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ஆண்டு அறிக்கை

ANNUAL REPORT

2015

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LANKA BUIDLING MATERIALS CORPORATION LIMITED

ANNUAL REPORT 2015

LANKA BUILDING MATERIALS CORPORATION LIMITED

Ministry of Housing & Construction

CONTENTS

01. GENERAL

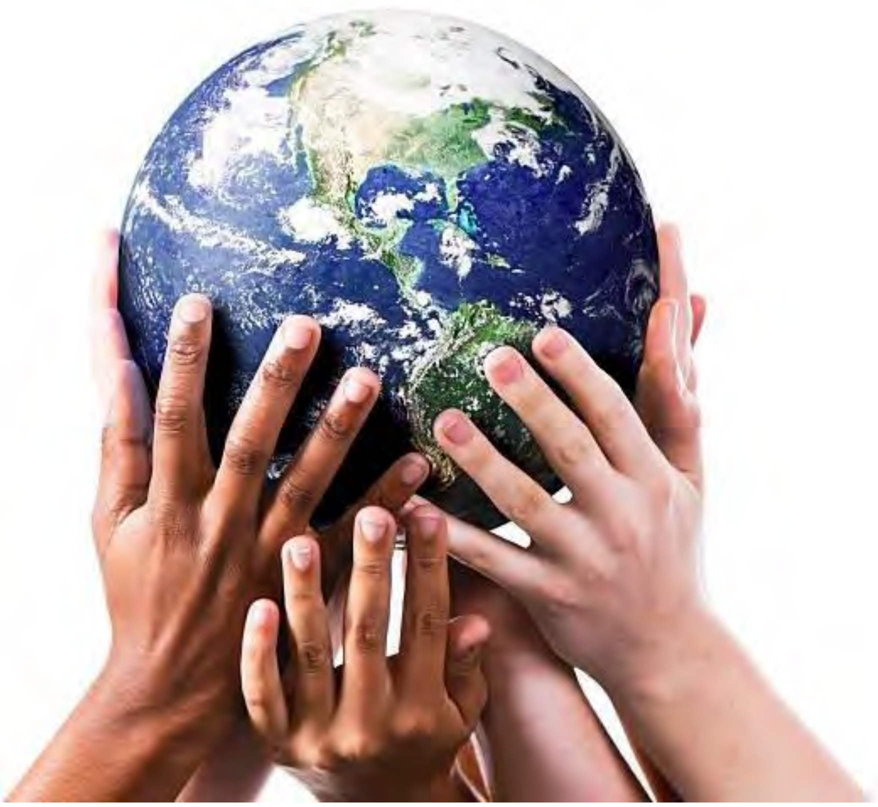
1.1 Vision and Mission Statement of the Corporation

Vision

"Being the leader in the supply of building materials and equipment needed in the field of housing and infrastructure provision and building maximum reliability in the Sri Lankan community by fulfilling social responsibilities as a public institution".

Mission

Supply of standardized building materials and construction equipment at competitive prices throughout the island.”



1.2 Goals and Core Values

1. To be the market leader by providing high quality building materials.
2. Ensuring maximum customer satisfaction.
3. To expand procurement and distribution markets by encouraging local production of quality building materials.
4. Taking measures to distribute building materials in wholesale and retail throughout the island.
5. Educate the staff about their respective duties and their contribution to the organization by creating a good understanding between the management and the staff.
6. Earning suitable dividends to be held in the corporation and making plans for future developments.

1.3 Corporate Information

Company Name:	Lanka Building Materials Corporation Limited
Legal Nature:	The Building Materials Corporation was established in the year 1971 under the Sri Lanka State Trading Corporation Act No. 33 of 1970. Then the Corporation was converted into a public company with limited liability by the Companies Act in September 1992 under the 'State Corporations or Government-Owned Business Entities Act' No. 23 of 1987. The institution was re-registered in March 2010 under the Companies Act No. 07 of 2007.
Company Secretaries:	Accounting System Secretarial Services Private Limited, 04th Floor, No.02,Castle Street, Colombo 04.
Auditors:	Auditor General's Department
Bankers:	People's Bank Commercial Bank Hatton National Bank
Registered Office:	No.541, Sri Sangaraja Mawatha, Colombo 12.
Company's Registration No:	PB1536

1.4 Board of Directors of the Corporation

1. Mr. A.S. Wickramathunga (Chairman)

2. Mr. Vijitha Kadiragonna (Director)

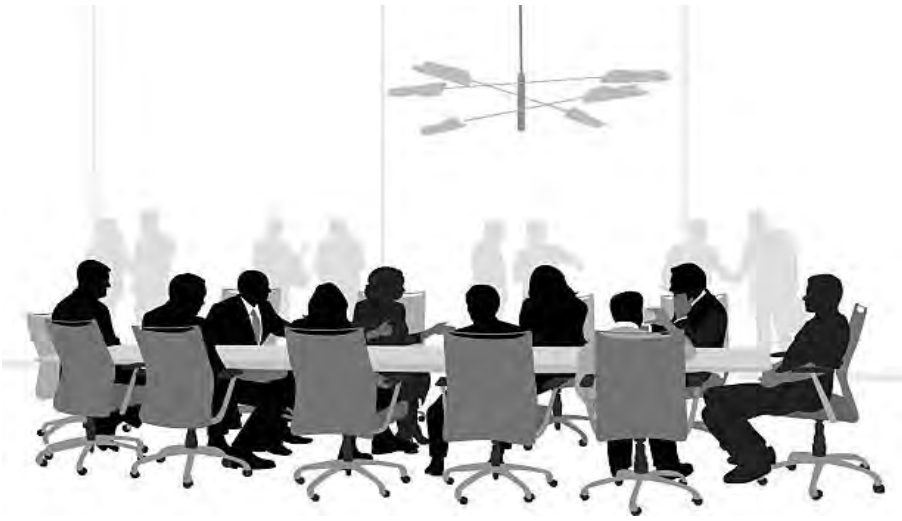
3. Mr. Manjula Senanayake (Managing Director)

4. Eng. S. Mr. Ravindranath (Director)

5. Mr. D.D. Ananda Palitha (Director)

6. Anuruddha Liyanage (Director)

7. W.D. Chandrika (Director)



1.5 The course of the Lanka Building Materials Corporation

The Building Materials Corporation was incorporated under Section II, Section I of the Commercial Corporations Act of the Government of Sri Lanka, No. 33 of 1970, by the Honorable Minister of Housing and Construction by Order published in the Special Gazette No. 14962/43 dated 17th June, 1971.

“To improve and expand the requirements for all building materials in Sri Lanka and to improve and expand their trade, and to establish inspections in and out of Sri Lanka for trade in building materials, to import, purchase and, where necessary, retail all such building materials in bulk or when necessary, distribution and supply as the business covered by this order.” It has been defined in the gazette that the field of study belonging to this established institution.

In 1971, the establishment of the Building Materials Corporation was mainly influenced by the economic policy of prioritizing the state enterprise system accepted by the government at that time. Therefore, in the beginning, the Building Materials Corporation as a government agency had a monopoly on certain building materials and equipment. Because of that monopoly, the Building Materials Corporation was able to become a major public corporation directly affecting the consumer in a very short period of time.

In the year 1977, due to the change in the economic policies of the government, with the emergence of the open economy, there was some impact on the building materials corporation, but it suffered a severe setback in the late 1980s.

In the open market operation, the firm's building material trading monopoly was broken, and it had to maintain a surplus of employees, resulting in a continuous loss situation. In this situation, as an alternative to continue running the corporation, a public company named 'Building Materials Corporation Ltd’ was established in 1992 to take over the functions of the Building Materials Corporation by acting under the Act of 1987 No. Published in a gazette on 16th September. Accordingly, this corporation became an institution run 100% under the Treasury.

After that, until 1999, experiencing mixed profits and losses, the corporation was able to win a reputation among the people by contributing to the construction activities of the government and private sector, protecting the job security of the employees, and maintaining some degree of price control in the building materials market.
From the year 1999, the corporation suffered a severe setback, which was mainly based on the following facts.

1. High cost of redundant staff.
2. Availability of financing by banks for working capital at high interest rates.

3. Due to market competition, having to sell goods keeping the profit at a low level.
4. Maintaining overstocked conditions.
5. Inadequate market research.
6. Lack of sales promotion activities and lack of employee motivation techniques.
7. In 2002, in high circumstances, all procurement activities were stopped with the aim of closing down this institution on the background of privatization that affected the entire public service. Branches consisting of 44 branches located all over the island were shut down and only the stocks of the corporation were sold. An additional 641 employees were retired under the Voluntary Compensation Scheme and the remaining 363 employees were paid from the Treasury from September 2003 to June 2005.

At the end of 2004, the Cabinet gave approval to reorganize the activities of the Building Materials Corporation. 'The Building Materials Corporation should be restructured into a self- sustaining commercially viable entity with the support of the Public Enterprises Reform Commission (PERC) and the finance for the same should be raised through the sale of unutilized/surplus assets of the entity or through the banking system' Cabinet said. The paper mentioned the observations of Honorable Finance Minister.

After that, 10 branches were opened in the real estate owned by the corporation and trading started in the year 2005. In that year Rs.148 million in sales revenue in the year of 2006. It was possible to grow up to Rs.303.04 million. By the year 2008, the annual income was Rs. 522 million but all those years were unprofitable. In the year 2009, the total income was dropped to Rs.175 million.

At the beginning of the corporation, the Building Materials Corporation was under the Ministry of Housing and Construction, but from time to time it was maintained under various ministries and by the year 2006, it came under the Ministry of Trade, Cooperative Marketing Development and Customer Services. Following the downturn in 2009, the then minister laid off 176 employees under the voluntary redundancy scheme in 2009 in a bid to restructure the corporation. The remaining number of employees was only 113.

Number of Employees (2015)

Employment Basis	Number of Employees
Permanent	138
Contract	41
Total	**179**

Sales Branches

1. Ambalantota
2. Anuradhapura
3. Badulla
4. Batticaloa
5. Embilipitiya
6. Gampola
7. Galle
8. Hatton
9. Kandy
10. Kaluthra
11. Mannar
12. Mathara
13. Narahenpita
14. Rathnapura
15. Ratmalana
16. Sangaraja Showroom
17. Tissamaharamaya

Divisions and its Functions

1. Chairman Division

Government project coordination and policy decision making.

2. General Manager Division

Implementation of rules and regulations related to the administrative affairs of the institution.

3. Marketing Division

Supply of marketing materials to regional branches Ambalantota, Anuradhapura, Badulla, Batticaloa, Embilipitiya, Galle, Kandy, Kalutara, Mannar, Matara, Ratnapura and Sangaraja Showroom.

Sales promotion.

Carrying out advertising activities.

4. Legal Division

Preparation of contracts and other legal documents.

Representation of the Code of Law related to labor case decisions in the Supreme Court.

Providing assistance to the legal counsel of the corporation.

5. Human Resource Division

Recruitment of staff.

Training of staff.

Carrying out administrative work.

Issuance of circulars relating to personnel administration.

6. Financial Division

Preparation and monitoring of Annual Budget.

Presenting information and reports to management with recommendations.

Preparation of monthly Profit and Loss Accounts and preparation of quarterly reports.

Preparation of annual accounts in accordance with government financial regulations.

Performing tasks such as cash management.

General financial supervision, credit and equity control.

7. Transport Division

Managing the internal transportation of the company.

8. Maintenance Division

Undertaking infrastructure and other renovation works of the institution.

9. Security Division

Conducting internal security activities of the organization.

10. Information Technology Division

Responsible for main office Local Area Network (LAN) maintenance.

Installation of accounting packages and other application software.

Expansion of wide area network (WAN) system including branches and showroom.

Entering statistical information into the information system and carrying out regular updates.

11. Internal Audit Division

Preparation and approval of audit plan.

Implementation of audit plan.

Carrying out annual verification of fixed / movable assets and trading stocks.

Submission of audit reports to the Chairman.

12. Trade Division

Carrying out all procurement and supply activities for projects.

Making purchase to branches of cement and asbestos sheets.

Receipt of quotations and tenders.

In-house supply of stationery and office equipment to the Corporation.

Determining the selling price through the Price Committee.

LANKA BUILDING MATERIALS CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in Sri Lankan Rupees)

	NOTE	2015	2014
Revenue	02	357,274,034	584,303,933
Cost of Sales	03	333,505,576	510,589,368
Gross Profit		**23,768,458**	**73,714,565**
Other Income	04	11,926,122	640,626
Administration Cost	05	(46,417,506)	(58,660,633)
Distribution Cost	06	(48,454,869)	(26,576,122)
Operating Profit / (Loss)		**(59,177,795)**	**(10,881,564)**
Financial & Other Cost	07	(1,431,854)	(9,496,215)
Profit / (Loss) Before Tax		**(60,609,648)**	**(20,377,779)**
Tax Expenses	08	-	
Profit / (Loss) After Tax		**(60,609,648)**	**(20,377,779)**
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		**(60,609,648)**	**(20,377,779)**

LANKA BUILDING MATERIALS CORPORATION LIMITED
STATEMENT OF FINANACIAL POSITION
AS AT 31 DECEMBER 2015
(All amounts are in Sri Lankan Rupees)

	NOTE	2015	2014
ASSETS			
Non Current Assets			
Property, Plant & Equipment	09	35,478,584	35,414,634
Total Non Current Assets		**35,478,584**	**35,414,634**
Current Assets			
Inventories	10	43,853,956	58,728,050
Trade and Other Receivables	11	34,506,868	93,940,411
Bank Guarantee	12	27,445,700	13,455,600
Deferred Tax	13	546,173	546,173
Cash in Hand and at Bank	14	5,761,876	232,393
Total Current Assets		**112,114,573**	166,902,627
Total Assets		**147,593,157**	**202,317,261**
EQUITY AND LIABILITIES			
Equity			
Stated Capital	15	10,000,000	10,000,000
Contribution towards Share Capital		778,600	778,600
Capital Reserves		2,205,852	2,205,852
Restricted Reserve Account		(16,113,722)	(16,113,722)
Retained Earnings		(415,016,954)	(359,368,037)
Total Equity		**(418,146,224)**	**(362,497,307)**
Non Current Liabilities			
Loans and Borrowings	16	283,283,813	295,763,813
Lease Creditors - Payable More than One Year	17.1	663,938	935,777
Retirement Benefit Obligation	18	8,689,595	8,655,557
Total Non Current Liabilities		**292,637,346**	**305,355,147**
Current Liabilities			
Lease Creditors - Payable within One Year	17.2	358,001	832,731
Trade Payables, Other Payables and Accruals	19	132,027,865	120,407,139
Income Tax Payable	20	1,989,762	1,989,762
Bank Overdrafts	21	138,726,407	136,229,788
Total Current Liabilities		**273,102,035**	**259,459,420**
Total Equity and Liabilities		**147,593,157**	**202,317,261**

These Financial Statements are in compliance with the requirements of the Companies Act No 7 of 2007.

....
Accountant

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,

....
Director

....
Director

LANKA BUILDING MATERIALS CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in Sri Lankan Rupees)

	Stated Capital	towards Share	Capital Reserves	Earnings	Total
Balance as at 31st December 2013	**10,000,000**	**778,600**	**2,205,852**	**(339,238,578)**	**(326,254,126)**
Net Profit for the Year	-	-	-	(20,377,779)	**(20,377,779)**
SLRS"s Changes					
Prior Year Adjustments	-	-	-	248,320	**248,320**
Balance as at 31st December 2014	**10,000,000**	**778,600**	**2,205,852**	**(359,368,037)**	**(346,383,585)**
Net Profit for the Year	-	-	-	(60,609,648)	(60,609,648)
SLFR's Changes					
Prior Year Adjustments	-	-	-	4,960,731	4,960,731
Balance as at 31st December 2015	**10,000,000**	**778,600**	**2,205,852**	**(415,016,954)**	**(402,032,502)**

LANKA BUILDING MATERIALS CORPORATION LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in Sri Lankan Rupees)

	2015	2014
Cash Flows from Operating Activities		
Net Profit /(Loss) before Taxation	(60,609,648)	(20,377,779)
Adjustment for,		
Gratuity Provision		-
Depreciation	-	2,724,469
Interest	255,059	439,156
Prior Year Adjustment	(9,278,193)	(164,579)
Operating Profit before Working Capital Changes	**(69,632,783)**	**(17,378,733)**
Increase/(Decrease) in Inventories	14,874,094	179,086
increase/(Decrease) in Trade and Other Receivables	59,433,543	27,316,343
Increase/(Decrease) in Trade and Other Payables	11,620,726	(8,492,458)
Cash Generated from Operations	**16,295,579**	**1,624,238**
Interest Paid	(255,059)	(439,156)
Income Tax Paid		-
Gratuity Paid	34,038	(1,028,253)
Net Cash Flows from/(Used in) Operating Activities	**16,074,558**	**156,830**
Cash Flows from Investing Activities		
(Acquisition)/Transfer of Property, Plant and Equipment	(63,950)	(3,221,126)
Net Cash Flows from / (Used in) Investing Activities	**(63,950)**	**(3,221,126)**
Cash Flows from Financing Activities		
Lease Payments	(746,569)	(1,179,748)
Long-term borrowings	(12,480,000)	(10,257,576)
Net Cash Flows from / (Used in) Financing Activities	**(13,226,569)**	**(11,437,324)**
Net Increase/(Decrease) in Cash & Cash Equivalents	**2,784,040**	**(14,501,620)**
Cash & Cash Equivalents at the Beginning of the Year (Note A)	(135,997,395)	(121,495,775)
Cash & Cash Equivalents at the End of the Year (Note A)	**(133,213,355)**	**(135,997,395)**

LANKA BUILDING MATERIAL CORPERATION LIMITED

NOTE TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. CORPORATION INFORMATION

1.1. The building Material Corporation ltd is a Limited Liability company registered in Sri Lanka. The registered office is located at No 541, Sri Sangaraja Mawatha, and Colombo 12. The company is engaged in trading building Materials all islands.

1.2. The note to the Financial Statements from pages 9 to 15 forms an integral part of the Financial Statements.

1.3. All value presented in the Financial Statements are in Sri Lanka Rupees unless otherwise indicated.

2. SUMMERY IF SIGNIFICANT ACCOUNTING POLICIES

2.1. General Policies.

a. The Financial Statements of the company are prepared under the historical cost convention in accordance with generally accepted Accounting Principles and the Accounting Standard laid down by the Institute of Chartered Accounting of Sri lanka. No adjustment have being made for inflationary affecting theses Accounting

b. The financial statement of Building Materials Corporation Limited for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 11th of December .2015.

c. The Building Material Corporation Ltd has prepared the financial statement for the year ended 31 December 2015 in accordance with the Small and Medium Size Entities (SME) Financial Reporting Standards

2.2. Taxation

a. Current Taxes

The computation of income tax is based on the element of income and expenditure as reported in financial Statements and computed in accordance with provision of the Inland Revenue act no. 10 2006
and amendment thereto.

b. Differed Taxation

No provision is made for differed taxation.

2.3. Property Plant & Equipments

Property plant & Equipment are stated at cost. The cost of Property, Plant & Equipments are the cost of purchased or construction together with any incidental expenses thereon. The provision for depreciation is calculated is over the estimated useful life of such Assets.

Assets	No of Useful lifetime
Building	40
Motor Vehicles	4
Office Equipments	5
Computer & Installation	4
Tools & Stores service equipment	3
Office Furniture	10
Fixture & Fittings	4

Depreciation is provided on free hold land. Depreciation of assets begins when it is available for use.

2.4. Inventories

Inventories are stated at the lower of cost and net realizable value. In general, Cost is determined on a first in first out (FIFO) bases.

Net realizable value is the price at which inventories can be sold in the normal course business. Other inventories are stated at actual cost.

2.5. Trades & Other receivables

Trades receivables and dues from related parties are stated at the amounts there estimated to realize.

2.6. Cash & Cash Equivalent

For the statement of cash flow statements, cash and cash Equivalent consist of cash in hands and deposits in bank net bank overdraft.

2.7. Liabilities & Provisions

All materials liabilities and at the balance sheets date have being included in the Accounts

2.8. Accounting for Leases – Where company is the Leases

Finance Lease are capitalized at the estimated present value of the underlining leases payments. Each lease payment is allocated between the liabilities 7 finance Charges so as to achieve a content rate on the finance balance outstanding. The interest element of the Finance charge is charged to the income statement for the lease period on sum the digit method. The property, Plant 7 equipments under finance leasing contract are depreciated over the useful life of the assets.

2.9. Define Contribution Plan

Employee Providence Fund (EPF) & Employees Trust Fund (ETF). All local employees are eligible for EPF Contribution & ETF Contribution in line with respective stated and regulations.

2.10. Define Benefit Plan

Terminal Benefits are provided for all employee is of the company at the rate of half the basic or consolidated wage or salaries for the financial year, for each year of completed service.

2.11. Revenue recognition

Income consist of the Trading building Materials around the country. Revenue from the sales of goods is recognized when the significant risks and rewords of ownership of the goods have being transferred to the buyer.

2.12. Expenditure Recognition

Expenses are recognized in the income statement on the basis of direct association between the cost incurred and the earning of specified items of income. All expenditure incurred in the running of the business and maintaining the property, Plant & Equipment in state of efficiency has being changed to income arriving at the loss for the year.

2.13. Going Concerned

During the year ended 31st December 201 Company reported accumulate loses of to be 415,016,954/- (2014 – Loss Rs. 359,368,037/-) and a capital deficit of Rs. 418,146,224/- (2014 – Deficit of Rs. 362,355,147/-)

LANKA BUILDING MATERIALS CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
NOTE - A		
Cash and Cash Equivalents		
Peoples Bank 056-1-001-4-3077749	(9,286,113)	(14,094,643)
Peoples Bank 056-1-001-1-3077755	(4,127,417)	(1,338,485)
Commercial Bank 1-4-15359601	-	(5,228,652)
Commercial Bank 1-4-15359602	-	21,248
Hatton National Bank - 059010001422	5,347,958	(2,412,866)
Peoples Bank 056-1-003-2-3077749 Salary	(13,618,343)	(1,211,785)
Peoples Bank 056-1-002-3-3077749	56,826	56,826
Bank Overdraft - BOC Hyde park	(19,967,703)	(19,967,703)
Bank Overdraft - BOC Corporate Branch	(91,975,654)	(91,975,654)
Cash in Hand	357,091	154,319
	(133,213,355)	**(135,997,395)**

LANKA BUILDING MATERIALS CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in Sri Lankan Rupees)

2014

NOTE - 02 - REVENUE

		2014
Gross Turnover	360,882,550	589,909,370
Nation Building Tax	(3,608,516)	(5,605,437)
	357,274,034	**584,303,933**

NOTE - 03 - COST OF SALES

		2014
Inventories- Beginning of the year	58,728,050	58,907,136
Purchases	315,041,393	503,939,276
Transport and Handling	3,590,089	6,471,006
	377,359,532	**569,317,418**
Inventories- End of the Year	(43,853,956)	(58,728,050)
	333,505,576	**510,589,368**

NOTE - 04 - OTHER INCOME

		2014
Sundry Income	759,271	177,316
Rent & Commission Received	4,923,418	237,113
Interest Reseived	6,243,433	-
Income from Transport	-	154,300
Profit on Disposal of Fixed Assets	-	71,897
	11,926,122	**640,626**

LANKA BUILDING MATERIALS CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in Sri Lankan Rupees)

NOTE - 05 - ADMINISTRATION & ESTABLISHMENT EXPENSES

	2015	2014
Directors Emoluments	1,064,562	1,168,200
Donations	-	20,000
Electricity	2,475,628	2,813,832
Salaries & Wages	21,364,698	26,178,642
Water Expenses	516,552	296,510
Employees Provident Fund	2,560,489	3,099,907
Employees Trust Fund	640,122	774,977
Overtime	1,646,289	1,414,061
Allowances	9,879,397	4,794,803
Gratuity Provision	88,117	-
Building Maintenance	130,150	775,481
Office Equipment Maintenance	479,106	943,914
Vehicle Maintenance	686,102	1,522,746
Printing and Stationery	404,521	749,950
Postage	438,458	481,928
Fuel Charges	175,740	758,476
Entertainment	-	120,970
Newspapers and Periodicals	245,180	13,050
Travelling	186,966	280,032
Depreciation	-	2,724,469
Legal Fees	263,364	2,551,431
Secretarial Services	39,452	110,711
Audit Fees	-	24,000
Professional Charges	135,054	159,552
Staff Welfare	420,608	525,500
Telephone & Fax	705,015	1,161,820
Motor Vehicle License Fees	51,015	67,610
Transport Allowances	54,520	126,358
Computer Maintenance	39,750	42,500
Seminar Fees	-	8,500
Security Charges	559,402	2,741,977
Insurance	179,381	216,192
Cleaning Charges	651,450	786,000
Miscellaneous	-	131,898
Software Maintenance	165,900	184,150
Foods & Accommodation	36,015	23,312
Forein Travaling Expenses	-	406,983
General Expenses	134,504	460,190
	46,417,506	**58,660,633**

NOTE - 06 - DISTRIBUTION COST

	2015	2014
Salaries & Wages	25,870,838	17,452,428
Allowanses	12,905,128	-
Employees Provident Fund	3,104,485	2,066,604
Employees Trust Fund	776,121	516,651
Bonus	-	235,717
Overtime	536,405	549,494
Stores Rent, Rates and Taxes	716,562	589,513
Welfare	345,297	352,557
Stores Expenses	110,390	114,584
Telephone	569,543	465,432
Electricity	566,538	810,314
Vehicle Maintenance	250,971	151,744
Printing and Stationery	141,713	43,228
Advertising	106,302	522,527
Insurance	-	106,414
Travelling & Subsistence	345,704	232,082
Postage	48,278	41,396
Tender Charges	-	20,500
Labour Charges	1,778,883	2,100,978
Trade License Fees	17,365	42,584
Water Charges	155,145	161,374
Other Expenses	3,000	-
Transport Allowances	106,200	-
	48,454,869	**26,576,122**

NOTE - 07 - FINANCE & OTHER EXPENSES

	2015	2014
Overdraft Interest	-	7,414,102
Lease interest	255,059	423,815
Interest on CWE Loan	-	15,341
Bank Charges	1,176,794	1,642,957
	1,431,854	**9,496,215**

NOTE - 08 - TAXATION

Income Tax
Deferred Tax

NOTE - 09 - PROPERTY , PLANT & EQUIPMENT

9.1 Gross Carrying Amounts	Balance as at 01.01.2015	Additions/ Transfers	Balance as at 31.12.2015
Freehold Assets			
Land and Buildings	46,991,662	-	46,991,662
Motor Vehicles	24,837,074	-	24,837,074
Tools & Equipment	26,632,321	-	26,632,321
Furniture & Fittings	12,257,095	-	12,257,095
Office Equipment	1,507,043	44,950	1,551,993
Computers Equipment	1,037,280	19,000	1,056,280
Computer Software System	1,020,000	-	1,020,000
	114,282,475	**63,950**	**114,346,425**
Leasehold Assets			
Motor Lorries	5,623,000		5,623,000
	5,623,000	**-**	**5,623,000**
	119,905,475	**63,950**	**119,969,425**

9.2 Depreciation	Balance as at 01.01.2015	Charge for the/ Transfers	Balance as at 31.12.2015
Freehold Assets			
Land and Buildings	15,421,738	-	15,421,738
Motor Vehicles	24,736,602	-	24,736,602
Tools & Equipment	26,632,321	-	26,632,321
Furniture & Fittings	11,815,434	-	11,815,434
Office Equipment	517,699	-	517,699
Computers Equipment	658,298	-	658,298
Computer Software System	992,292	-	992,292
	80,774,383	**-**	**80,774,383**
Leasehold Assets			
Motor Lorries	3,716,458	-	3,716,458
	3,716,458	**-**	**3,716,458**
	84,490,841	**-**	**84,490,841**

9.3 Net Book Value	2015	2014
Freehold Assets		
Land and Buildings	31,569,924	31,569,924
Motor Vehicles	100,472	100,472
Tools & Equipment	-	-
Furniture & Fittings	441,662	441,662
Office Equipment	1,034,294	989,344
Computers Equipment	397,982	378,982
Computer Software System	27,708	27,708
	33,572,042	**33,508,092**
Leasehold Assets		
Motor Lorries	1,906,542	1,906,542
	1,906,542	**1,906,542**
	35,478,584	**35,414,634**

LANKA BUILDING MATERIALS CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in Sri Lankan Rupees)

		2015	2014

NOTE - 10 - INVENTOROIES

Stocks in Trade		43,853,956	58,728,050
		43,853,956	**58,728,050**

NOTE - 11 - TRADE & OTHER RECEIVABLES

Trade Debtors		21,053,227	52,767,568
VAT Receivable		31,637	34,159
Rent Receivable		2,452,545	1,050,000
Other Deposits & Prepayments		56,448	56,448
Loan - Avant Garde Manufacture		-	30,000,000
ESC Recoverable		3,874,117	2,971,987
Deposit for Labour Commissioner Case		2,037,778	2,037,778
		29,505,752	**88,917,940**
Advances	**NOTE - 11.1**	5,001,117	5,022,471
		34,506,868	**93,940,411**

NOTE - 11.1 - Advances

Festival	1,070,751	1,126,918
Miscellaneous	3,895,553	3,895,553
Salary Advance	34,813	
	5,001,117	**50,224,731**

NOTE - 12 - BANK GUARANTEE

Peoples Bank	27,445,700	13,455,600
	27,445,700	**13,455,600**

NOTE - 13 - DEFERRED TAXATION

Balance at the beginning of the year	546,173	546,173
Provision / (Reversal) for the year		
Balance at the end of the year	**546,173**	**546,173**

NOTE - 14 - CASH IN HAND & AT BANK

Commercial Bank 1-4-15359602	-	21,248
Hatton National Bank 059010001422	5,347,958	-
Peoples Bank 056-1-002-3-3077749	56,826	56,826
Cash in Hand	357,091	154,319
	5,761,876	**232,393**

LANKA BUILDING MATERIALS CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in Sri Lankan Rupees)

	2015	2014
NOTE - 15 - SHARE CAPITAL		
1,000,000 No. of Shares at Rs. 10/- per share	10,000,000	10,000,000
	10,000,000	**10,000,000**
NOTE - 16 - LOANS & BORROWINGS		
Inland Revenue	50,000,000	50,000,000
Ministry of Housing and Construction	51,400,000	51,400,000
Sevana Trust Fund	90,000,000	90,000,000
Co-operative Wholesale Establishment	3,000,000	3,000,000
National housing Development Authority	7,500,000	-
Housing Development Finance Corporation Bank Sri Lanka I	12,135,949	12,115,949
Housing Development Finance Corporation Bank Sri Lanka II	26,100,000	26,100,000
Housing Development Finance Corporation Bank Sri Lanka III	2,647,864	2,647,864
Department of Co-operative Development	40,500,000	60,500,000
	283,283,813	**295,763,813**
NOTE - 17 - LEASE LIABILITIES		
Peoples Leasing Company PLC		
Lease No: PTLELE1100079700	5,133	492,639
Interest in Suspense	-	22,143
	5,133	**470,496**
Lease No: PTLELE1300130900	1,263,722	1,768,944
Interest in Suspense	246,916	470,932
	1,016,806	**1,298,012**
Balance as at 31st December 2015	**1,021,939**	**1,768,508**
NOTE - 17.1		
Non Current Liability		
Lease No: PTLELE1300130900	758,522	1,275,286
Interest in Suspense	(94,584)	(339,509)
	663,938	**935,777**
Balance as at 31st December 2015	**663,938**	**935,777**
NOTE - 17.2		
Current Liability		
Lease No: PTLELE1100079700	5,133	492,639
Interest in Suspense	-	(22,143)
	5,133	**470,496**
Lease No: PTLELE1300130900	505,200	493,658
Interest in Suspense	(152,332)	(131,423)
	352,868	**362,235**
	358,001	**832,731**
NOTE - 18 - RETIREMENT BENEFIT OBLIGATION - GRATUITY		
Provision at the beginning of the year	8,655,557	9,683,810
SLFR's Changes	-	-
Charge for the Year	34,038	-
Payment during the year	-	(1,028,253)
Provision at the End of the Year	**8,689,595**	**8,655,557**

(All amounts are in Sri Lankan Rupees)

NOTE - 19 - TRADE & OTHER PAYABLES & ACCRUALS

	2015	2014
Trade and Other Payable	56,748,276	49,309,363
Rent received in advance	173,654	173,654
BTT Payable	1,918,696	1,918,696
ESC Payable	3,819,837	4,678,544
NBT Payable	23,186,693	20,547,882
Deposits Payable	624,299	733,566
National Insurance Trust Fund	6,956	6,956
Stamp Duty Payable	19,800	8,275
Refundable Deposit	778,196	727,632
Telephone Payable	162,109	272,111
PAYE tax Payable	-	968
EPF Payable	915,977	801,977
ETF Payable	125,041	109,495
Salary Deduction	(3,758)	(1,182,400)
Salary Payable	10,312	1,237,656
Professional Charges Payable	-	15,000
Audit Fees Payables - 2013	-	150,000
E- Mail Charges	409	409
Water Payable	69,410	2,823
Electricity Payable	224,510	426,357
Deferred Income-Government Grant for Compensation	38,299,070	38,299,070
Interest Payable to CWE	2,169,108	2,169,108
Payments received in advance	2,636,700	-
Stores Rent & Rates Payable	142,572	-
	132,027,865	**120,407,139**

NOTE - 20 - INCOME TAX PAYABLE

	2015	2014
Opening Balance	1,989,762	1,989,762
Add: Provision for the Year		
	1,989,762	**1,989,762**
Withholding Tax Paid		
ESC Paid		
	1,989,762	**1,989,762**

NOTE - 21 - BANK OVERDRAFTS

	2015	2014
Commercial Bank 601	-	5,228,652
Peoples Bank 056-1-001-4-3077749	9,037,289	14,094,643
Peoples Bank 056-1-001-1-3077755	4,127,417	1,338,485
Peoples Bank 056-1-003-2-3077749 Salary	13,618,343	1,211,785
Hatton National Bank	-	2,412,866
Bank Overdraft - BOC Hyde Park	91,975,654	91,975,654
Bank Overdraft - BOC Corporate Branch	19,967,703	19,967,703
	138,726,407	**136,229,788**

මගේ අංකය / எனது இல. / My No. CEN/A/BMC/FA/15/01 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 19 November 2018

To the Shareholders of the

Lanka Building Material Corporation Limited

Report of the Auditor General on the Financial Statements of the Lanka Building Material Corporation Limited for the year ended 31 December 2015.

The audit of the financial statements of the Lanka Building Material Corporation Limited ("the Company") for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs) and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Sri Lanka Auditing Standards. Because of the matters described in the basis for disclaimer of opinion paragraph; however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

(a) The Company has incurred a net loss of Rs.60, 609,649 for the year ended 31 December 2015. Hence, the Company's total liabilities exceeded its total assets by Rs.418,146,224 and Company's current liabilities exceeded its current assets by Rs. 160,987,462 as at 31 December 2015. Further, it was noted that the gross profit margin for certain products of the Company had been negative and various parties have claimed for the legal title of the properties of the Company due to non-payment of loan repayments and some of them have already instituted legal cases against the Company. These events indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) for the year under review do not disclose this fact along with necessary disclosures regarding the existence of plans that management has put in place or the existence of other mitigating factors.

(b) The Company has obtained loans, borrowings and advances from several government entities. However, I was not provided with relevant loan agreements or other supporting documents for loans or advances obtained from the Ministry of Housing and Construction, HDFC Bank and Co-operative Wholesale Establishment (CWE) to review the terms and conditions relating to such loans, borrowings and advances. Therefore, I was unable to obtain sufficient appropriate audit evidence to satisfy myself about the fair presentation of balances of loan, borrowing and advance aggregating Rs. 283,283,813 as at 31 December 2015. Further, due to unavailability of said loan agreements or other supporting documents, I was unable to obtain sufficient appropriate audit evidence to verify the completeness of finance cost amounting to Rs. 1,431,854 shown in the financial statements for the year ended 31 December 2015.

(c) The Company does not maintain a Fixed Assets Register or detailed schedules for property, plant & equipment and I was unable to confirm or verify alternative means concerning the valuation and completeness of property, plant & equipment included in the statement of financial position at a total amount of Rs. 35,478,584 as at 31 December 2015.

(d) The Company neither made impairment (provisions for bad and doubtful debts) for long outstanding receivables nor provide appropriate explanations regarding the recoverability of the same. Therefore, I was unable to satisfy myself regarding the recoverability of trade receivables amounting to Rs. 21,053,227 as at 31 December 2015.

(e) The Company has not setoff receipts against the receivables from staff (miscellaneous account in the financial statements represents the advances given to employees) amounting to Rs. 3,895,553 as at 31 December 2015. Therefore, the said account balance remains as unsettled as at the reporting date.

(f) Sufficient appropriate audit evidence were not made available to verify the existence, right and obligation of deferred income (government grant for compensation) amounting to Rs.38,299,070 as at 31 December 2015.

(g) I was not provided sufficient appropriate evidence in respect of outstanding trade and other payable, BTT, trade debtors, prior year adjustments, inventories and debit balance of restricted reserve account totalling Rs. 148,966,070 as at 31 December 2015.

(h) There was a difference of Rs 12,458,885 and Rs 27,549,830 between the balances of three creditors and outstanding loan respectively shown in the third party confirmations and the general ledger as at 31 December 2015.

(i) I was unable to obtain sufficient appropriate audit evidence regarding the recoverability of deferred tax asset amounting to Rs 546,173 as at 31 December 2015.

(j) The Company has not identified related party relationships, transactions and outstanding balances including commitments and made disclosures thereof as required by SLFRS for SMEs.

(k) The Company has not made relevant disclosures with regard to the categories of financial assets and financial liabilities as required by SLFRS for SMEs. Further, it was noted that there were several defaults and breaches on loan payables.

Owing to the above, I was unable to verify property, plant & equipment, trade and other receivables, deferred tax asset, loans and borrowings, trade and other payables, finance cost, related party transactions and disclosures and related disclosures for financial instruments in the financial statements. As a result of these matters, I was unable to determine whether any adjustments were necessary in respect of the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2015.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Report on Other Legal and Regulatory Requirements

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

a. The basis of opinion and scope and limitations of the audit are as stated above.

b. In my opinion:

- I have not obtained all the information and explanations that were required for the audit as stated above. Hence, I do not express an opinion on these financial statements.

Report to Parliament

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

H.M. Gamini Wijesinghe
Auditor General