000
Agreement charges		49,830	12,141
Postage		7,334	4,128
Audit fees		117,000	100,000
Secretarial fees		90,000	75,000
Legal fees		70,306	47,708
Fines and Surcharges -ETF		4,391	7,572
Donations		2,000	5,000
Sanitary		183,927	128,711
Miscellaneous		411,677	243,041
Advertisement & Publicity		67,678	34,152
Bonus		295,000	-
Expenses for Annual General Meeting		23,065	-
Company Registration Fees		57,500	-
Depreciation		-	-
Computer and Equipment		100,934	-
Motor Vehicles		24,846	-
Furniture & Office Equipment		151,801	-
Amortization		26,000	-
		26,907,115	27,474,024

	Notes	2017 Rs.	2016 Rs.

14.1 Salaries and wages

	Notes	2017 Rs.	2016 Rs.
Salaries and wages		6,374,687	5,974,911
Salary arrears		249,040	8,495
Cost of living allowance		2,870,400	2,704,780
Overtime		42,889	70,612
	14.1	9,537,016	8,732,923

14.2 Directors' Emoluments

	Notes	2017 Rs.	2016 Rs.
Fuel allowance		193,800	193,800
Other Allowances		1,080,000	1,073,000
Telephone Allowance		51,000	53,833
Travelling Expenses of Directors		100,000	15,000
Medical Charges		11,000	-
	14.2	1,435,800	1,335,633

14.3 Writing off of Balances Payable

	Notes	2017 Rs.	2016 Rs.
Arrears E.P.F. Payable		-	859,411
Arrears E.T.F. Payable		-	181,350
Arrears of Salaries and Wages - Working Staff		-	10,512,055
Arrears of Salaries and Wages - Retired Staff		-	1,958,737
Withholding Tax		-	5,374
Restaurant Deposits		-	10,000
Dishonoured Cheques		-	276,692
Trade creditors		-	306,317
Overtime payable		-	77,740
		-	14,187,676

14.4 Writing off of Balances Recievable

	Notes	2017 Rs.	2016 Rs.
Advances for salary arrears of retired staff		-	254,000
Advances for salary arrears of working staff		-	1,693,000
Court deposits		-	4,000
Fuel stocks		-	6,647
		-	1,957,647

Notes to the Financial Statements

	2017 Rs.	2016 Rs.
15. DISTRIBUTION COSTS		
Travelling and transport expenses	85,056	72,127
Vehicle rent	607,000	600,000
	692,056	672,127
16. FINANCE COSTS		
Interest on bank overdrafts	12,233	34,218
Bank charges	62,947	17,000
	75,180	51,218
17. INCOME TAX EXPENSES		
Tax on ordinary activities		
	-	-

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

CTP/A/LEC/FA/2017/07

26 August 2019

To all 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 2017

The audit of the financial statements of the Lakdiva Engineering Company (Pvt) Ltd. for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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.

1.2 Responsibility of the Board on the Financial Statements

The Board of Directors (Board) is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as 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.

1.3 Auditor's Responsibility

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

Basis for Disclaimer of Opinion

(a) Since there were no fixed asset register or detailed schedules relating to property, plant and equipment valued at Rs. 8,290,423 indicated in the Statement of Financial Position as at 31 December 2017, I could not verify the valuation, accuracy and completeness of those assets. Furthermore, the useful life or the depreciation policy used and the depreciation percentage had not been disclosed with the account according to Sri Lanka Accounting Standard No. 16.

(b) The Company had not carried out the physical verification of goods on 31 December 2017. I could not verify the valuation, accuracy and completeness of the property, plant and equipment valued at Rs. 17,565,649 indicated in the Statement of Financial Position as at 31 December 2017.

(c) 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 Requirement

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,

W.P.C. Wickramaratne

Auditor General

My No.: LEC/AC/AQU-07/2017

29/08/2019

Superintendent of Audit,

Auditor General's Department,

No. 306/72, Polduwa Road,

Battaramulla.

Dear Sir,

Regarding the report of the Auditor General bearing No. - CTPA/LEC/FA/2017/07 dated 26/08/2019 on the Financial Statements of the Lakdiva Engineering Company (Private) Limited for the year ended 31 December 2017.

Audit of the Financial Statements - 2017

1)

1.4) a) (i) Accepted. Correct records on the balance of fixed assets amounting to Rs. 8,290,423 in the balance sheet as at 01.01.2017 had not been systematically generated and therefore, depreciation could not be carried out for the opening balances. However, allocation had not been made for assets valued at Rs. 4,885,012 and purchased in the year 2016 and existed as at 01.01.2017. (Annexure - 1)

(ii) Disclosures on useful life or percentage used are submitted hereto with the accounts as per LKAS 16. (Annexure – 11)

b) Accepted. I will take action in compliance with the prescribed methodology in the future.

c) Accepted. Registered in July 2019.

2) Financial statements

2.1.1) The bank interest had not been correctly accounted in the final accounts for the year 2016, and the correct fixed deposits of Rs. 2,000,000 related to the years 2015 and 2016 had been adjusted to the financial statements (Annexure 111)

Balance as per the Financial Statement as at 31.12.2016 – Rs. 2,885,199

Balance as per bank statement as at 31.12.2016 – Rs. 3,021,014

Fixed Deposit Amount not adjusted – Rs. 135,815

2.2) Accepted. I will refer this matter to the Board meetings and get the approval.

2.3) a-e) Accepted. I will follow the rules and regulations in the future.

3) 3.1) Accepted.

4) 4.1) i-iv) Accepted. I will take correct action in the future.

4.2) a) Accepted. I will take correct action in the future.

b) Accepted. Gross profit ratio may vary due to non-adjustment of inventory work-in-progress in the preparation of invoices.

c-d) Accepted. I will take correct action in the future.

4.3) a) The cameras were operational at the initial time and this purchase had not been carried out in the correct manner and the cameras had been in the company and it had been pointed out to the audit officers of the relevant ministries and the cameras are not currently operational.

b) The Company could not carry out these activities properly due to the fact that the legal right of the land had not been transferred to the company.

c) Accepted. I will take correct action in the future.

d) Accepted. During the last few years, the company was operated with financial encumbrances, and stocks could not be obtained to get economic benefits and the stocks had been purchased immediately when it had been necessary to purchase.

e) Accepted. I will take correct action in the future.

4.4) Accepted. The Ministry has been made aware to take relevant measures.

4.5) Accepted. I will take correct action in the future.

b) Accepted. The scheme of recruitment had been forwarded for the approval and I will make arrangement to get the approved in the future.

c-d) I accepted. I will refer this matter to the Board meetings in the future and get the approval.

Engineer E.A.T. Edirisooriya

Chiarman

Lakdiva Engineering Company (Pvt) Limited

Copies: - Secretary, Ministry of Transport and Civil Aviation

Chief Internal Auditor, Ministry of Transport and Civil Aviation