Annual Report

2020

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 Lanak 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. Kushan Yashodha Wegodopola	- Chairman
Mr. W.M.D. Vijayabandara	- Director
Mr. Namal Indika Liyanage	- Director
Mrs. Jamithri Amarasekara	- Director
Mr. Mohammad Fauzan Anwar	- Director
Mr. Hemantha Rajapakse	- Company Secretary

Staff: :

Mr. K.S. Anura Kumara	- Engineer
Mr. Gayan Chandrasiri	- Accountant
Mr. J. Amaradiwakara	- Administrative Officer
Mr. Manjula Sampath	- Accounts Officer
Mr. L. Wijeratne	- Supplying Officer

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.

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 effective policy and for maintaining regular interactions with the other directors of the Company, major shareholders and external stakeholders on. He is also responsible for overall commercial, operational and strategic development.

Chairman’s Review

During this challenging period, we have continued to work hard to usher in a new era for Lakdiva Engineering in a way that we believe is in line with the vision of His Excellency Gotabaya Rajapaksa, the President.

Basically, the Company ensures the utilization of available resources to generate optimal returns while focusing its attention on the full elimination of its burden placed on the General Treasury. All this is the vision of providing opportunities to the youth, who are the key to our future.

A great strength is provided to me by the Minstry to carry out these plans according to the vision of prosperity presented by His Excellency the President under the guidance of the relevant officials including Honourable Dilum Amunugama, State Minister of Public Transport and Community Police Services.

Especially at a time of prevailing a global pandemic and an economic crisis, we were able to successfully launch our new programme of repairing disposed vehicles belonging to ministries, departments and the public and private sectors. By reusing these vehicles, we can ensure better use of our assets and reduction in government costs.

None of this would have been possible without a talented team, and I am fortunate to have a great team of employees, who are not only talented but also resilient in challenging times. They have repeatedly emphasized their commitment to Lakdiva Engineering Company (Pvt) Ltd.

I am confident that the progress we have made will be sustainable with modern technology and a talented workforce dedicated to fulfilling their duties and the future of Lakdiva Engineering (Private) will be prosperous like the country we aspire to be.

Kushan Vegodapola
Chairman,
Lakdiva Engineering Company (Pvt) Limited,
Ekla, 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.

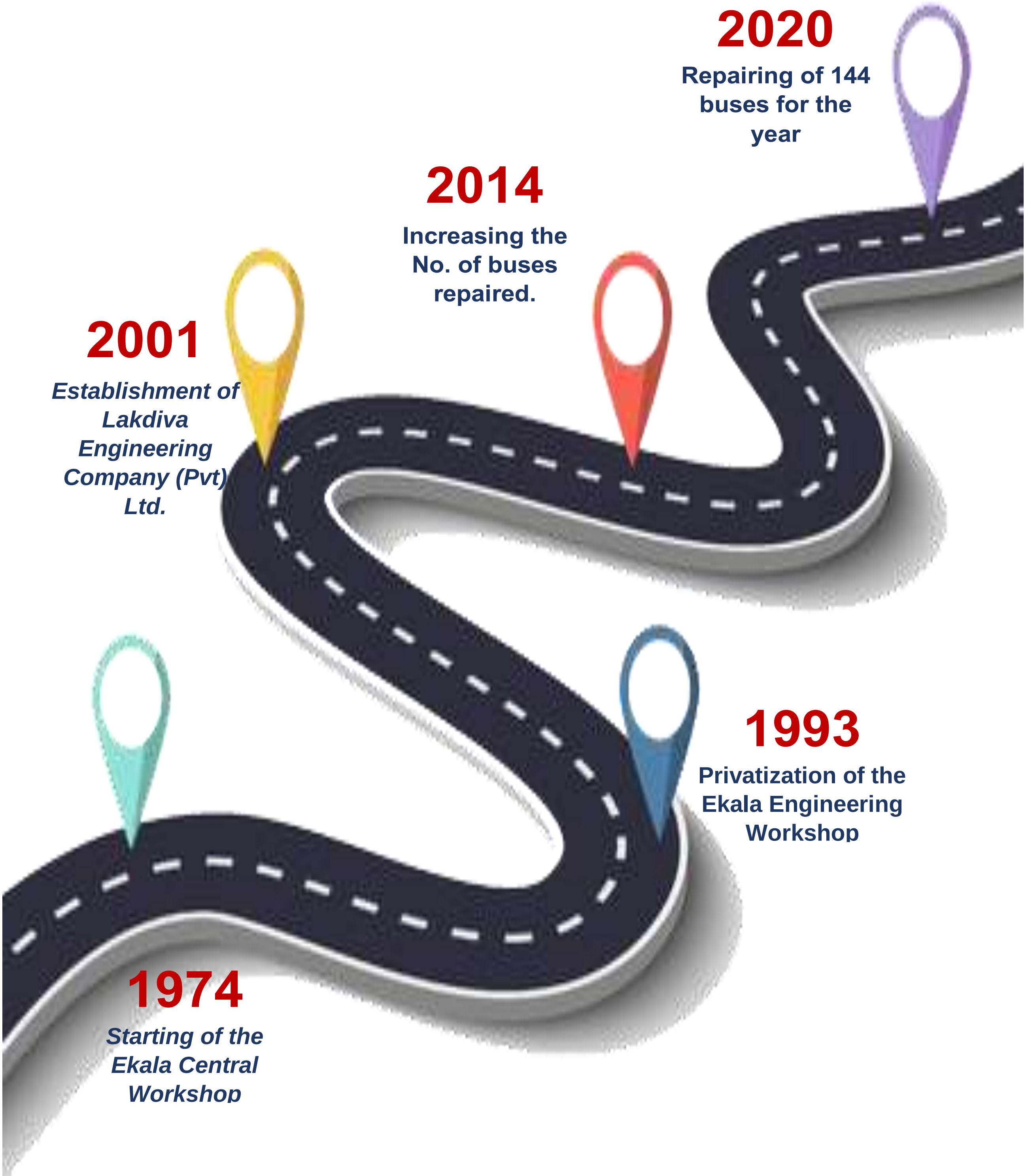
- To carry on the business of garage proprietors, taxi cab. Omnibus, motor car, lorry, motor cycle or other public or private conveyance proprietors, job masters, motor car, lorry, motor cycle or other vehicle manufactures and repairs, garage builders, dealers in motor accessories of all kinds, motor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

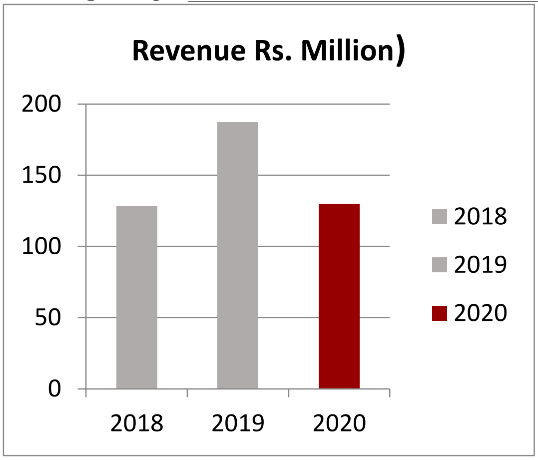
Milestones


2020
Repairing of 144 buses for the year
2014
Increasing the No. of buses repaired.
2001
Establishment of Lakdiva Engineering Company (Pvt) Ltd.
1993
Privatization of the Ekala Engineering Workshop
1974
Starting of the Ekala Central Workshop

Financial Highlights

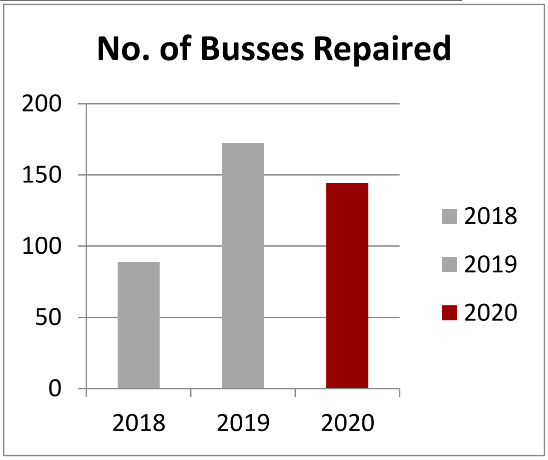
Revenue (Rs. Million)

Year	2018	2019	2020
Income earned from repairing	129	187	130



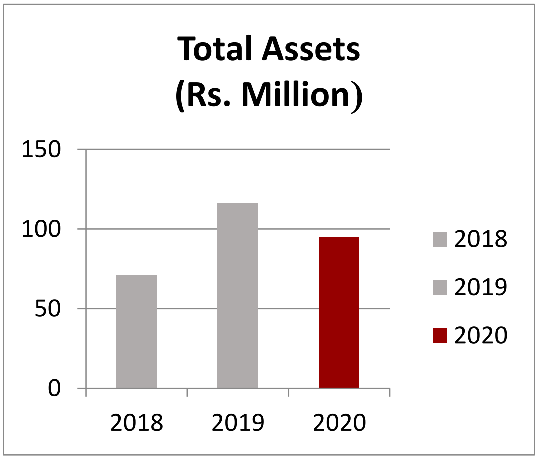
No. of Buses Repaired

Year	2018	2019	2020
No. of Buses Repaired (Qty)	89	172	144



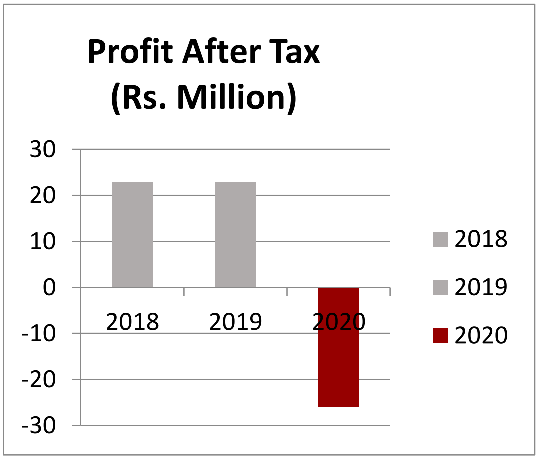
Total Assets (Rs. Million)

Year	2018	2019	2020
Total Assets	71	116	95



Profit After Tax (Rs. Million)

Year	2018	2019	2020
PAT	23	23	(26)



Role and Responsibilities

➲ Financial Reporting

The Committee properly reviewed and adequately discussed the financial reporting system overwhelmingly adopted by the company in the proper preparation of its annual financial statements with the management and the external auditors to ensure the reliability of the process and the consistency of the accounting policies adopted and its compliance with the Sri Lanka accounting standards and the provisions of the Companies Act No. 7 of 2007.

➲ Risks and Controls

The Committee properly obtained and properly reviewed the major business risks and action carefully undertaken or contemplated for each business sector of the company. In essential particular, the committee deliberated on the financial implications to the company inevitably arising from the labor issues, wage increases, etc., and appraised the board as appropriate.

The Committee reviewed the mitigation measures taken or the key business risks considered for each business segment. In particular, the Committee discussed the financial impact arising from labour issues, salary hikes etc. to the Company and appraised the Board as appropriate.

➲ Internal Audit

The internal audit carried out by the Internal Auditor of the Ministry of Transport and Civil Aviation. The committee carefully reviewed the specific findings of the auditors, their recommendations with the management responses, and the progress of implementation of the recommendations is followed up regularly to improve the overall control environment.

➲ External Audit

The audit committee met the external auditors to discuss the scope of the Company, the audit strategy and the specific risk factors that influence the smooth operation of the Company.

➲ Conclusion

The Audit Committee is satisfied that the Company's accounting policies, operating controls and risk management processes provide reasonable assurance that the Company's affairs are managed in accordance with stated policies and that the Company's assets are adequately safeguarded.

Signed by
Mr. W.M.D. Wijebandara,
Chairman,
Audit Committee
31-12-2020

Reports on Annual Accounts - 2020

Statement of Financial Position

As at 31 December 2020

	Notes	31.12.2020 Rs.	31.12.2019 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4.1	27,075,878	29,038,933
Intangible assets	4.2	554,082	638,369
		27,629,960	**29,677,302**
Current Assets			
Inventories	5	45,477,946	59,727,894
Trade and Other Receivables	6	10,277,684	13,593,242
Deposits and Advances	7	618,096	980,604
Fixed Deposit		6,581,859	6,144,119
Cash and Cash Equivalents	8	4,575,531	6,501,503
		67,531,116	**86,947,362**
Total Assets		**95,161,076**	**116,624,664**
EQUITY AND LIABILITIES			
Equity			
Stated Capital		20	20
Capital Reserves		33,293,621	33,293,621
Accumulated Reserve		19,636,203	46,683,719
Grants	9	11,269,863	9,198,630
		64,199,707	**89,175,990**
Non-Current Liability			
Retirement Benefit Obligation - Gratuity	10	10,788,550	5,991,415
Current Liabilities			
Trade and Other Payables	11	20,172,819	21,457,259
		20,172,819	**21,457,259**
Total Equity and Liabilities		**95,161,076**	**116,624,664**

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.

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CHAIRMAN
GOVERNMENT OWNED
...AKDIVA 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 31st December 2020

	Notes	2020 Rs.	2019 Rs.
Revenue	12	130,487,008	187,762,153
Cost of Sales	13	(124,163,626)	(129,579,002)
Gross Profit		6,323,382	58,183,151
Other Income	14	1,234,810	6,021,617
		7,558,192	64,204,768
Administrative Expenses	15	(32,586,296)	(38,777,939)
Distribution Costs	16	(76,095)	(1,337,503)
Finance Costs	17	(53,613)	(132,989)
Profit before taxation		(26,326,283)	23,956,337
Income Tax Expense	18	-	-
Profit after taxation		(26,326,283)	23,956,337
Other comprehensive income		-	-
Total comprehensive income for the period		**(26,326,283)**	**23,956,337**

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

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Statement of Changes in Equity

For the Year Ended 31 December 2020

	Stated Capital	Capital Reserve	Treasury Grant	Accumulate d Reserve	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st December 2019	**20**	**33,293,621**	**9,198,630**	**46,683,719**	**89,322,101**
Profit for the year		-	-	(26,326,283)	(26,326,283)
Rectification of Grant Amortization			721,233	(721,233)	
Grant Amortization			(650,000)		(650,000)
Balance as at 31st December 2020	**20**	**33,293,621**	**9,269,863**	**19,636,203**	**62,345,818**

Statement of Cash Flows

For the Year Ended 31st December 2020

	2020 Rs.	2019 Rs.
Cash flows from operating activities		
Profit/(loss) before tax	(26,326,283)	23,956,337
Adjustments for:		
Depreciation of property, plant and equipment	2,373,455	1,268,346
Software Amortization	84,287	51,698
Grant Amortization		58,467
Interest income	(437,740)	(502,688)
Fine Fund Adjustment	-	(146,111)
Adjustment of Grant Amortization	71,233	(801,370)
Operating profit/(loss) before working capital changes	(24,235,048)	23,884,680
Working capital adjustments:		
(Increase)/Decrease in inventories	14,249,948	(21,257,319)
(Increase)/decrease in Trade and other receivables	3,315,558	(11,684,268)
Decrease/(increase) in deposits and advances	362,508	(150,829)
Increase/(decrease) in trade and other payables	(1,284,440)	(15,403,707)
Increase/(decrease) in Gratuity	4,075,901	
	20,719,475	(17,688,707)
Cash generated from operations	(1,668,779)	6,195,973
Gratuity paid	(1,846,794)	(3,600,913)
Net cash generated from/(used in) operating activities	(3,515,573)	2,595,060
Cash flows from investing activities		
Purchase of property, plant and equipment	(410,400)	(14,958,074)
Net cash used in investing activities	(410,400)	(14,958,074)
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	(3,925,972)	(2,363,014)
Cash and cash equivalents at the beginning of the year	6,501,503	8,864,517
Cash and cash equivalents at the end of the year	2,575,531	6,501,503
Analysis of cash and cash equivalents at the end of the year		
Cash in hand	2,575,531	6,501,503
Bank overdraft	-	-
	2,575,531	6,501,503

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENT

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 2020 was 104. (It had been 104 as at 31 December 2019)

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 2019. 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 Fixures	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 2020				
	LKAS 39			**SLFRS 9**
	Original classification	**Amount (Rs.)**	**Amount (Rs.)**	**New classification**
Financial Assets				
Trade and Other Receivables	Loans and Receivables	10,277,684	10,277,684	Amortized Cost
Cash and Cash Equivalents	Loans and Receivables	4,575,531	4,575,531	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 in parentheses indicate deductions.

Notes to the Financial Statements

4.4 Property, Plant and Equipment

Cost	Plant and Equipment Rs.	Buildings Rs.	Computer And Equipments Rs.	Motor Vehicles Rs.	Furniture & Office Equipment Rs.	Total Rs. .
Balance as at 01January 2020	12,499,712	11,718,487	1,586,310	3,798,272	2,192,219	31,795,000
Additions during the period	410,400	-	-	-	-	410,400
Balance as at 31 December 2020	12,910,112	11,718,487	1,586,310	3,798,272	2,192,219	32,205,400
Accumulated depreciation						
Balance as at 01January 2020	1,520,270	94,064	460,568	143,071	538,094	2,756,067
Additions during the period	875,217	681,594	537,768	59,654	219,222	2,373,455
Balance as at 31 December 2020	2,395,487	775,658	998,335	202,725	757,316	5,129,521
Balance as at 01 January 2020	10,979,441	11,624,423	1,125,742	3,655,201	1,654,125	37,329,356
Balance as at 31 December 2020	10,514,624	10,942,829	587,975	3,595,547	1,434,903	27,075,878

4.5 Intangible Assets

	Computer software
Costs	
Balance as at 01 January 2020	743,500
Additions during the period	-
Balance as at 31 December 2020	743,500
Amortization	
Accumulated Amortization	105,131
Additions during the period	84,287
Charge for the period	189,418
Balance as at 01 January 2020	638,369
Balance as at 31 December 2020	554,082

	Notes	31.12.2020 Rs.	31.12.2019 Rs.

5. INVENTORIES

Work in progress		20,688,464	41,017,379
Spare parts		24,753,482	18,710,515
		45,441,946	59,727,894

6. TRADE AND OTHER RECEIVABLES

Trade receivable		10,014,352	13,329,910
Gratuity Receivable -CTB		2 63,332	263,332
		10,277,684	**13,593,242**

7. DEPOSITS AND ADVANCES

Advances	7.1	633,104	980,604
		633,104	**980,604**

8. CASH AND CASH EQUIVALENTS

B.O.C		2,525,531	6,451,503
Petty cash		50,000	50,000
Cheques in Hand		2,000,000	-
		4,575,531	**6,501,503**
Stated Capital			
Issued and fully paid 2 Ordinary Shares		**20**	**20**

9. GRANTs

Repair of Roof		5,698,630	3,500,000
Grants Amortization Reserve		721,233	-
Construction of Buildings		-	3,000,000
Generators purchased		3,500,000	3,500,000
Grants Amortization		(650,000)	(801,370)
Grants Receivable		2,000,000	-
Receipt of Government Grants		**11,269,863**	**9,198,630**

10. RETIREMENT BENEFIT OBLIGATION - GRATUITY

Retirement Benefits Obligation as at 01 January		7,521,140	11,063,586
Expenses	**(සටහන 10.1)**	5,922,695	58,467
Payments Made During the Year		(1,529,725)	(3,600,913)
Balance as at 31 December		13,443,835	7,521,140
Retirement obligation Payable		2,655,285	1,529,725
Balance at 31st December		**10,788,550**	**5,991,416**

10.2 Expense Recognized in the Statement of Comprehensive Income

Interest Cost		1,150,221	1,237,450
Charge for the Year		663,584	706,269
(Gain) / Loss Arising from Changes in the Assumptions		4,108,889	(1,885,252)
		5,922,694	58,467

Notes to the Financial Statements

	Notes	31.12.2020 Rs.	31.12.2019 Rs.
11. TRADE AND OTHER PAYABLES			
Trade payables		9,999,365	13,450,230
Accrued expenses and others	11.1	10,173,454	8,007,029
		20,172,819	**21,457,259**

11.1 Accrued Expenses and Others

Salaries and wages		2,534,851	2,539,075
Employees' Provident Fund		743,814	775,789
Employees' Trust Fund		101,169	105,529
Incentive		74,951	15,824
Contract wages		337,751	303,342
Employees' Welfare Society – Laskdiva		12,200	28,700
- Sri Lanka Transport Board		12,250	1,400
- CTB		1,400	1,400
Salary Deductions – Employees' loans (Bank loans)		517,796	272,773
- Fines Fund Payable		54,671	59,871
- Societies		5,335	5,665
- Postage		1,815	4,590
Gratuity Payable		2,655,285	1,529,725
Audit fees		619,279	319,279
Telephone		22,067	12,132
Electricity		264,809	164,496
Security		388,500	664,578
Contractor Deposits		1,282,500	1,028,750
Canteen deposits		17,500	17,500
Chairman's Charges Payable		262,500	-
Refundable tender deposit		230,000	125,000
Head Office of Sri Lanka Transport Board		33,011	33,011
	11	**10,173,454**	**8,007,029**

	Notes	2020 Rs.	2019 Rs.

12. REVENUE

Revenue from Repairs		130,487,008	187,762,153
		130,487,008	**187,762,153**

13. COST OF SALES

Unfinished Materials at the beginning of the year		41,017,379	34,731,125
1-1 Inventories		18,710,515	3,739,450
Cost of Sales	13.1	109,877,679	150,836,321
12-31 Inventories		(24,753,482)	(18,710,515)
Unfinished Materials at the end of the year		(20,688,464)	(41,017,379)
		124,163,626	**129,579,002**

13.1 Cost of production

Direct materials		47,935,429	74,353,774
Direct labour	13.2	33,611,813	32,718,174
Employees' Provident Fund		3,011,823	2,713,893
Employees' Trust Fund		752,957	678,383
Bus repairing and painting (outsource)		21,850,600	36,657,280
Incentives		1,839,840	3,048,431
Depreciation-Plant & Equipment		875,217	666,385
	13.1	**109,877,679**	**150,836,321**

13.2 Direct Labour

Salaries and wages		24,317,692	20,324,001
Salary arrears		-	136,118
Allowances		-	5,705
Cost of living allowance		5,734,248	5,159,856
Overtime		135,017	183,161
Casual Wages		3,424,856	6,909,333
	13.1	**33,611,813**	**32,718,174**

14. OTHER INCOME

Grant Amortization (Note 9)		650,000	801,370
Canteen Income		-	35,000
FD Interest		437,740	502,688
Revenue from Tender fees		37,500	57,000
Sundry		50	18,430
Scrap Sale		20	4,525,630
Supplier Registration Fees		109,500	81500
		1,234,810	**6,021,617**

Notes to Financial Statements

	Notes	2020 Rs.	2019 Rs.
15. ADMINISTRATIVE EXPENSES			
Salaries and wages	15.1	12,509,344	11,803,465
Directors' Emoluments	15.2	888,505	1,997,578
Employees' Provident Fund		2,125,711	1,796,077
Employees' Trust Fund		531,428	449,109
Acting Allowance		307,760	184,079
Gratuity		5,922,695	58,467
Employee welfare		402,910	910,761
Electricity		1,547,240	2,882,398
Telephone		137,508	176,787
Assesssment Taxes		42,560	85,080
Vehicle Insurance		2,655	69,197
Security		5,492,298	7,932,159
Building Repair and maintenance		-	2,987,225
Vehicle Repair		284,745	1,222,854
Fuel		671,462	981,553
Stationery		279,060	549,700
Translation charges		10,600	55,100
Agreement charges		-	12,500
Postage		1,650	4,060
Audit Committee meeting charges		75,000	237,500
Audit fees		300,000	299,805
Secretarial fees		110,000	115,000
Legal fees		-	76,030
Donations		-	33,600
Sanitary		240,963	4,667
Expenses for Office Maintenance		116,855	1,464,917
Advertisement & Publicity		171,293	60,806
Bonus		-	1,114,000
Expenses for Annual General Meeting		-	74,386
Inspection Charges		-	7500
Company Registration Fees		-	34,190
Safety Equipment		-	443,730
Depreciation			
Buildings		681,594	94,064
Computer and Equipment		537,768	229,021
Motor Vehicles		59,654	59,654
Furniture & Office Equipment		219,222	219,222
Software Amortization		84,287	51,698
		33,754,766	**38,777,939**

	Notes	2020 Rs.	2019 Rs.
15.1 Salaries and wages			
Salaries and wages		9,199,865	8,526,782
Salary arrears		-	64,290
Cost of living allowance		3,279,078	3,043,196
Overtime		30,401	169,198
	15	**12,509,344**	**11,803,465**
15.2 Directors' Emoluments			
Fuel allowance		96,610	369,213
Director Fees		678,233	1,348,750
Telephone Charges		13,102	61,925
Director Travelling Expenses		96,610	213,000
Director – Expenses for Refreshment		3,950	4,690
	15	**888,505**	**1,997,578**

19.EVENTS AFTER THE END OF THE REPORTING PERIOD

	2020 Rs.	2019 Rs.
16. DISTRIBUTION COSTS	76,095	
Travelling and transport		126,710
Vehicle rent	-	983,333
Exhibition Charges	-	197,460
Machine Repairs	-	30,000
	76,095	**1,337,503**
17. FINANCE COSTS	27,363	
Interest on bank overdrafts		74,668
Bank charges	26,250	58,321
	53,613	**132,989**
18. INCOME TAX EXPENSE		
Income Tax on ordinary activities	-	-

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	2020	2019
Trade and Other Receivables	10,277,684	13,593,242
Balances of Bank and Fixed Deposits	11,157,390	12,645,622
	21,435,074	26,238,864

Trade Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The management has established a credit policy under which each new customer is analyzed individually for credit worthiness before the company standard payment and delivery terms offered.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

(a) 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.

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

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

(iv) 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 31.12.2019	Transactions During the Year	Balance as at 31.12.2020
			Rs.	**Rs.**	**Rs.**
-					
Sri Lanka Transport Board	Government Owned	Bus body repairs	1,645,642	130,487,008	
		Payment Received		(122,118,298)	**10,014,352**
		Gratuity Receivable	263,332	-	**263,332**

Report of the Auditor General

CTPA/LEC/06/FA/2020 On 17 August 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 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018

The aforesaid report is sent herewith.

W.P.C. Wickramaratne
Auditor General

Copy: - Secretary – State Ministry of Vehicle Regulation, Bus Transport Services and Train Compartments and Motor Car Industry – For Information

CTPA/LEC/06/FA/2020 On 17 August 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 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Lakdiva Engineering Company (Pvt) Ltd. for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018 and the Finance Act No. 38 of 1971. The report of the Auditor General in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in basis for qualified Opinion section of this report, the financial statements of the Company give a true and fair view of the financial position as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting standards.

1.2 Basis for Qualified Opinion

(a) The year of purchased had not been mentioned in the assets amounting to Rs. 8,290,423 included in the fixed assets of the Company, of which the asset balance had been Rs. 27,075, 878 as at 31 December 2020. Since the said assets had not been depreciated even up to the year under review as per Sri Lanka Accounting Standard No. 16, the profit for the year had been overstated by that value.

(b) Even though cash and cash equivalents as at 31 December 2020 had been Rs. 4,575,531 according to the statement of financial position, that value had been indicated as Rs.

2,575,53 in the cash flow statement and therefore, a difference of Rs. 2,000,000 was observed. This difference had been created as a result of non-indicating a sum of Rs. 2,000,000 million received as government grants under cash from financing activities in the cash flow statement.

(c) In calculating the cost of production, electricity, which had been the major source of energy supplied to the factory, had not been calculated on a reasonable basis and not included as overhead cost. Accordingly, as an expenditure that should be applied in this way had been included in Rs. 1,547,240, the electricity expenditure of the year under review, the cost of production had been understated by that value.

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

1.3 Other Information included in the Annual Report - 2020 of the Company

Information, included in the Annual Report - 2020 of the Company expected to provide to me after the date of this audit report, but not included in the financial statements and my audit report in relation to the financial statements is called as the other information. Management is responsible for the other information.

My opinion on financial statements does not cover any other information and I do not express any kind of assurance or opinion on it.

In relation to my audit on the financial statements, it is my responsibility to read the other information identified above when such information is available to me and to consider in reading so, whether other information is materially inconsistent with the financial statements according to my knowledge obtained during the audit or otherwise.

If I conclude that there are material misstatements when I read the annual report -2020 of the Company, it is required to report those matters to those Charged with Governance for rectifying such information. If there are any misstatements that are not further rectified, they will be included in the report that will be tabled in Parliament by me in due course in pursuance of provisions in Article 154 (6) of the Constitution.

1.4 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 Public Sector 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 Institution'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 intend to liquidate the Institution or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Institution 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 Institution.

1.5 Auditor's Responsibility on the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2 Report on Other Legal and Regulatory Requirements

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

2.1.1 I have obtained all the information and explanation that are necessary for audit subjected to the observations indicated in the paragraph of basis for qualified opinion of the report as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018 and as far as it appears from my examination, proper accounting records have been kept by the Company.

2.1.1 The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2006.

2.1.2 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.

2.1.3 The financial statements presented includes 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.

2.1.4 In accordance with the requirement mentioned in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, the recommendations made by me in the previous year excluding the observations made in paragraphs 1.2 c, d and 2.2.2 c, d and 2.3 c, are included in the submitted financial statements.

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

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Institution which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 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 excluding the following observations;

References to Laws, Rules / Directives	Observation
(a) Section 23 (a) of the National Environmental Act No. 47 of 1980, as amended by Act No. 56 of 1988 and No. 53 of 2000	Even though vehicle servicing establishments should obtain a license in relation thereto, the Company had not taken any action to obtain 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 obliged 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.
(c) Public Finance Circular No. PED/12 dated 02 June 2003	(c) An amount of Rs. 1,839,840 had been paid as incentives during the year under review, without carrying out an incentive scheme approved by the Treasury and Board of Directors. Moreover, an incentive of Rs.795,600 included in this value had been paid to the factory staff and this payment had been made despite not accomplishing of the expected time target.

(d) Factories Ordinance No. 33 of 2000	
(i) Section 39 (1)	Even though the persons employed in the factory should have been provided with such means of escape as may be reasonably necessary in the event of fire in each case, action had not been taken accordingly.
(ii) Section 42 a (1)	Even though fire extinguishers should have been provided in every factory in accordance with the orders made for that, the Company had not adopted any of these measures.
(iii) Section 50 (1)	Even though first aid box or shelf of a prescribed standard should be maintained within easy reach, the attention of the Company had not been focused on it.
(e) Procurement Guidelines **2006**	
(i) Section 3.2	Spare parts worth Rs. 74,935,429 had been purchased from private companies for repairs of buses during the year under review, and the spare parts had been purchased without inviting competitive bids in national level and evaluating the prices.
(ii) Section 3.4.3	Applicants should be registered and a list should be prepared containing the names of suppliers who can provide such goods and services for the procurement of low-value items where advertising is economically disadvantageous, or for the purchase of respective items of frequent use, this has not been done.
(iii) Section 4.2	Action had not been taken to prepare a master procurement plan and procurement schedule.

2.2.3 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.

2.2.4 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) Non-availability of safety stock levels due to not updating the main bin cards maintained in the procurement department and not considering the maintenance of stock levels for frequently used materials, and as a result, emergency purchases had been Rs. 38,348,373 and these emergency purchases had been the reason for the increase in purchase cost by 80% out of the total purchases. Furthermore, action had not been taken to eliminate a stock of 90 items that were not in use at the time of examination of Bin cards.

2.3 Other Matters

(a) Even though 106 buses had been entered in to the work site in the year 2020 for repairing, 27 buses had been parked at the work site for a period of 03 to 09 months without doing any repairs until 18 March 2021, and it had been 25 percent of the number of buses received for repairing. Although the repairs of the remaining 79 buses had been completed, a period ranging from 2 months to 01 year had been spent for that purpose and the labour for the related repairs had been obtained on contract basis.

(b) The approved staff of the Company had been 121 as at 31 December 2020, and 96 employees, out of that, had been recruited on permanent basis and 12 had been recruited on contract basis. The post of General Manager, which had been the main management positions of the Company, had not been in the approved staff, and the posts of Factory Engineer had been recruited on contract basis. Even though 6 posts of foreman in the Company had been approved, 3 of the posts remained vacant till April 2021.

(c) Even though the approval had been granted for the new structure of employee in the Company according to the letter of the Department of Management Services bearing No. DMS/1623 dated 03 October 2018, action had not been taken to prepare the scheme of recruitment and to obtain the approval for that even by the date of audit in February 2020.

(d) The Company had given cover appointments for 04 posts for a long period of time and had not taken action to recruit permanent officers. Even though the approved number of workers had been 20, the actual number of workers had been 62. Therefore, 42 had been employed by exceeding the approved number.

(e) In the survey of goods conducted in the year 2020, 86 items worth Rs. 1,400,559 had been indicated exceeding the book balance, and 51 items worth Rs. 244,631 had been understated.

W.P.C. Wickramaratne
Auditor General

My number – LEC/ACC/CTPA/LEC/06/FA/2020
30/08/2021

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/2020 dated 17/08/2021 regarding the financial statements of Lakdiva Engineering Company (Pvt) Limited for the year ended 31 December 2020

1.2. (a) A Committee was appointed as per the instructions given by the Board of Directors to identify the fixed assets within the value of Rs. 8,290,423, which had not been identified within the value of fixed assets since the inception of Lakdiva Engineering Company owing to bringing forward of that value as balances in the final accounts. The relevant asset related to the value of Rs. 8,290,423 has been identified based on the decision of the said committee. The asset could not be depreciated as the life of the asset could not be identified, and I will take relevant corrective measures to re-identify the values of that asset and to account them in the books in the year 2021.

(b) I)/II)
Depreciation calculations has been adjusted in the correct ledger and the new ledger has been attached with the corresponding ledger correction.
(Annexure II)

Cost of Living Allowance
A sum of Rs. 5,734,248 related to the industrial sector has been indicated as the cost of living expenses in the calculation of the cost of production, and a sum of Rs. 3,498,300 has been indicated in administrative expenses. (9,232,548(5,734,248+3,498,300)
Fuel cost of Rs. 495,851 has been accounted in the correct financial statements.

(III) Repairs of Equipment, First Aid expenses, Insurance, Maintenance Expenses, Other Expenses, Additional Charges, Postage Charges, Printing and Stationery Additional Charges, Audit Committee

Traveling Expenses, Expenses of Board of Directors, Expenses for Repairs, Entertainment Expenses, Contract Fees, balances in the relevant ledger had been adjusted in the correct financial statements. correct. Arrears of salaries amounting to Rs. 64,609 has been adjusted in the production cost. The sum of Rs. 12,415,599 related to spare parts has been adjusted in Rs. 47,935,429, in direct materials in the cost of production.

(IV) The relevant correct value of the accounting statement of the relevant stock and the advances has been adjusted in the financial statements.

(V) The amount of Rs. 02 million related to 31-12-2020 has been adjusted in cash and cash equivalents.

(VI) I will accurately calculate the electricity expenses for the cost of production in the year 2021.

(02) Report on Other Legal and Regulatory Requirements

a) 2) I will comply with the relevant laws and rules in the future.
a) Management Inefficiencies
(I) Even though the relevant stocks had not been taken to the books during the goods survey conducted at the end of 2020, the relevant stocks had been taken to books by the survey board to use them for production activities or to dispose of them in the future.

(II) I will take action to remove the stock of items that are not being used currently.

(III) It was not possible to maintain buffer stocks properly and to carry out production activities owing to the difficulties caused by the pandemic conditions in 2020, and I will take action correctly in the future.

(IV) and V)
I will make arrangements to dispose the items included in bin cards that have not been used for years.

(VI) I will appoint a goods survey board to transfer the right of motor vehicle bearing No. 23 Sri 3872 and Greatwall bearing No. 61-9401 or to remove them from the use and take the relevant measures in the year 2021.

b) (I) (II) Private contractors will be charged a late fee of Rs. 1000 for each day of delay from the year 2021.

(I)/(III) The progress review report related to the progress of buses received in the year 2020 is attached herewith.
(03) a) Staff Administration
(I) As soon as the scheme of recruitment related to the approved staff of the Company is approved, I will make the relevant recruitments according to the financial position of the company.

(II)/(III)/(IV)
I will take action in the year 2021 to get the scheme of recruitment approved.

(V) As per 87/2020/07/4.3 of the Board of Directors, contract service period of has been extended to a period of one year with effect from 10/19/2020 until the scheme of recruitment is approved and a qualified engineer is recruited. Approval has been given to pay an amount of Rs.3000.00 to Mr. S.K. Anura Kumara from 01/07/2019 on the approval of the Chairman on 01/07/2019.

Engineer	Administrative Officer	Accountant	Compilation Officer

Chairman
Kushan Vegodapola
Lakdiva Engineering Company (Pvt) Limited
Ekala