2019 ANNUAL REPORT

Lakdiva Engineering Company (Pvt) Ltd

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 enabling to add them to the passenger service.

Corporate Information

Name of the Company	: Lakdiva Engineering Company (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
Head / Registered Office	: No. 73, Minuwangoda Road, Ekala, Ja-ela.

Board of Directors:

Mr. E.A.T. Edirisooriya	- 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.K. 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

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 stakeholders, 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 2019. 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 Arjuna Ranatunga, 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.

E.A.T. Edirisooriya,
Chairman,
Lakdiwa Engineering (Pvt) Ltd.
Ekala, ja-ela.

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.

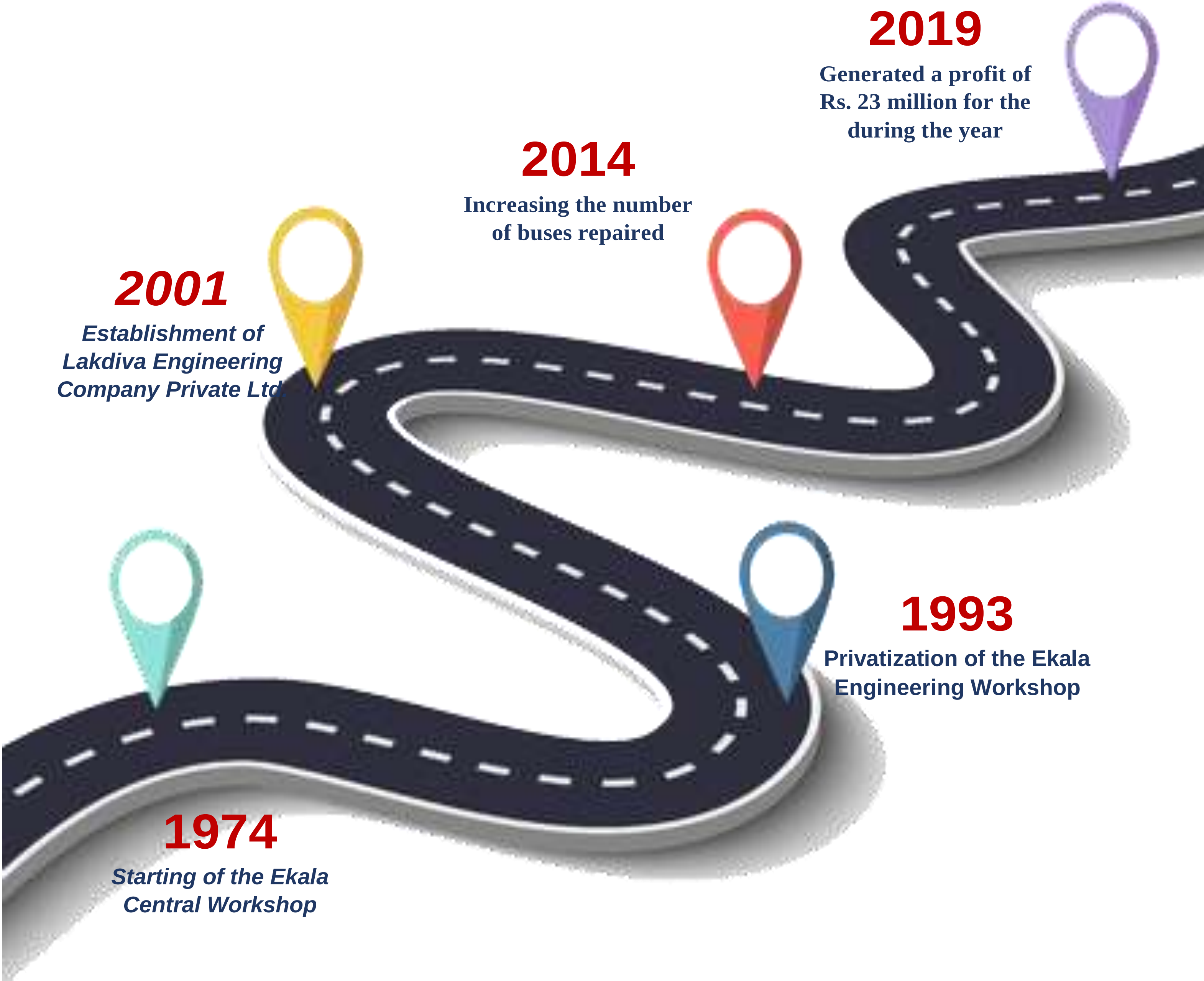
- To carry on the business of garage proprietors, taxi cab. Omnibus, motor car, lorry, motor cycle or other public or private conveyance proprietors, job masters, motor car, lorry, motor cycle or other vehicle manufactures and repairs, garage builders, dealers in motor accessories of all kinds, motor 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.

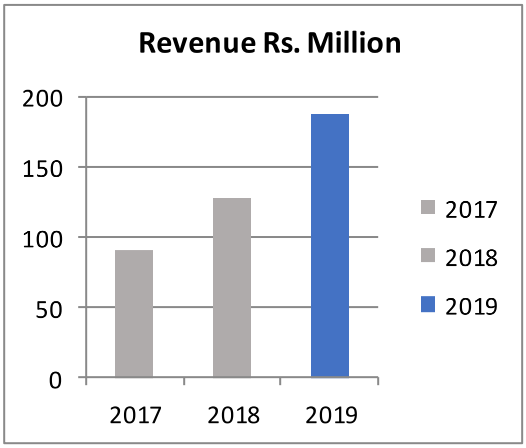
Milestones


2019
Generated a profit of Rs. 23 million for the 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

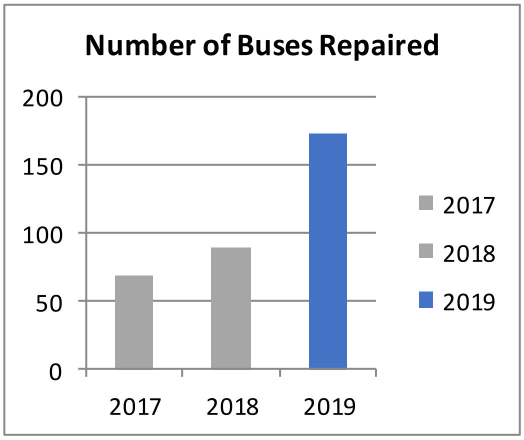
Revenue (Rs. Million)

Year	2017	2018	2019
Income earned from repairing	90	128	187



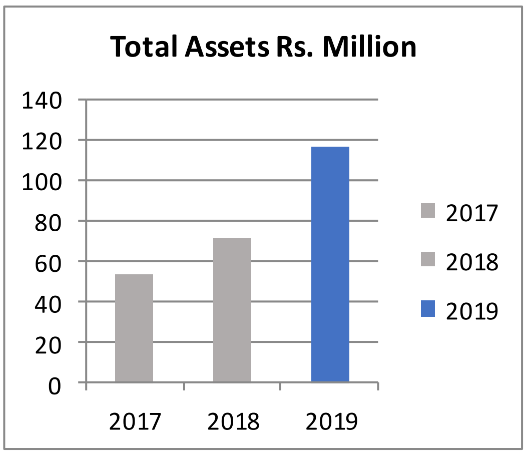
No. of Buses Repaired

Year	2017	2018	2019
Buses Repaired (Qty)	68	89	172



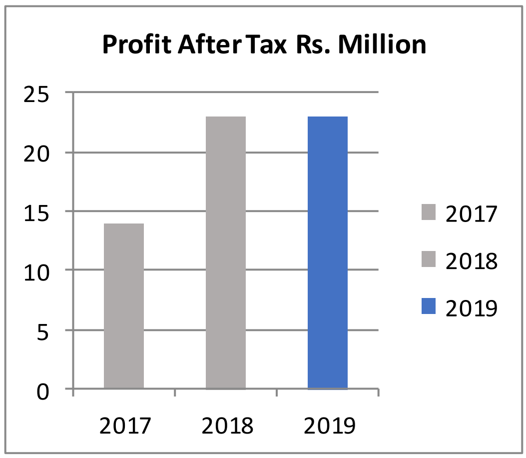
Total Assets (Rs. Million)

Year	2017	2018	2019
Total Assets	53	71	116



Profit After Tax (Rs. Million)

Year	2017	2018	2019
Profit Ater Tax	14	23	23



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
31-12-2019

Annual Accounts

Statement of Financial Position

As at 31 December 2019

	Notes	31.12.2019 Rs.	31.12.2018 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4.4	29,038,933	15,674,205
Intangible assets	4.5	638,369	365,067
		29,677,302	**16,039,272**
Current Assets			
Inventories	5	59,727,894	38,470,575
Trade and Other Receivables	6	13,593,242	1,908,974
Deposits and Advances	7	980,604	829,775
Fixed Deposit		6,144,119	5,641,432
Cash and Cash Equivalents	8	6,501,503	8,864,517
		86,947,362	**55,715,272**
Total Assets		**116,624,664**	**71,754,545**
EQUITY AND LIABILITIES			
Equity			
Stated Capital		20	20
Capital Reserves		33,293,621	33,293,621
Accumulated Reserve		46,683,719	22,873,493
Grants	9	9,198,630	-
		89,175,990	**56,167,134**
Non-Current Liability			
Retirement Benefit Obligation - Gratuity	10	5,991,416	11,063,586
Current Liabilities			
Trade and Other Payables	11	21,457,259	4,523,825
Bank Overdraft		-	-
		21,457,259	**4,523,825**
Total Equity and Liabilities		**116,624,664**	**71,754,545**

The Accounting Policies and Notes on pages 7 to 16 form an integral part of these Financial Statements.
These Financial Statements are prepared in compliance with the requirements of the Companies Act, No.07 of 2007.
The Board of Directors is responsible for the preparation and presentation of this Financial Statements, Approved and signed for and on behalf of the Board.

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

Statement of Comprehensive Income

For the Year Ended 31 December 2019

	Notes	2019 Rs.	2018 Rs.
Revenue	12	**187,762,153**	**128,741,397**
Cost of Sales	13	(129,579,002)	(77,960,948)
Gross Profit		**58,183,151**	**50,780,449**
Other Income	14	6,021,617	4,931,809
		64,204,768	55,712,257
Administrative Expenses	15	(38,777,939)	(30,593,018)
Distribution Costs	16	(1,337,503)	(1,261,745)
Finance Costs	17	(132,989)	(79,102)
Profit before taxation		**23,956,337**	**23,778,392**
Income Tax Expense	18	-	-
Profit after taxation		**23,956,337**	**23,778,392**
Other comprehensive income		-	-
Total comprehensive income for the period		**23,956,337**	**23,778,392**

The notes form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Changes in Equity

For the Year Ended 31 December 2019

	Stated Capital	Capital Reserve	Treasury Grant	Stated Capital	Capital Reserve
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st December 2018	**20**	**33,293,621**	**-**	**22,873,493**	**56,167,134**
Profit for the year		-	-	23,956,337	23,956,337
Fine Fund Adjustment				(146,111)	
Grant Received			10,000,000		10,000,000
Grant Amortization			(801,370)		(801,370)
Balance as at 31st December 2019	**20**	**33,293,621**	**9,198,630**	**46,683,719**	**89,322,101**

Statement of Cash Flows

For the Year Ended 31st December 2019

	2019	2018
	Rs.	Rs.
Cash flows from operating activities		
Profit/(loss) before tax	23,956,337	23,778,392
Adjustments for:		
Depreciation of property, plant and equipment	1,268,346	839,472
Software Amortization	51,698	27,433
Gratuity Provision	58,467	1,472,562
Grant Amortization	(801,370)	-
Interest income	(502,688)	(360,973)
Fine Fund Adjustment	(146,111)	-
Operating profit/(loss) before working capital changes	23,884,680	25,756,886
Working capital adjustments:		
(Increase)/Decrease in inventories	(21,257,319)	(20,904,926)
(Increase)/decrease in Trade and other receivables	11,684,268	13,273,245
Decrease/(increase) in deposits and advances	(150,829)	(93,999)
Increase/(decrease) in trade and other payables	15,403,709	(451,281)
	(17,688,707)	(8,176,960)
Cash generated from operations	6,195,973	17,579,926
Gratuity paid	(3,600,913)	(6,501,201)
Net cash generated from/(used in) operating activities	2,595,060	11,078,725
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,958,074)	(2,944,239)
Investment in fixed deposits	-	(3,641,432)
Interest received	-	360,973
Net cash used in investing activities	(14,958,074)	6,224,697
Cash Flows from Financing activities		
Grant Received	10,000,000	-
Net Cash used in Financing activities	10,000,000	-
Net increase/(decrease) in cash and cash equivalents	(2,363,014)	4,854,028
Cash and cash equivalents at the beginning of the year	8,864,517	(4,010,489)
Cash and cash equivalents at the end of the year	**6,501,503**	**8,864,517**
Analysis of cash and cash equivalents at the end of the year		
Cash in hand	6,501,503	8,864,517
Bank overdraft	-	-
	6,501,503	**8,864,517**

Accounting Policies and Explanatory Notes to the Financial Statement

For the year ended 31 December 2019

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 on 15th August 2011.

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 2019 was 105. (It had been 105 as at 31 December 2018)

1.4 Authorization for the issue of the Financial Statements and the Revision after the Issue

These financial statements were authorized for the issue by the Board of Directors in September 2020. According to the LKAS-08, the Board of Directors has the power to revise the financial statements after issue; the entity shall disclose the fact.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes relevant to the financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with requirements of the Companies Act, No.7 of 2007.

2.2 Basis of Measurement

The financial statements of the Company are prepared under the historical cost convention other than the following items in the Financial Statements. Inventories are usually carried at the lower of cost and net realizable value.
Adjustments for Financial instruments (including those carried at amortized cost) 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 (the functional currency) 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.

4. Property, Plant and Equipment

The company applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in for administration purpose and are expected to be used for more than one year.

4.1.1 Basis of Recognition

Property, Plant and Equipment is recognized if it is probable that future economic benefit associated with the assets will flow to the company and cost of the asset can be reliably

4.1.2 Measurement

Items of Property, Plant & Equipment are measured at cost (or at fair value) less accumulated depreciation and accumulated impairment losses, if any.

4.1.3 Owned Assets

The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long terms construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labor, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to them functionality of the related equipment is capitalized as a part of that equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipments a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Statement of Profit or Loss as incurred. The present value of the expected cost for the decommissioning of the asset after its uses included in the cost of the respective asset if the recognition criteria for a provision are met.

Note-Land & Building is not an Owned property of the company (Central Transport Board have legal Ownership)

Depreciation and Amortization

➲ **Depreciation**

Depreciation is recognized in the Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment.

Category	No. of Years	Ratio %
Buildings	20	5
Motor Vehicles	5	20
Furniture and Equipment	10	10
Computers and Accessories	3	33.33
Plant and Machinery	10	10

➲ **Amortization**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

4.2 Changes in Accounting Policies and Disclosures

New and Revised Standards and Interpretations

The Company applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below;
Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

SLFRS 15– Revenue from Contracts with Customers

SLRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be reorganized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted SLFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The standard has only been applied to contracts that were not completed by 01 January 2018.The cumulative effect of initially applying SLFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under LKAS 11, LKAS 18 and related
Interpretations. However, the adoption of SLFRS 15 does not have significant effect on the Company's Financial Statements.

SLFRS 9 – Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied SLFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under LKAS 39. Differences arising from the adoption of SLFRS 9 have been recognized directly in retained earnings and other components of equity.

As at 01 January 2019	Notes	LKAS 39		SLFRS 9	
		Original classification	Amount (Rs.)	Amount (Rs.)	New classification
Financial Assets					
Trade and Other Receivables		Loans and Receivables	13,593,242	13,593,242	Amortized Cost
Cash and Cash Equivalents	**12**	Loans and Receivables	6,501,503	6,501,503	Amortized Cost
Financial Liabilities					
Bank Overdraft	**12**	Loans and Receivables		-	Amortized Cost

The nature of these adjustments is described below:

(a) Classification and Measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount the outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

(b) Impairment

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Notes to the Financial Statements

4.4 Property, Plant and Equipment

	Plant and Equipment Rs.	Buildings Rs.	Computer And Equipments Rs.	Motor Vehicles Rs.	Furniture & Office Equipment Rs.	Total Rs.
Balance as at 1st January 2019	**10,716,775**	**-**	**454,660**	**3,798,272**	**2,192,219**	**17,161,926**
Additions during the period	1,782,937	11,718,487	1,131,650	-	-	14,633,074
Balance as at 31st December 2019	**12,499,712**	**11,718,487**	**1,586,310**	**3,798,272**	**2,192,219**	**31,795,000**
Accumulated depreciation						
Balance as at 1st January 2019	**853,885**	**-**	**231,547**	**83,416**	**318,872**	**1,487,721**
Additions during the period	666,385	94,064	229,021	59,654	219,222	1,268,346
Balance as at 31st December 2019	**1,520,270**	**94,064**	**460,568**	**143,071**	**538,094**	**2,756,067**
Balance as at 1st January 2019	**9,862,890**	**-**	**223,113**	**3,714,856**	**1,873,347**	**23,964,628**
Balance as at 31st December 2019	**10,979,441**	**11,624,423**	**1,125,742**	**3,655,201**	**1,654,125**	**29,038,933**

4.5 Intangible Assets

<u>Costs</u>	**<u>Computer software</u>**
Balance as at 01 January 2019	**418,500**
Additions during the period	325,000
Balance as at 31December 2019	**743,500**
<u>Amortization</u>	
Accumulated Amortization	**53,433**
Additions during the period	51,698
Charge for the period	**105,131**
Balance as at 01 January 2019	**365,067**
Balance as at 31 December 2019	**638,369**

	Notes	31.12.2019 Rs.	31.12.2018 Rs.
5. INVENTORIES			
Work in progress		41,017,379	34,731,125
Spare parts		18,710,515	3,739,450
		59,727,894	**38,470,575**
6. TRADE AND OTHER RECEIVABLES			
Trade receivable		13,329,910	1,645,642
Gratuity Receivable -CTB		263,332	263,332
		13,593,242	**1,908,974**
7. DEPOSITS AND ADVANCES			
Advances	7.1	980,604	829,775
		980,604	**829,775**
7.1 Advances			
Festival advances		980,604	829,775
		980,604	**829,775**
8. CASH AND CASH EQUIVALENTS			
B.O.C		2,951,503	8,742,758
Petty cash		50,000	50,000
Fine fund balance		-	71,759
Grant Received		3,500,000	-
		6,501,503	**8,864,517**
Stated Capital			
Issued and fully paid 2 Ordinary Shares		20	20
9. GRANTs			
Grants Received		**10,000,000**	-
Grant Amortization		(801,370)	-
Balance of Government Grtants		**9,198,630**	-
10. RETIREMENT BENEFIT OBLIGATION - GRATUITY			
Retirement Benefits Obligation as at 01 January		**11,063,586**	**16,092,226**
Expenses	**(Note 10.1)**	58,467	1,472,562
Payments Made During the Year		(3,600,913)	(6,501,201)
Balance as at 31 December		**7,521,140**	**11,063,586**
Retirement obligation Payable		1,529,725	1,805,008
Balance at 31st December		**5,991,416**	**9,258,578**
10.1 Expense Recognized in the Statement of Comprehensive Income			
Interest Cost		1,237,450	1,565,966
Charge for the Year		706,269	697,147
(Gain) / Loss Arising from Changes in the Assumptions		(1,885,252)	(790,551)

Notes to the Financial Statements

	Notes	31.12.2019 Rs.	31.12.2018 Rs.
11. TRADE AND OTHER PAYABLES			
Trade payables		13,450,230	-
Accrued expenses and others	11.1	8,007,029	4,523,825
		21,457,259	**4,523,825**

11.1 Accrued Expenses and Others

Salaries and wages		2,539,075	1,085,749
Employees' Provident Fund		775,789	631,607
Employees' Trust Fund		105,529	85,868
Incentive		15,824	79,038
Contract wages		303,342	456,635
Chairman's and directors' - vehicle allowance		-	50,000
Chairman's and directors' - fuel allowance		-	21,250
Staff welfare society - Ekala		14,325	10,200
Staff welfare society - Sri Lanka Transport Board		1,400	1,400
Staff welfare society - Lakdiva		14,375	10,250
Salary Deduction –Workers loans (Bank loans)		272,773	444,215
- Fines Payable		59,871	-
- Societies		5,665	5,395
- Stamp Duty		4,590	1,515
Gratuity Payable		1,529,725	-
Audit fees		319,279	292,024
Telephone		12,132	12,804
Electricity		164,496	145,664
Security		664,578	305,550
Contractor Deposits		1,028,750	848,750
Canteen deposits		17,500	17,500
Refundable tender deposit		125,000	-
Head Office of Sri Lanka Transport Board		33,011	18,411
	11	**8,007,029**	**4,523,825**

	Notes	2019 Rs.	2018 Rs.

12. REVENUE

Revenue from Repairs		187,762,153	128,741,397
		187,762,153	**128,741,397**

13. COST OF SALES

Work-in -Progress at the beginning of the year		34,731,125	12,368,791
1-1 Inventories		3,739,450	3,739,450
Cost of Sales	13.1	150,836,321	100,323,282
12-31 Inventories		(18,710,515)	-
Work-in-Progress at the end of the year		(41,017,379)	(34,731,125)
		129,579,002	**77,960,948**

13.1 Cost of production

Direct materials		74,353,774	41,175,066
Direct labour	13.2	32,718,174	30,945,104
Employees' Provident Fund		2,713,893	2,710,921
Employees' Trust Fund		678,383	677,731
Bus repairing and painting (outsource)		36,657,280	21,154,183
Incentives		3,048,431	3,177,060
Depreciation-Plant & Equipment		666,385	483,217
		150,836,321	**100,323,282**

13.2 Direct Labour

Salaries and wages	20,324,001	20,137,394
Salary arrears	136,118	316,509
Cost of living allowance	5,159,856	5,255,952
Overtime	183,161	409,739
Contractual wages	6,909,333	4,825,510
	32,718,174	**30,945,104**

14. OTHER INCOME

Grant received from Treasury	-	4,000,000
Grant Amortization (Note 9)	801,370	-
Canteen Income	35,000	-
Passenger transport	-	309,070
FD Interest	502,688	360,973
Tender fees	57,000	7,100
Sundry	18,430	19,260
Scrap Sale	4,525,630	2,295
Supplier Registration Fees	81500	87,000
Find Fund Interest	-	146,111
	6,021,617	**4,931,809**

Notes to the Financial Statements

	Notes	2019 Rs,	2018 Rs.
15. ADMINISTRATIVE EXPENSES	15.1	11,803,465	10,517,974
Salaries and wages			
Directors' Emoluments	15.2	1,997,578	1,617,759
Employees' Provident Fund		1,796,077	1,592,697
Employees' Trust Fund		449,109	398,174
Acting Allowance		184,079	299,268
Gratuity		58,467	1,472,562
Employee welfare		910,761	565,624
Electricity		2,882,398	1,156,962
Telephone		176,787	214,883
Rates & taxes		85,080	85,080
Vehicle Insurance		69,197	67,963
Security		7,932,159	6,269,625
Building Repair and maintenance		2,987,225	799,025
Vehicle Repair		1,222,854	774,494
Fuel		981,553	1,141,092
Stationery		549,700	370,089
Translation charges		55,100	14,000
Agreement charges		12,500	36,000
Postage		4,060	2,571
Audit Committee meeting charges		237,500	144,000
Audit fees		299,805	292,000
Secretarial fees		115,000	90,000
Legal fees		76,030	46,075
Donations		33,600	5,000
Sanitary		4,667	216,322
Expenses for Office Maintenance		1,464,917	856,274
Advertisement & Publicity		60,806	133,268
Bonus		1,114,000	995,500
Expenses for Annual General Meeting		74,386	-
Inspection Charges		7500	8050
Company Registration Fees		34,190	-
Safety Equipment		443,730	-
Depreciation			
Buildings		94,064	-
Computer and Equipment		229,021	130,613
Motor Vehicles		59,654	58,570
Furniture & Office Equipment		219,222	167,071
Software Amortization		51,698	27,433
		38,777,939	**30,593,018**

	Notes	2019 Rs.	2018 Rs.

15.1 Salaries and wages

	2019 Rs.	2018 Rs.
Salaries and wages	8,526,782	7,667,606
Salary arrears	64,290	18,950
Cost of living allowance	3,043,196	2,754,648
Overtime	169,198	76,770
	11,803,465	**10,517,974**

15.2 Directors' Emoluments

	2019 Rs.	2018 Rs.
Fuel allowance	369,213	242,248
Director Fees	1,348,750	1,080,000
Telephone Charges	61,925	153,028
Director Travelling Expenses	213,000	120,000
Director – Expenses for Refreshment	4,690	22,483
	1,997,578	**1,617,759**

	2019 Rs.	2018 Rs.
16. DISTRIBUTION COSTS		
Travelling and transport	126,710	677,874
Vehicle rent	983,333	583,871
Exhibition Charges	197,460	-
Machine Repairs	30,000	-
	1,337,503	**1,261,745**
17. FINANCE COSTS		
Interest on bank overdrafts	74,668	27,589
Bank charges	58,321	51,513
	132,989	**79,102**
18. INCOME TAX EXPENSE		
Income Tax on ordinary activities	-	-

19. 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.

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

20.1 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date no circumstances have arisen which could require adjustments to, or disclosure in these Financial Statements.

21. FINANCIAL RISK MANAGEMENT

Introduction and overview

Financial risk comprises the potential loss to earnings and / or the capital position arising from Liquidity Risk, Currency Risk and Interest Rate Risk. So, Management is in the position to mitigate the risk by monitoring of liquidity position and assessment of future cash requirements through rolling forecast, keeping long outstanding relationships with correspondent banks and also maintaining diversified funding systems. Company has entered into a fixed term interest rate contracts for short term borrowings and there by interest rate risk can be reduced. Management continuously monitors fluctuations for pro-active actions to mitigate the possible losses.

The company's management monitors regularly and manages the financial risks relating to the operations of the Company by analyzing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and equity price risk) credit risk and liquidity risk.

21.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

d) Foreign Currency Risk

The Company is exposed to currency risk on purchases that are denominated in a currency other than Sri Lankan Rupees. The foreign currencies in which these transactions primarily denominated are United Stated Dollars (USD). As at 31 December 2018 and as at 31 December 2019, trade payables denominated in foreign currency are zero. Hence, the Company is not exposed to foreign currency risk.

e) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligation. The Company utilizes various financial instruments to manage exposures to interest rate risks.
At the reporting date, interest-bearing financial instruments are nil and the company is not exposed to interest rate risk.

c) Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company is not exposed to equity risk as they do not have equity investment.

21.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and this principally arises from the Company's receivables from customers.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

As at 31 December	Notes	2019	2018
Trade and Other Receivables	**6**	13,593,242	15,182,219
Balances of Bank and Fixed Deposits	**8 & 9**	12,645,622	6,010,490
		26,238,864	21,192,709

Notes to Financial Statements

21.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

22. FAIR VALUE MEASUREMENTS

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

'Level 1: Quoted market price (unadjusted) in an active market for an identical instrument

'Level 2: Valuation techniques based on observable inputs.

'Level 3: Valuation techniques using significant unobservable inputs

23. RELATED PARTY TRANSACTIONS

(b) Identity of related parties
The Company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard - LKAS 24 Related Party Disclosures.

(c) Transactions with key management personnel
Key Management Personnel comprise of Directors of the Company.

(iv) Loans to directors
There were no loans given to Directors of the Company during the financial period or as at the period end.

(v) Key management personnel compensation
No compensation was paid to/on behalf of key management personnel of the Company.

Name of related party	Nature of relationship	Details of transactions	Balance as at 31.12.2018.	Transactions during the Year	Balance as at 31.12.2019
			Rs.	Rs.	Rs.
-					
Sri Lanka Transport Board	Government Owned	Bus body repairs	1,645,642	187,762,153	
		Payment Received		(176,077,893)	**13,329,902**
		Gratuity Receivable	263,332	-	**263,332**

Report of the Auditor General

CTPA/06/LEC/FA08/2019/ On 30th June 2021

Chairman
Lakdiva Engineering Company (Pvt) Ltd.

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

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1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Lakdiva Engineering Company (Pvt) Ltd. for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

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

1.2 Basis for Disclaimer of Opinion

(a) Even though the Company had taken action for a period of about 10 years to obtain overdraft facilities to use them whenever necessary by submitting fixed deposits amounting to Rs. 2,000,000 as bank securities, action had not been taken to disclose in that regard in the financial statements as per paragraphs (a) and (b) of the Standard on financial instrument disclosures.

(b) The premises, where the Company is operated and its building properties are legally owned by SLTB and it was not confirmed that an agreement had been reached regarding the matters such as the conditions, limitations, dates of use etc. in providing them for the use of the Company. Only the matters such as the depreciation rate of the said building assets, the basis of depreciation and the building properties does not belong to the Company had been mentioned in the disclosures included in the financial statements.

(c) The Company had not maintained a fixed asset register and the value of total fixed assets amounting to Rs.29,677,302, included in the financial statements at the end of the year under review, was comprised of various fixed assets purchased from the year 2016 amounting to Rs.21,386,879, and assets that had already been transferred by the company and costed at Rs.8,290,423. Accordingly, those assets had been included in the cost value without depreciating them according to Section 43 of Sri Lanka Accounting Standard 16 and depreciation adjustments had been made only for the aforementioned assets that had been purchased.

(d) A sum of Rs.7,790,834, out of the value of Rs.11,718,487 debited to the buildings account during the year under review, had been expenses related to the repair of the roof of the factory. Therefore, the repair cost of the year under review had been understated by that value and as a result, the profit of the year and the value of fixed assets had been overstated by that amount.

(e) In the calculation of the cost of production, as the sum of Rs. 2,882,398, the cost of electricity, which is the main source of energy, had not been included for the overhead cost on a reasonable basis and due to the calculation of the cost without considering the other overheads, the profit had been overstated.

(f) Direct material value that had been adjusted to calculate the cost of sales had been Rs. 74,353,774 and it had been Rs. 90,956,033 according to the ledger. Accordingly, a difference of Rs. 16,602,259 was observed.

(g) Even though the direct material cost had been Rs.78,718,138 according to the invoices prepared by the Company, the direct material cost in the production account had been indicated as Rs.74,353,774 and as a result, a difference of Rs.4,364,364 was observed.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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

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

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

2. Report on Other Legal and Regulatory Requirements

Specific provisions are included in the following requirements of the Companies Act No. 07 of 2007and the National Audit Act, No. 19 of 2018.

- I have not obtained all the information and explanation that considered necessary for the purpose of audit and I was unable to determine whether proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

- The financial statements of the Company have complied with the requirements of Section 151 of the Companies Act No. 07 of 2007, other than the effect of the matters set out in paragraph of Basis for disclaimer of opinion in this report.

- The financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

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

Reference to Law/ Direction	Non- Compliance
(a) Section 23 (a) of the National Environment Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000	Even though the vehicle service organizations must obtain a license in relation to it, the Company had not taken any action to obtain those licenses even by 31 December 2020, the date of audit.
(b) Section 60 of the Inland Revenue Act No. 24 of 2017	A Company is bound by law to pay income tax, and it was observed that the Company had not taken necessary measures to meet the relevant requirement even by 31 December 2020, the date of audit.
(b) Public Enterprises Circular No. PED/12 dated 02 June 2003	An amount of Rs.3,048,431 had been paid as incentives during the year under review without an approved incentive scheme.
(d) Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003	Even though the financial statements for the year under review and draft annual report should be submitted to the Auditor General within 60 days after the end of the accounting year, the financial statements for the year 2019 had been submitted for audit on 24 November 2020 after a delay of08 months and 26 days.
(e) Payment of Gratuity Act No. 12 of 1983	Even though gratuity allowances had to be paid within one month after the retirement of an officer, 5 occasions of paying gratuity allowances amounting to Rs.2,628,852 with a delay of 205 to 323 days were observed.
(f) Factories Ordinance No. 33 of 2000	Even though the persons employed in the factory should have been provided with means of escape as

(i) Section 39 (1).	may be reasonably necessary in each case of fire, action had not been taken accordingly.
(ii) Section 42 a (1).	Even though every factory should have been provided with fire extinguishers in accordance with the orders made for that purpose, none of these measures had been adopted by the company.
(iii) Section 50 (1).	Although a first aid box or a shelf with a prescribed standard should be maintained within easy reach, the attention of the Company had not been focused on it.
g) Government Procurement Guidelines 2006	In the year under review, spare parts worth Rs. 18,710,513 had been purchased from private companies for the repairs of buses without inviting national competitive bids and evaluating the prices.
(i) Section 3.2	Even though applicants should be registered and a list of suppliers, who can provide goods and services in that manner, should be prepared for the procurement of low value items or for the purchase of each item, which is frequently used, where advertising is economically disadvantageous, this had not been carried out. Action had not been taken to prepare a master procurement plan and procurement schedule.
(ii) Section 3.4.3	An internal audit division had not been established to examine the affairs of the company.
(iii) Section 4.2	
(h)2.2.3 of the Public Enterprises Circular No. 12 dated 02 June 2003	

- to state that the Institution has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

- to state that the resources of the Institution had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

(a) Even though the company had spent a sum of Rs. 887,360 for the construction of a vehicle emission testing centre, the expenditure had become idle due to non-implementation of the project.

(b) Even though the Company is operated in a land in extent of 24 acres owned by the Sri Lanka Transport Board and located in Ekala in Jaela, a written agreement had not been entered in to with the land owner regarding the use of that land.

(c) According to the financial statements of the financial year 2019, the cost of sales and income had been Rs. 129.58 million and Rs. 187.76 million respectively, and as revealed during the inspection related to the performance, failure to maintain the information related to the repair including the date of repairing and the date of leaving the depot after completion of the repair, spending Rs. 609 million for repairing buses and even though action had been taken to obtain labour on contract basis in the year under review, it was observed that due to non-following of procurement activities and non-preparation of estimates for the repair of the relevant bus, the controlling of cost was hindered.

(d) The Company had not taken action in accordance with the Procurement Guidelines 2006 pertaining to the preparation of specifications for contract work, calling for quotations, obtaining bid security, retention of money in making payments to contractors, obtaining security deposits in carrying out procurement activities for the modification of the toilet system at an estimated value of Rs.3,966,404.

(e) The Company had entered into an agreement with a private company on 03 September 2019 for the value of Rs.4,025,903 to complete the construction of buildings within a period of 03 months. Moreover, it was observed that concrete had not been laid on the floor by adopting a proper methodology and a wall had cracked with tiles from the ceiling to the floor. coconut wood was used instead of No. 01 wood as estimated for roof rafters and reapers, using of low-quality wooden doors for doors, parts of the ceiling of the roof were detached and a piece of wood was painted and placed on the roof in order to ensure that it was concrete, gully pits had not been prepared to dispose waste properly. Despite the above deficiencies, a sum of Rs.3,632,430 had been paid to a company for this contract and in addition, Rs.105,000 had been paid as consultancy fees without an agreement.

(f) Even though arrangements had been made to sell scrap iron, aluminum and Greatwall bus spare parts belonging to the Company, the Company had not identified the quantities of scrap materials for sale before carrying out the procurement activities. Even though scrap iron and aluminum worth Rs.4,525,630 had been sold during the year under review, it had not been possible to confirm the quantities sold. The information regarding the decisions regarding the publication of procurement notices, publication of notices on the submission of tenders and extension of time, selection of buyers, evaluation of prices, awarding of tenders had not been submitted to audit.

03. Other Audit Observations

(a) The approved staff of the company as at 31 December 2019 was 121 and out of them, 96 employees were recruited on permanent basis and 7 employees were recruited on contract basis. The recruitment for the post of General Manager of the company had not been done from the beginning. The approved post of Factory Engineer and only 2 posts out of 6 approved posts of Foreman were recruited on contract basis.

(b) The Company carries out bus repairs on contract basis and 40 members of 18 contract teams had been registered during the year under review. Even though payments for these contract teams are made at the rate of Rs.150 per hour for 4 employees for 9 hours a day, the number of members of a team engaged in the service had been only 2 or 3.

(c) Even though the approval had been given for the new employee structure of the Company as per the letter of the Department of Management Services bearing No: DMS/1623 dated 03 October 2018, action has not yet been taken to prepare and approve the scheme of recruitment.

W.P.C. Wickramaratne
Auditor General

My number – LEC/AC/AQU/2019

25/09/2021

Superintendent of Audit,

Auditor General's Department,

No. 306/72, Polduwa Road,

Battaramulla.

Regarding the Report of the Auditor General Bearing No. CTPA/LEC/06/FA/2019/08 dated 30/06/2021 on Financial Statements for the year ended 31 December 2019 and other legal and regulatory requirements of Lakdiva Engineering Company (Pvt) Limited.

Audit of Financial Statements 2019

1.2.

(a) I will negotiate with SLTB in the future and make arrangements to take over.

(b) Accepted. Action will be taken to rectify it.

(c) Accepted. Action will be taken to rectify it.

(d) Accepted.

(e) Action will be taken to rectify it.

(f) Action will be taken to rectify it.

02.

(a) Action will be taken to obtain the relevant licenses.

(b) I will take necessary action regarding the payment of the relevant income tax in the future.

(c) I will take action to prepare an incentive system.

(d) I will take action to submit it for audit within the prescribed period in the ensuing years.

(e) I will take action to prevent future delays.

(f) (i) I will make relevant security arrangements.

(i) I will take action regarding the provision of relevant firefighting equipment.

(ii) I will take necessary action to place a first aid box as required.

(g) (ii) I will take action to rectify.

(iii) I will take action to rectify it in the ensuing years.

(h) I will take action to establish it in the future.

- I will take action to rectify it.

  (a) I will make arrangements to complete those tasks in the future.

  (b) I will make arrangements to rectify.

  (c) I will make arrangements to rectify.

  (d) I will take action accordingly in the future.

  (e) I would like to inform you that the matter is not relevant.

  (f) I will take action to submit the relevant information.

03.

(b) I will issue instructions to take action correctly.

(d) I will prepare the relevant scheme of recruitment and submit it for approval.

A. Gayan Chandrasiri
Accountant
Lakdiva Engineering Company (Pvt) Limited
Ekala