# SRI LANKA CEMENT CORPORATION

# ANNUAL REPORT AND ACCOUNTS

# 2018

Sri Lanka Cement Corporation
P.O.Box-1382,
27, Vauxhall Street,
Colombo-02.

21.10.2019

The Secretary,
Ministry of Industry and Commerce, resettlement of protracted displaced persons and Corporative development,
73/1,Galle Road,
Colombo-03.

Dear Sir,

**SRI LANKA CEMENT CORPORATION**
**FINANCIAL STATEMENTS FOR THE YEAR, 2018**

In terms of Section 30 (1) of the State Industrial Corporation Act No.49 of 1957, I have pleasure in submitting the Report of the Board of Directors of the Corporation for the year, 2018 together with the following documents.

a). Financial Statement for the year, 2018
b). The Auditor General's Report and
c). Observations of the Board on (b) above.

Yours faithfully,

For and on behalf of the Board of Directors of the
**SRI LANKA CEMENT CORPORATION**

***Signed,***
**S.SUBAIRDEEN,**
**CHAIRMAN.**

# SRI LANKA CEMENT CORPORATION

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# SRI LANKA CEMENT CORPORATION

## <u>REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2018</u>

### 1.0 BACKGROUND

The Cement Factory at Kankesanthurai which was established in 1950 under the Department of Industries was converted to a Public Corporation in 1956 under the provisions of the Government Sponsored Corporations Act No.19 of 1955 and named Kankesan Cement Works.

On 1st January 1959 the Corporation was reconstituted as Ceylon Cement Corporation under the Industrial Corporations Act No. 49 of 1957.

In the year 1980 the name was changed to "Sri Lanka Cement Corporation" by a Gazette notification. This Corporation which functioned under the Ministry of Industries and Scientific affairs was brought under the purview of the Ministry of Local Government, Housing & Construction from 1st February 1985. After that, since 19th June 1997 the Corporation was again under the Ministry of Industrial Development and still continuing as same until 2010 and vested under the Ministry of State Resources & Enterprises Development up to February, 2015. Thereafter, Sri Lanka Cement Corporation functioned under the Ministry of Industry and Commerce, resettlement of protracted displaced persons and Corporative development.

### 2.0 VISION AND MISSION STATEMENT

#### VISION

To provide Guidance and Leadership to Facilitate the Development of the Cement Industry in Sri Lanka.

#### MISSION

Ensure and adequate supply of Quality Cement and other cement based products to meet the country needs.

#### MAIN OBJECTIVES

The main objective of the Corporation is to ensure the recommencement of the Kankesan Cement Factory.

And, to process the development projects for Lands at Kollupitiya, Mannar , Palavi and Aruwakkalu belongings to the corporation and convert those assets as income generating ways.

#### MAIN FUNCTIONS

The functions and objectives of the Corporation as indicated in the Incorporation order published in Gazette Extraordinary No.11634 of 2nd January, 1959 are as follows;

- To manufacture and sell Cement.
- To manufacture and sell articles made of cement or cement concrete including telephone and telegraph posts, telephone booths, water carriage equipment, Hume pipes and tiling.

- To supply electrical energy in bulk to any person.

By the order published in Gazette Extraordinary No.14033 of 11th May, 1964 order with the approval of the Government amend the order under section 2 of that Act. Published in Gazette Extraordinary No.11634 of 2nd January, 1959 in the first schedule thereto, in paragraph 1, thereof, by substituting for the words *"The manufacture and sale of cement"* of the word *"The manufacture, importation and sale of cement"*.

The Corporation had invested Rs.1,083,618,910/= in the Lanka Cement PLC in 1981 and holds 62.45% of the Share Capital. The par value of the share is Rs.10/=. The market value was Rs.8.20 per share in October, 2015 and Rs.7.90 at the month of December, 2015. The Corporation has not been benefited on this investment up to now. Lanka Cement PLC is control and monitoring by same management from April, 2010 to 25th February, 2016.

Sri Lanka Cement Corporation also owns 320,000 ordinary shares of Rs.10/= each in the Lafarge Mahaweli Cement Company Limited, and benefited by a Bonus issue of one new ordinary share for every two shares held by the Corporation as at 31st December, 1995. The Corporation now owns 480,000 ordinary shares in LMCCL which is 10% of the total shareholding. The Corporation has been benefited by a very good return (dividend) on this investment up to 1999. In 2015, we received Rs.1,728,000/- as a dividend for the year 2014.

## 3.0 PRESENT POSITION

With the peoplization of Puttalam Cement Works and Ruhunu Cement Works and transfer of ownership of Paper Bags Unit at Mattakuliya to the General Treasury the Sri Lanka Cement Corporation is only left with the Kankesan Cement Works which is also not in operation since June 1990 due to security situation in the North. The factory premises are under the Sri Lanka Army supervision.

The several efforts have been made over the years to release the land and wherein possibilities to recommence production have been comprehensively studied. Necessary reports have been forwarded to the relevant authorities and found feasible for implementation provided the security clearance is assured.

The organization engaged with the import & distribute of Ordinary Portland Cement from 2008 and produce & sale of concrete base products from 1997.

The Government had introduced a Voluntary Retirement Scheme in 2016 and 36 employees have left their service from 31.07.2016 according to that Scheme.

### a) Imports and Sales of Ordinary Portland Cement

In the year 2008, we started importation of cement for supply quality goods with lowest price to customers under the brand name of "Kankesan". The Corporation has imported 219,559 MT from 2008 to 2012.

In the year 2013 & 2014, the Corporation has imported 20,300 MT & 18,900MT respectively. We have imported 1,540 MT and 3,815MT of Ordinary Portland Cement in 2015 and 2016 respectively.

The Corporation imported 980MT of Ordinary Portland Cement in 2017 and temporary stop with the board decision to importation due to the lake of sales staff & financial arrangements.

**Sales of Cement**

| Year | 2017 | 2016 | 2015 |
|---|---|---|---|
| Qty (MT) | 980 | 4,002 | 2,780 |
| Value (Rs.) | 12.66Mn | 60.15Mn | 37.87Mn |

**b) Manufacturing & Selling of Concrete based Products**

The Corporation also started a Concrete production Yard at Urumpirai in October 1997. The Unit has been mainly engaged in production of RC Poles for Ceylon Electricity Board and Telegraph poles for Sri Lanka Telecom.
In the year 2009 we produce Concrete blocks, beams, pavement slabs and fence posts were supplied to Building Department, Road Development Authority, University of Jaffna and the General Public in addition to the concrete poles production.

We produced 16,431 Nos Concrete based products during the year 2009 to 2012.

The corporation has produced 2,003 Nos. Concrete Poles in the year 2013 and 1,674 Nos. Concrete based products in 2014. During the year 2015 also produced 191Nos of Concrete Poles, 832 Nos of Panthal Post and 71,771 Nos of concrete blocks. In the year 2016 produced 168 Nos Concrete Poles, 224 Nos of Fence Post, 95 Nos of RC Colums and 30,122 Nos of Concrete blocks.

**Sales of Concrete Products**

| Year | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Concrete poles (Qty) | - | - | 304 | - |
| Fence poles (Qty) | - | 4 | 253 | 391 |
| RC colums (Qty) | 99 | 145 | 169 | 419 |
| Concrete blocks | - | - | 46,907 | 54,805 |
| **Total Value (Rs.)** | **0.56Mn** | **1.13Mn** | **4.07Mn** | **2.69Mn** |

According to the circular no.02/2016, all K.C.W.employees except two left their service from 31.07.2016. Two employees were retained for sales of concrete products.

**c) Rental income generating from assets of the corporation**

The corporation was instructed by the Department of Public Enterprises to find out the persons or institutions that are need of lime stones and find the way to lease out those properties & updating lease agreements for such lands for rentals with a view of earning an income.

**d) Medieval Procedures for attain efficiency of the organization**

We are expecting to proceed suitable development projects regarding our lands at Kollupitiya, Mannar, Puttalam and Kankasanthurei and generate income from those lands. Then, we can achieve stability and efficiency situation to the organization.

The restructuring program for the organization and amalgamate with Lanka Cement PLC after converting to a company according to the Cabinet decision from 2015. At present, these two entities managed by separate board of directors from February, 2016.

## 4.0 PROFITABILITY

The Corporation had a surplus of Rs.2.6Mn in 2011. In 2012, 2013 & 2014 the corporation has continuously losses as 75Mn, 424Mn & 13Mn respectively. Subsequently, the Corporation had a surplus of Rs.4.34Mn & Rs.31.70Mn in 2015 & 2016. In 2017, the Corporation reported Rs.15.61Mn as profit after tax.

As per the financial statements for 2018, we earned the accounting profit before income tax of Rs.19.59Mn. It shows 7.78% increase with compared for the previous year figure. In this year we got 8 months interest waiver-of to the bank loan interest and it was Rs.10.07Mn. As a result of that the Corporation reported Rs.15.96Mn as profit after tax.

## 5.0 FUTURE ROLE OF SRI LANKA CEMENT CORPORATION

The Sri Lanka Cement Corporation is not presently engaged in production of cement due to the temporary closure of the factory at Kankesanturaiin June 1990, which is the only factory owned by SLCC. However, prospects for recommencing the production of cement by KCW, in the immediate future are difficult to forecast. Necessary reports have been forwarded to the relevant authorities.

The Corporation has been requested to handover the Kankasanthurei factory premises from Sri Lanka Army, but they're not handover it to us. We can proceed the suitable development project if they handover it to us.

As per the instruction given by the Ministry of Industry and Commerce by the letter reference no. MIC/R/07/06/07, dated on 27.10.2016, as the Minutes of the meeting held on 20.10.2016 regarding the future activities to the organizations who was implementing the Voluntary Retirement Scheme on 31.07.2016. We have given considerable attention to proceed the development projects regarding our lands at Kollupitiya, Mannar, Puttalam and Kankasanthurei**.**

The discussions held with relevant parties to introduce development projects to our lands and other resources.

And we will manage the income generate from those projects and try to achieve the strong financial strength & continue the stability of the organization.

## 6.0 APPRECIATIONS

The Board of Directors sincerely thank to the Honorable Minister, Ministry of Industry & Commerce for the directives given to the Sri Lanka Cement Corporation, Officials of the Line Ministry, General Treasury, State Banks and Other Government Institutions for their co-operation given to the SLCC in 2018.

The Board of Directors also wishes to record its appreciation for the services rendered by the employees of the Sri Lanka Cement Corporation.

# INFORMATION ABOUT CORPORATION

**Registered Head Office**

Sri Lanka Cement Corporation
VauxhallMansion,
Vauxhall Street, Colombo 02.

Telephone Nos.: 011-2440201,2440203
Fax No. : 011-2448866

**Subsidiary Registered Head Office**

Lanka Cement LimitedNo.27,
No.27,VauxhallMansion,
Vauxhall Street, Colombo 02.

Telephone Nos. : 011-2447746, 254158

**CONCRETE PROJECT, JAFFNA**

Kankesan Cement Works,

Kankesanturai.

Telephone No. : 021 321 5340/41

**CEMENT STORES**

472, SriSangarajahMawatha,

Colombo 10.

Tel. : 011-3030041, Fax : 011-4923959

**BANKERS**

People's Bank

Bank of Ceylon.

**AUDITORS**

National Audit Office,

Baththaramulla.

# S R I   L A N K A   C E M E N T   C O R P O R A T I O N

The Board of Management for the year 2018, under review consisted of the following Directors.

| | | |
|---|---|---|
| 01. Mr.H. Ahamed Bhaila | Chairman | - Appointed on 10.12.2015 to 25.06.2018 |
| 02. Mr.M. Reyyaz S. Salley | Chairman | - Appointed on 25.06.2018 to 10.04.2019 |
| 03. Mr.S.Subairdeen | Chairman | - Appointed on 10.04.2019 |
| 02. Mr. S.Abdeen Ehiya | Managing Director | -Appointed on 25.02.2016 |
| 03. Mr.W.D.Janaka | Director | - Appointed on 25.02.2015 to 24.07.2018 |
| 04. Mr.M.S.M.Kabeer | Director | - Appointed on 18.03.2015 |
| 05. Mr.N.M.Munawar | Director | - Appointed on 31.03.2015 |
| 06. Mr.A.Rafeek | Director | - Appointed on 30.04.2015 |
| 07. Mrs.D.S.A.Costa | Treasury rep. | - Appointed on 30.10.2015 |
| 08. Mrs.K.N.Fernando | Ministry observer | - Appointed on 26.12.2017 to 25.07.2018 |
| 10. Mr.L.G.Nilanga D.Somapala | Ministry observer | - Appointed on 25.07.2018 to 26.04.2019 |
| 09. Mr.W.N.R.Wijekoon | Ministry observer | - Appointed on 26.04.2019 |

## S E N I O R   M A N A G E M E N T   C O M M I T T E E

| | | |
|---|---|---|
| 01. Mrs.M.G.A.T.RJayathilaka | Accountant | Head Office |
| 02. Mrs.E.S.Chandani | Administrative Officer | Head Office |

# SRI LANKA CEMENT CORPORATION

# HUMAN RESOURCES AS AT 31.12.2018

| CATEGORY | Senior Mgt. | Middle Mgt. | Junior Mgt. | Management Assistant | Primary Level | Total |
|---|---|---|---|---|---|---|
| Head Office | 02 | 01 | 01 | 03 | 07 | 14 |
| Kankesan Cement Works | -- | -- | -- | -- | 01 | 01 |
| **TOTAL** | **02** | **01** | **01** | **03** | **08** | **15** |

# CHAIRMAN'S MESSAGE - 2018

On behalf of the Board of Directors, I take pleasure in presenting the Annual Report and Financial Statements of the Sri Lanka Cement Corporation for the year ended 31$^{st}$ December, 2018.

During the year, we looked the ability of engagement with development projects to convert the idle assets of the corporation as income generating activities with the government embarked on large infrastructural development policy plan.

The corporation earned Rs.36Mn as turnover in this year and there was a decrease of Rs.13Mn compared with the turnover recorded in the previous year. The discontinuation of the process of import & distribute the Ordinary Portland Cement 50Kg bags mainly affected to this decrease in the turnover.

However, we earned Rs.1.42Mn as a growth in net profit before tax for the year under review compared with the recorded amount in the previous year as a result of diminish in the administrative & financial expenses in this year.

Finally, we stable with the financial operations during this year and hope to achieve a further step in future.

I take this opportunity to extend my sincere thanks to the Honorable Minister of Industry and Commerce, Resettlement of Protracted Displaced Persons and Cooperative Development and I thankful to the Secretary & the staff members of the line ministry for their assistance and guidance given to us.
And also, I thankful to the Board of directors and the all staff of the Sri Lanka Cement Corporation for the support had been given to us during the financial period.

***Signed,***
**M.REYYAZ S. SALLEY**
**Chairman**
**Sri Lanka Cement Corporation**

**SRI LANKA CEMENT CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

**As at year ended 31 December, 2014-2018**

| | 2018 | 2017 | Restated 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **ASSETS** | **Rs.'000** | **Rs.'000** | **Rs.'000** | **Rs.'000** | **Rs.'000** |
| **Non-current assets** | | | | | |
| Property, plant & equipment | 1457 | 1,590 | 3,887 | 4,173 | 779,317 |
| Investment properties | 796,950 | 796,950 | 773,700 | 773,700 | - |
| Long term receivables | - | - | - | 757,224 | 757,224 |
| Investments | 624,063 | 624,063 | 624,063 | 862,458 | 721,589 |
| Financial assets | 5,689 | 5,689 | 5,162 | 35,469 | 33,428 |
| | **1,428,633** | **1,428,292** | **1,406,812** | **2,433,024** | **2,291,558** |
| **Current assets** | | | | | |
| Inventories | 925 | 1,241 | 3,099 | 8,594 | 18,933 |
| Trade & other receivables | 72,999 | 74,469 | 89,212 | 80,551 | 96,247 |
| Pre-payments | - | - | - | - | - |
| Cash & cash equivalents | 19,867 | 9,158 | 13,687 | 8,743 | 2,076 |
| | **93,793** | **84,868** | **105,998** | **97,838** | **117,256** |
| **TOTAL ASSETS** | **1,522,426** | **1,513,160** | **1,512,810** | **2,530,863** | **2,408,814** |
| **EQUITY & LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Stated capital | 966,971 | 966,971 | 966,971 | 966,971 | 966,971 |
| General reserves | 9,997 | 9,997 | 9,997 | 9,997 | 9,997 |
| Revaluation reserves | 561,203 | 561,203 | 536,119 | 536,119 | 713,619 |
| Retained earing | (181,899) | (197,585) | (210,289) | 515,234 | 333,315 |
| Available for sales reserves | (465,956) | (465,956) | (465,956) | (227,560) | (368,430) |
| | **890,317** | **874,630** | **836,842** | **1,800,761** | **1,655,474** |
| **Non-current liabilities** | | | | | |
| Long term liabilities | 586,126 | 492,426 | 492,426 | 500,426 | 519,303 |
| Retirement benefit obligation | 4,013 | 3,796 | 3,298 | 18,697 | 19,394 |
| | **590,139** | **496,222** | **495,724** | **519,123** | **538,698** |
| **Current liabilities** | | | | | |
| Trade & other payables | 36,824 | 42,317 | 46,502 | 81,305 | 93,227 |
| Current position of interest bearing liabilities | 4,000 | 97,794 | 97,793 | 101,020 | 68,515 |
| Bank loan interest payable | 1,146 | 2,198 | 21,768 | | |
| Cash & cash equivalents | - | - | 14,181 | 28,653 | 52,900 |
| | **41,970** | **142,308** | **180,244** | **210,978** | **214,642** |
| **TOTAL EQUITY & LIABILITIES** | **1,522,426** | **1,513,160** | **1,512,810** | **2,530,863** | **2,408,814** |

Figures in brackets indicate deductions.

**SRI LANKA CEMENT CORPORATION**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December, 2014-2018**

| | | | **Restated** | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** |
| | **Rs.'000** | **Rs.'000** | **Rs.'000** | **Rs.'000** | **Rs.'000** |
| Income | 36,065 | 15,130 | 64,221 | 40,571 | 285,657 |
| Costs of sales | (316) | (16,215) | (66,525) | (50,781) | (280,878) |
| **Gross profit/(loss)** | **35,748** | **(1,084)** | **(2,304)** | **(10,211)** | **4,779** |
| Other income | 15,375 | 56,555 | 91,542 | 60,043 | 34,233 |
| Distribution costs | - | (272) | (292) | (1,198) | (2,951) |
| Administrative costs | (16,883) | (20,524) | (41,172) | (30,461) | (29,211) |
| Financial costs | (14,652) | (16,501) | (15,704) | (15,334) | (20,642) |
| **Profit/(loss) before taxation** | **19,589** | **18,174** | **32,070** | **2,839** | **(13,793)** |
| Taxation | (3,630) | (2,877) | (369) | (255) | - |
| Other comprehensive income/(expense) | - | 586 | (995,620) | 140,870 | 43,345 |
| Prior years adjustments | (271) | (3,180) | - | - | - |
| **Profit/(loss) after tax** | **15,687** | **12,703** | **(963,181)** | **143,454** | **(29,552)** |

Figures in brackets indicate deductions.

# Sri Lanka Cement Corporation
## Audit Committee Report -2018

The Audit Committee of the Corporation consists of three Non-executive Directors, Chief Internal Auditor of the Ministry of Industry and Commerce and a representative from the Auditor General's Department were the observers of the Committee.

Mrs.D.S.A.Costa was the Chairman of the Committee under review of Mr.M.S.M.Kabeer and Mr.N.M.Munawar were the other two Non-executive Directors.

The Main Role and the responsibilities of the Audit Committee includes,

a ) Assist the Board in the task of overseeing to ensure that financial reporting is done in compliance with relevant Sri Lanka Accounting Standard and other applicable legal requirements.

b )Assist the board to ensure that all relevant rules and regulations and circulars issued by the government are complied with continuously reviewing and monitoring, making recommendations to the board on noncompliance.

c ) Review the Internal / External Audit Reports and the recommendations of COPE. And help the board to take remedial actions.

d ) Assist the board to introduce and implement adequate internal control system.

The Audit Committee inter alia engaged in the following activities during the financial year under review.

- Review of the unaudited monthly financial statement.
- Review of the audited financial statement for the year.
- Review of the audit reports issued by the Auditor General and monitoring and follow up action by the Management.
- Reviewing reports on compliance with statutory reporting and payment requirements.

***Signed,***
**D.S.A.Costa,**
**Chairman,**
**Audit Committee**

My No. TCM/A/SLCC/67/2018/F 29th May 2019

The Chairman,
Sri Lanka Cement Corporation

**Report of the Auditor General on the Financial Statements of Sri Lanka Cement Corporation for the year ended 31st December 2018 and necessities of other legal requirements & regulations in terms of section 12 of the National Audit Act, No.19 of 2018.**

## 1. Financial Statement

### 1.1. Opinion

The Audit of the financial statements of the Sri Lanka Cement Corporation for the year ended 31st December 2018 comprising the statement of financial position as at 31st December 2018 and the statement of comprehensive income, statement of changes in equity, statement of cash flow , a summary of significant accounting policies & other explanatory information on the financial statements for the year ended under review was carried out under my direction in pursuance of the provisions in Article 154(1) of constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the National Audit Act, No.19 of 2018 and the Financial Act, No 38 of 1971. My report will be tabled in the parliament in accordance with the Article 154 (6) in the Democratic Socialist Republic.

In my opinion, the financial statements reflect a true and fair view of the financial position of Sri Lanka Cement Corporation as at 31st December 2018 and financial performance, cash flow of the Sri Lanka Cement Corporation for the year ended in accordance with Sri Lanka Accounting standards except for the effects of the matters described in the paragraph of basis for qualified opinion in my report.

### 1.2. Basis for the Qualified Opinion

#### 1.2.1. Accounting Deficiencies

a). The land at Kankasanthurei with the extent of 241.56 acres had been vested to the corporation in terms of the gazette notification no.12156 of 08th July, 1960 under the plan no.2099. According to that plan, we observed that the oil complex with two nos of oil tanks located within the above mentioned land. The corporation had not been valued those assets and brought it to the accounts.

b). The land with lime stone deposit of 5,453 acres located in Aruwakkalu, Puttalum vested to the Sri Lanka Cement Corporation by the gazette notification no.283/2 of 20th September, 1977 but the land extent recorded as 5,352 acres in the financial statements. The whole land had been leased out to the Holcim (Lanka) Limited [presently their name change as Siam City Cement (Lanka) Limited] and that land had not been valued & had not been brought it to the accounts.

c). The land of Attavilluwa with 170A 02R 28P total extent in land block no.9,12 & 14 located at palavi, Puttalam had been valued at Rs.61,200,000/-by the department of valuation and it had been recorded as investment assets in the financial statements but it should be categorized as lands under Non-current assets in the financial statements.

### 1.2.2. Sri Lanka Accounting and Financial Reporting standard

a). Sri Lanka Accounting Standard (LKAS) 07

The investment income of Rs.4,376,820/- generated from investment assets but it had not been recorded under the investment activities in the statement of cash flow. It had been recorded as income generated from operational activities in the financial statements.

b). Sri Lanka Accounting Standard (LKAS) 40

In accordance with the terms in paragraph no 33 of LKAS 40, the corporation had been selected the fair value method to measure investment assets. But, those assets had been recorded based on the previous values as at $31^{st}$ December, 2018.

c). Sri Lanka Financial Reporting Standard (SLFRS) 05

In accordance with the paragraph no. 38 & 41 in this standard, the corporation had been recorded non-current assets to be held for sales and stopped of operations with the value of Rs.750,000/- as investment assets in the statement of Financial position.

### 1.2.3. Lack of evidence for audit

The evidence indicated against with each following items of accounts had not been presented to audit.

| Item of Account | Value (Rs.) | Evidence not made to audit |
|---|---|---|
| a).Trade & other receivable | 72,999,219/- | Balance confirmation letters |
| b).Trade & other payables | 36,823,993/- | Balance confirmation letters |

### 1.2.4. Unbalanced control accounts

According to the financial statements, the balances of 03 nos. of fixed assets accounts of the corporation had been recorded the total value as Rs.9,427,096/-; whilst according to the assets register the balance of those fixed assets accounts had been recorded as Rs.5,827,487/-, thus indicating a difference of Rs.3,599,609/- between the ledger accounts & fixed assets register.

### 1.2.5. Consolidated financial statements

The corporation invested Rs.1,083,618,910/- in 108,361,891 nos of shares of Lanka Cement PLC with the value of Rs.10/- per share in the year 1981. Then, Sri Lanka Cement Corporation has 62.45% of shares from the state capital of the subsidiary company of M/s. Lanka Cement PLC. The consolidated financial statements had not been prepared for the year under review by the corporation.

The audit carried out according to the provisions in Sri Lanka Auditing Standard (SLAS) by me. My responsibilities under those auditing standards, have been described under the Auditor's responsibility for audit this financial statement in this report. I believe that; I have obtained sufficient and appropriate audit evidence to provide a basis for my qualified opinion.

## 1.3. Responsibilities of Management and controlling parties for the financial statements

The management is responsible to determine such internal control methods to preparation of financial statement that are free from material misstatements whether due to the frauds or errors and to the preparation of fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards.

Conti…………

At the time of perpetration of financial statements; the management of the corporation responsible to decide the capability of going concern of the corporation, and further management responsible to continuous accounts base on going concern & disclose facts related to the going concern of the corporation other that the intention of the discontinue the company and discontinue the operations due to the position of non-availability of alternatives.

The controlling parties have been responsible for the process of financial reporting.

The corporation's books and records regarding including income, expenses, assets & liabilities should be maintain properly to prepare the annual & timely financial statements as per the guidelines in sub-paragraph no.16(1) in National Audit Act No.19 of 2018.

### 1.4. Auditor's responsibilities regarding the audit of financial statements.

My purposes are to issue audit report including my opinion and to give the fair confirmation regarding to that financial statements are free from material misstatements whether to fraud or errors over the financial statements.

The reasonable assurance is a high level assurance but it has not been confirmed to disclose material misstatements in each & every time when the audit has been carried out as per the Sri Lanka Auditing Standards. The material misstatements has been created the effect individually or collectively due to the fraud & errors and it will be effect to the users of economic decision makers based on those financial statements.

The audit carried out according to the Sri Lanka Auditing Standards concerning professional judgements & well-judged. And further,

- My opinion based on to obtain material and appropriate audit evidence through the proper plaining of audit procedures including identification of risk of material misstatements of the financial statements, whether due to frauds or errors and assess those risk appropriately. The effect due to fraud highly affected rather than the effect of material misstatements while the frauds will be occurred due to the illegal gathering, forgery, intentionally ignore or ignoring internal controls.

- The understanding of the corporation's internal controls has been considered to plain appropriate audit procedures but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal controls.

- The appropriateness of used accounting policies and the reasonableness of accounting estimates and disclosures of those things by the management has been evaluated.

- To evaluate the pertinently & reasonability of transactions and events based for the structure and content of the financial statements with presented disclosures.

The identified an audit research, main weakness in the internal controls & other facts in my audit had been informed to the controlling parties.

2. **The report regarding the other legal & regulatory necessities**

The special provisions have been included in the National Audit Act No.19 of 2018 regarding to the following necessities.

According to the requirements in paragraph no.12 (a), National Audit Act No.19 of 2018; except the effects of facts described in the paragraph of basis for the qualified opinion in my report, the all information and descriptions for the audit had been taken by me. It is observed that the financial statements had been maintained properly by the corporation.

- The financial statements of the corporation have been comparable with last year as per the necessities of the paragraph no.6 (I) (d) (iii) of the National Audit Act no.19 of 2018.

- The recommendations issued in last year by me had been included in the financial statements for the year under reviewed as per the necessities of the paragraph no.6 (I) (d) (iv) of the National Audit Act no.19 of 2018.

As per the followed procedures, founded evidences and limitations in the material impacts, there had not been taken my attention to published followings;

- The direct or otherwise relationship regarding the exclusion of general business situation by the contract with the corporation to the members of controlling panel of the corporation while the following observations as per the necessities of the paragraph no.12 (d) of the National Audit Act no.19 of 2018.

- The action had not been taken against with the in-written laws , other general or specific command issued by the controlling panel of the corporation while the following observations as per the necessities of the paragraph no.12 (e) of the National Audit Act no.19 of 2018.

| **Reference to Laws, Rules / Directives** | **Description** |
|---|---|
| The financial regulations of the Democratic Socialist Republic of Sri Lanka | |
| (i) Financial regulation no.135 | Duties related to the financial control has not been dereliction in written. |
| (ii) Financial regulation 757(4) | Action has not been taken to present the report of board of survey to the Auditor General. |

The action has been taken as per the authorities, duties and functions other than following observations according to the necessities provide by the paragraph no.12 (g) of the National Audit Act no.19 of 2018.

| **Authorities, duties and functions** | **Observations** |
|---|---|
| a). The extraordinary gazette no.11,634 dated on 2nd January, 1959. | 1.The main objectives of the corporation is to manufacture & distribute cement, produce cement based productions. The manufacturing of cement at Kankasanthurei cement factory had been discontinued after the war remained during past years. And also, the importation & distribution of cement had been continued during the last period and it had ceased from 30th September, 2018. |

| | |
|---|---|
| | 2.The corporation expect to earn Rs.2,480,000/- from sales of cement based production in 2018. The actual sales procede was Rs.579,569/-. The progress of the sales of cement base product was 23.4% and the concrete based production had been ceased completely in the end of 2018. |

The corporation had not been used their resources parsimoniously, efficiently & effectively during the time line according to the laws & procurement other than following observation made according to the paragraph no. 12 (h) of the National Audit Act No.19 of 2018.

a. The Sri Lanka Cement Corporation had been paid Rs.1,000,000/- by the payment voucher no.316 dated on 6th July, 2018 to M/s. Lanka Cement PLC. The corporation had not been made any allocation to it in the corporation's budget, 2018. And issued it to settle the company's administrative expenses without any written agreement between the corporation and the company. This amount has not been settled until March, 2019.due to the discontinued of their business.

b. The land situated at aruwakkalu belongings to the corporation has been given to a private company for the technical studies and it had not been compiling with the procurement provisions in the National Procurement Guild Line No.08 of 25th January, 2006. There has not been any written agreement between the corporation and the company. The corporation had received US$ 20,000/- equal to Rs.3,596,580/- for this technical study.

c. Two nos of oil storage tanks located at Kankasanthurei, owned by the corporation had been handed over for the use of Ceylon Petroleum Storage Terminals Ltd since 2010 without entering into a written agreement. The action has not been taken to enter to the written agreement and collect the rentals by the corporation's management.

d. There was an accounting entry to record loan interest as a debit note in to loan interest account and the credit note to other income as waiver of the loan interest by the amount of Rs.10,065,512/-. The calculations of the payable loan interest had not been confirmed to the audit and there has not any written document to pure this waiver of from the bank.

e. M/s. Lanka Cement PLC had been started in 1981 and the corporation has 62.45% shares from that company. Though that any benefit had not been given to the corporation within the period of 27 years by the company.

f. The land which is 89.9 perches in extent located at Kollupitiya had been vested to the corporation by the Gazette extraordinary No.14756/7 dated on 12th July, 1967 and the deed no.288. This land had been valued at Rs.735,000,000/- in the year 2017 . It had been mortgaged to the state bank to get the loan facility and the payable balance is Rs.97,700,000/- as at end of the year under reviewed. This land remains as ideal assets without using any efficient manner.

## 3. Other Audit observations

There had not been any officer recruit to the internal audit section of the corporation in the year under reviewed since July, 2016 after completing the Voluntary Retirement Scheme. The activities related to the internal audit had not been done during this year.

**SRI LANKA CEMENT CORPORATION**

**Statement of financial position**

**As at 31st December, 2018**

| | | | |
|---|---|---|---|
| | | **2018** | **2017** |
| | | **SLCC** | **SLCC** |
| **ASSETS** | **Notes** | **Rs.** | **Rs.** |
| **Non-current assets** | | | |
| Property, plant and equipment | **03** | 1,457,296 | 1,589,512 |
| Investment properties | **04** | 796,950,000 | 796,950,000 |
| Long term receivables | **05** | - | - |
| Investments | **06** | 630,226,056 | 629,752,312 |
| | | 1,428,633,352 | 1,428,291,824 |
| **Current assets** | | | |
| Inventories | **07** | 925,486 | 1,241,757 |
| Trade and other receivables | **08** | 72,999,219 | 74,469,339 |
| Cash & cash equivalents | **09** | 19,867,979 | 9,157,568 |
| | | 93,792,684 | 84,868,664 |
| **Total assets** | | **1,522,426,036** | **1,513,160,488** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Stated capital | | 966,971,845 | 966,971,845 |
| General reserves | | 9,996,952 | 9,996,952 |
| Revaluation reserves | | 561,202,984 | 561,202,984 |
| Retained earnings | | (181,898,802) | (197,585,836) |
| Available for sales Reserves | | (465,956,132) | (465,956,132) |
| **Total equity attributable to equity holders of the SLCC** | | **890,316,847** | **874,629,812** |
| Non-controlling interest | | - | - |
| **Total equity** | | **890,316,847** | **874,629,812** |
| | | | |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | **10** | 93,700,000 | - |
| Long term payables | **12** | 492,426,190 | 492,426,190 |
| Retirement benefit obligation | **13** | 4,012,838 | 3,795,861 |
| | | **590,139,028** | **496,222,051** |
| **Current liabilities** | | | |
| Trade & other payables | **14** | 36,823,993 | 42,317,003 |
| Current portion of Inter. bear. lia. | **10** | 4,000,000 | 97,793,352 |
| Bank Loan interest payable | **11** | 1,146,168 | 2,198,270 |
| Cash & cash equivalents | **09** | - | - |
| | | **41,970,161** | **142,308,625** |
| **Total liabilities** | | **632,109,189** | **638,530,676** |
| **Total equity and liabilities** | | **1,522,426,036** | **1,513,160,488** |

Figures in brackets indicate deductions.

***Signed,***
**Accountant - M.G.A.T.R.Jayathilaka**

***Signed,***
**Managing Director - S.Abdeen Ehiya**

The Board of Directors are responsible for the fair preparation & presentation of these Financial Statements. These Financial statements were approved by the Board of Directors and signed on behalf of the Board,

***Signed,***
**Director**
**M.Abdul Rafeek**

***Signed,***
**Chairman**
**M. Reyyaz S. Salley**

**26th February, 2019**

**SRI LANKA CEMENT CORPORATION**

**Statement of comprehensive income and retained earnings**
**For the year ended 31 December 2018**

| | Notes | 2018 SLCC Rs. | 2017 SLCC Rs. |
|---|---|---|---|
| Revenue | **15** | 36,064,670 | 49,468,847 |
| Cost of sales | **Sta. I** | (316,271) | (16,215,007) |
| **Gross profit/(loss)** | | **35,748,399** | **33,253,841** |
| Other income | **16** | 15,375,443 | 22,216,609 |
| Distribution expenses | **Sta. II** | - | (271,560) |
| Administrative expenses | **Sta. III** | (16,882,861) | (20,523,572) |
| Finance costs | **17** | (14,652,301) | (16,500,602) |
| **Profit/(loss) before tax** | **18** | **19,588,680** | **18,174,716** |
| Income tax expense | | (3,630,250) | (2,876,611) |
| **Profit/(loss) for the year** | | **15,958,430** | **15,298,106** |
| Other comprehensive income/(expenses) | **19** | - | 585,513 |
| Prior years adjustments | **20** | (271,396) | (3,179,933) |
| Total comprehensive income/(expenses) | | **15,687,034** | **12,703,686** |
| Retained earnings & available held for sales reserves at start of year | | (663,541,968) | (676,245,654) |
| **Retained earnings at end of year** | | **(647,854,934)** | **(663,541,968)** |

Figures in brackets indicate deductions.

The accounting policies on pages 13 to 16 and Notes on pages 17 to 20 form an integral part of these Financial Statements.

## SRI LANKA CEMENT CORPORATION

**Statement of changes in equity**
**For the year ended 31 December 2018**

| ***Sri Lanka Cement Corporation*** | **Balance as at 01.01.2017** | **The year (2017)** | **Restated Balance as at 31.12.2017** | **This year (2018)** | **Balance as at 31.12.2018** |
|---|---|---|---|---|---|
| Capital Contributed | 966,971,845 | - | 966,971,845 | - | 966,971,845 |
| Revaluation Reserves | 536,119,419 | 25,083,565 | 561,202,984 | - | 561,202,984 |
| General Reserves | 9,996,952 | - | 9,996,952 | - | 9,996,952 |
| Retained Profit | (210,289,522) | 12,703,686 | (197,585,836) | 15,687,034 | (181,898,802) |
| Investment variation Reserves(L.C.L.share investment) | (465,956,132) | - | (465,956,132) | - | (465,956,132) |
| **Total** | **836,842,562** | **37,787,251** | **874,629,813** | **15,687,034** | **890,316,847** |

The accounting policies on pages 13 to 16 and notes on pages 17 to 20 form an integral part of these Financial Statements.

**SRI LANKA CEMENT CORPORATION**

**Statement of cash flow**

**For the year ended 31 December 2018**

| | Notes | | 2018 SLCC Rs. | | 2017 SLCC Rs. |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit/(loss) before tax for the year | | | 19,588,680 | | 18,174,716 |
| **Adjustments for non-cash income and expenses:** | | | | | |
| Depreciation | **Sta. D** | 132,216 | | 173,873 | |
| Gratuity provision | **Sta. D** | 322,533 | | 331,100 | |
| Bank loan interest | **Sta. D** | 14,652,301 | | 16,500,602 | |
| Interest on employees loans | **16** | - | | (110,676) | |
| Interest on deposits | **16** | (1,618,681) | | (1,549,315) | |
| Interest on treasury bills | **16** | (473,744) | | (501,660) | |
| Disposal Profit of fixed assets | **Sta. D** | - | | 12,297 | |
| Housing loan interest paid | **16** | - | | (673,005) | |
| Bank loan interest waiver of | **16** | (10,065,512) | 2,949,113 | (16,144,188) | (1,960,972) |
| **Cash flow included in investing activities:** | | | 22,537,793 | | 16,213,744 |
| **Changes in operating assets and liabilities** | | | | | |
| Decrease (increase) in inventories | | | 316,271 | | 1,857,921 |
| Decrease (increase) in trade and other receivables | | | 1,444,458 | | 15,151,959 |
| Increase (decrease) in bank loan interest payable | | | (1,052,102) | | (3,425,452) |
| Increase (decrease) in trade payables | | | (9,891,731) | | (4,703,609) |
| | | | 13,354,689 | | 25,094,563 |
| **Less :** | | | | | |
| Gratuity paid | | | - | | (513,522) |
| Interest paid | | | (3,842,234) | | (18,922,737) |
| Taxes paid | | | (247,480) | | - |
| **Net cash from operating activities** | | | 9,264,975 | | 5,658,304 |
| **Cash flows from investing activities** | | | | | |
| Invest in short term deposits | | | (35,000,000) | | (30,501,660) |
| Withdrawals of short term deposits | | | 19,741,164 | | 31,549,315 |
| Purchase of Property, plant & equipment | | | - | | (148,310) |
| Sales of Property, plant & equipment | | | - | | 3,094,010 |
| Invested into deposits/treasury bills | | | (1,271,367) | | - |
| Withdrawal of deposit/treasury bills interest | | | 1,271,367 | | - |
| **Net cash used in investing activities** | | | (15,258,836) | | 3,993,355 |
| **Cash flows from financing activities** | | | | | |
| Repayments of bank loan | | | (93,352) | | - |
| **Net cash used in financing activities** | | | (93,352) | | - |
| **Net increase (decrease) in cash and cash equivalents** | | | (6,087,213) | | 9,651,659 |
| Cash at bank at beginning of year | | | 9,157,568 | | (494,091) |
| **Cash at bank at end of year** | | | 3,070,355 | | 9,157,568 |
| Add : Short term deposits | | | 16,797,624 | | - |
| **cash and cash equivalents at end of year** | | | **19,867,979** | | **9,157,568** |

The accounting policies on pages 13 to 16 and Notes on pages 17 to 20 form an integral part of these Financial Statements.

**Accounting policies and explanatory notes to the financial statements**
**For the year ended 31 December 2018**

## 1. General information

The Cement Factory at Kankesanthurai which was established in 1950 under the Department of Industries was converted to a Public Corporation in 1956 under the provisions of the Government Sponsored Corporations Act No.19 of 1955 and named Kankesan Cement Works. On 1st January 1959 the Corporation was reconstituted as Ceylon Cement Corporation under the Industrial Corporations Act No. 49 of 1957.

In the year 1980 the name was changed to "Sri Lanka Cement Corporation" by a Gazette notification. The address of its head office of business is No:130,W.A.D.Ramanayaka Mawatha,Colombo 02. In the year 2015 July, the address of head office was change to N0.27, Vauxhall Mansion, Vauxhall street, and Colombo 02.

The Sri Lanka Cement Corporation has ownership of the Lanka Cement PLC as immediate and ultimate holding company.

## 2. Summary of significant accounting policies

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.

### 2.01 Basis of preparation

These financial statements have been prepared in accordance with the Sri Lanka Accounting Standard issued by the Institute of Chartered Accountants of Sri Lanka. These Financial Statements are presented in Sri Lankan Rupees Rs. and all financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

### 2.1.1 Going Concern

The directors have made an assessment of the Corporation's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

### 2.2 Investments in associates

#### 2.2.1 Subsidiaries

Sri Lanka Cement Corporation had invested Rs.1,083,618,910/= in the Lanka Cement Limited in 1981 and holds 62.45% of the Share Capital. The par value of the share is Rs.10/=. The Investment has not paid and return since its inception.

The market value was Rs.6.20 per share in 2017 and presently these shares not in trade as per the details disclosed by Colombo stock exchange.

#### 2.2.2 Associates

Sri Lanka Cement Corporation also owns 320,000 ordinary shares of Rs.10/= each in the Lafarge Mahaweli Cement Company Limited, and benefited by a Bonus issue of one new ordinary share for every two shares held by the Corporation as at 31st December, 1995. The Corporation now owns 480,000 ordinary shares in LMCCL which is 10% of the total shareholding.

Investments in associates are accounted as available-for-sale financial assets. Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Dividend income from investments in associates is recognized when the Corporation's right to receive payment has been established. It is included in other income.

**2.2.3 Related Party Transactions**
According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) is those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition.

**2.03 Revenue recognition**
Revenue from carrying on buying & selling of the cement bags and manufacturing & selling of concrete products are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured at the end of the reporting period . Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

**a) Sale of Goods**
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

**b) Interest**
Revenue is recognized on a time proportion basis that takes in to accounts the effective interest rate on asset.

**c) Others**
Other income is recognized on an accrual basis.

**2.04 Borrowing costs**
All borrowing costs are recognized in profit or loss in the period in which they are incurred.

**2.05 Income tax**
Income tax expense represents the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year.

**2.06 Property, plant and equipment**
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

| | | |
|---|---|---|
| Building | 6.67 | % |
| Plant & machinery | 12.50 | % |
| Earth moving & heavy equipment | 25.00 | % |
| Motor vehicles | 25.00 | % |
| Loose tools & movable equipment | 25.00 | % |
| Fixture fitting & furniture | 25.00 | % |
| Rail & roadways | 10.00 | % |

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Tools, fixture & fitting below the value of Rs.10,000/= are not capitalized and instead charged as expense in the year of purchase.

**2.07 Investment Property**

**A. Land at Aruwakkalu**

Sri Lanka Cement Corporation had leased out the limestone deposit at Aruwakkalu for an extent of 5,352 acres to a Holcim (Lanka) Limited in the year 1993 for a period of 50 years for excavation of limestone for the production of cement.

The said land at Aruwakkalu has been requested the Valuation Department to value the same and it will be included in the Financial Statement after the valuation processes is completed.

**B. Lands at Colombo 02 and Palavi**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

The Organization has chosen the fair value model to measure investment property and consequently investment property is measured at deemed cost less any impairment losses.

**C. Railway Engine**

Sri Lanka Cement Corporation used this property before war time to the operations. It becomes an investment property that will be recognized at fair value as per the provisions of LKAS 16 and transfer to the category of investment property. Any resulting increases in carrying amount are reverses a previous impairment loss for that property, the increase is recognized in profit or loss. Any remaining part of the increase is recognized in other comprehensive income and increases the revaluation surplus within equity.

**2.08 Inventories**

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the first-in, first-out (FIFO) method.

**2.09 Trade and other receivables**

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

**2.10 Trade payables**

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Sri Lankan Rupees (Rs.) using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

**2.11 Bank loans and overdrafts**

Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

## 2.12 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the date of Statement of Financial Position when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote.

Contingent assets are disclosed in the notes where inflow of economic benefit is probable.
Sri Lanka Cement Corporation filed thirteen nos. of court cases against to the trade receivables.

| Case Number | | Year of case filed | Respondent | Claim |
|---|---|---|---|---|
| **Business** | | | | |
| 47146/MR | DC | 2003 | U.N.Abesekara | 679,500.00 |
| 56783/MR | DC | 2003 | R.M.P.D.M.Rajapaksha | 1,656,000.00 |
| 47175/MR | DC | 2003 | K.A.J.Jayanath Perera | 110,500.00 |
| 000262/08 | DC | 2003 | New Island Hardware | 198,000.00 |
| 56780/MR | DC | 2003 | Vinsara Distributors | 195,400.00 |
| 56781/MR | DC | 2003 | Prasanna Construction | 92,250.00 |
| 000260/08 | | 2003 | Mayantha Traders | 65,508.00 |
| 56782/MR | | 2003 | R.A.S.K.Rajapaksha | 810,683.60 |
| IR 324/03/11 | | 2011 | Leka Perer | 1,112,000.00 |
| 90302 | | 2012 | A.A.A.Maulana | 663,800.00 |
| CID | | 2003 | P.M.K.Senaratne | 6,000.00 |
| CID | | 2003 | I.D.T.Chandrasiri | 5,000.00 |
| CID | | 2015 | R.C.C.Trading | 6,655,795.00 |
| **Others** | | | | |
| 13365 - Vehicle | | 2013 | B.M.Sugathadasa | |
| BR 232 - Land | | 2012 | Puttalam Cement land encroachment | |
| B/312/PC/2014 | | 2014 | Jaffna , State assets robbery | |

## 03. Property, plant & equipment

### 03.1 Sri Lanka Cement Corporation

| | Balance as at 01.01.2018 | Prior year adjustments | Additions during the year | Disposals during the year | Balance as at 31.12.2018 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land & Building | 1,595,981 | - | - | - | 1,595,981 |
| Motor Vehicles | 4,562,891 | - | - | - | 4,562,891 |
| Furniture, fixture & fit. | 4,575,575 | - | - | - | 4,575,575 |
| Tools & Mobile equip. | 288,630 | - | - | - | 288,630 |
| | **11,023,077** | **-** | **-** | **-** | **11,023,077** |

| | Balance as at 01.01.2018 | Prior year adjustments | Charges during the year | Disposals during the year | Balance as at 31.12.2018 |
|---|---|---|---|---|---|
| **Accumulated Depreciation** | | | | | |
| Land & Building | 395,981 | - | - | - | 395,981 |
| Motor Vehicles | 4,562,891 | - | - | - | 4,562,891 |
| Furniture, fixture & fit. | 4,188,933 | - | 129,346 | - | 4,318,279 |
| Tools & Mobile equipme | 285,760 | - | 2,870 | - | 288,630 |
| | **9,433,565** | **-** | **132,216** | **-** | **9,565,781** |
| **Net book value** | **1,589,512** | | | | **1,457,296** |

Sri Lanka Cement Corporation has totally 751 acres land available at Kankesanturai but not recorded in our Financial Statements.

Out of the land mentioned above, there is 241 acres land under the Plan No. A 2099 as state land. It vested by the Government gazette no.12,156 issued on 8th July, 1960. The factory & administrative buildings and oil complex included in that land. The balance land content with the Plan No. A1557, A 1487, A1464, A 1562 & A 2438. The Ceylon Government Gazette No 14,012 in 1964 issued for the Preliminary Plan No. A 2438 under the Land Acquisition Act (Chapter 460) by Government.

The meetings held under the subject of northern provision development projects with the supervision of Presidential task Forces to search the ability to use of said land for those projects. The requested portions from that land and acquired portions by certain institutions , internally displaced persons under correct legal procedures and illegally encroached portions were as follows ;

| Name of organization | Extent | Remarks |
|---|---|---|
| Sri Lanka Army | 50 acres | We informed to the secretary, Ministry of Industry and Commerce regarding the approvals to release the lands subject to the payment of compensation from those institutions on 29th February, 2018. |
| Sri Lanka Port Authority | 50 acres | |
| Ceylon Petroleum Storage terminals ltd(Lease Agreements) | 06 acres | |
| Internally displaced persons as per the Gazette notification | 45 acres | |
| Acquired by the encroachments | 50 acres | |
| Eco friendly Industrial Estate | 330 acres | The cabinet paper presented to the cabinet on 10th September, 2018. |

We have the ownership of land situated at Talpe Pattu of Galle District, Southern Province, and Containing in extent of six acres. But, the Divisional Secretary has constructed the T-tsunami houses in this land. We are requested to getting compensation for this land.

**Accounting policies and explanatory notes to the financial statements**
**As at 31 December 2018**

| | | 2018 | 2017 |
|---|---|---|---|
| **04.** | **Investment properties** | **Rs.** | **Rs.** |
| | Land at Colombo 03 | 735,000,000 | 735,000,000 |
| | Land at Palavi | 61,200,000 | 61,200,000 |
| | Railway Engines | 750,000 | 750,000 |
| | | **796,950,000** | **796,950,000** |

Under the mortgage bond no.2426, the land at 287, Galle Road, Colombo-03 has been mortgage to get series of loan facility of Rs.172,000,000 on 25th Feb. 2008. This Land value include in investment property. We have taken action to revalue this Land in 2013 & 2017 and recorded the values of Rs.712,500,000/- & Rs.735,000,000/- respectively in the Financial Statement.

In 2013, the forest land of 221 acres situated Palavi, Puttalam is identified as a land belongs to us and the value only for 170A:3R:28.3P included in the Financial Statement, 2013. Fifty one acres land extent out of that has not valued.

The Sri Lanka Cement Corporation lease out the land at palavi to M/s.Siam City Cement Lanka (Pvt) Ltd with extent of 12A:3R:30P according to the agreement no.26 signed on 6th June, 2003.

The value of lands at Kollupitiya belonging to SLCC has been classified as investment property and accounted on "Fair Value Model" as required by LKAS 40 – Investment Property. The last valuation report issued on 02nd October, 2013 by the Chief Valuer, Valuation Department, Colombo.

| | | | |
|---|---|---|---|
| **05.** | **Long term receivables** | | |
| | Short term & Long term loan for formation of L.C.L | 360,311,323 | 360,311,323 |
| | Internal transaction between L.C.L. and SLCC until the closure of the both | 396,912,560 | 396,912,560 |
| | Provision for doubtful receivables | (757,223,883) | (757,223,883) |
| | | - | - |

| | | | |
|---|---|---|---|
| **06.** | **Investments** | | |
| | Treasury bills | 6,163,277 | 5,689,533 |
| | ***Investment in subsidiary & others*** | | |
| | Subsidiary - Lanka Cement PLC | 617,662,779 | 617,662,779 |
| | Mahaweli Marine Cement (Pvt) Ltd | 6,400,000 | 6,400,000 |
| | | **630,226,056** | **629,752,312** |

Lanka Cement PLC is control and monitoring by separate management and the subsidiary company's board content with three board directors of parent company.

The chairman of the Sri Lanka Cement corporation has directorship of Mahaweli Marine Cement (Pvt) Ltd.

| | | | |
|---|---|---|---|
| **07.** | **Inventories** | | |
| | Stock of Raw material and WIP for concr. production | 238,256 | 238,256 |
| | Stock of finished goods of concrete poles etc. | 687,230 | 1,003,501 |
| | | **925,486** | **1,241,757** |

| | | | |
|---|---|---|---|
| **08.** | **Trade and other receivables** | | |
| | Trade debtors | 49,425,414 | 51,952,363 |
| | Provision for Doubtful Debtors | (977,166) | (977,166) |
| | Rent receivable | 2,515,440 | 2,517,154 |
| | Advance payment - local orders | 1,131,622 | 1,131,622 |
| | Deposit receivables | 1,624,626 | 1,708,125 |
| | Deposit on Purchase of Cement | 976,971 | 976,971 |
| | Distress Loan/Motor cycle loan & Sep.Loan | 2,519,141 | 2,061,696 |
| | Pre-paid expenses | 278,601 | 313,378 |
| | Lanka Cement receivables | 1,253,580 | 253,580 |
| | Sundry advance | 240,947 | 240,947 |
| | Receivables from treasury bills | 48,000 | 48,000 |
| | VAT receivables | 10,414,117 | 10,694,743 |
| | ESC receivables | 126,758 | 126,758 |
| | Withholding tax receivables | 2,748,462 | 2,748,462 |
| | NHDA receivable | 672,706 | 672,706 |
| | | **72,999,219** | **74,469,339** |

| | | 2018 | 2017 |
|---|---|---|---|
| **09.** | **Cash & cash equivalents** | **Rs.** | **Rs.** |
| | Cash at bank | | |
| | - BOC, Lake view branch | 1,332,786 | 2,156,449 |
| | - BOC, Corporate branch | 19,594 | 874,820 |
| | - People's bank Foreign department | - | 252,754 |
| | - People's bank Liberty Plaza branch | 1,717,975 | 5,501,747 |
| | - People's bank Kannathetti | - | 371,798 |
| | Short term deposits | 16,797,624 | - |
| | | **19,867,979** | **9,157,568** |
| **10.** | **Interest bearing liabilities - Bank loan** | | |
| | Loan-BOC bank 74129310 | - | 24,000,000 |
| | Loan-BOC bank - import of cements | - | 56,293,352 |
| | Loan-BOC bank | - | 17,500,000 |
| | Loan-BOC 83124176 | 97,700,000 | - |
| | | **97,700,000** | **97,793,352** |

As per the request made by the Corporation with the letter dated 10.10.2017, all outstanding banking facilities in the Bank of Ceylon reschedule under the loan no.83124176 for the value of Rs.97,7000,000/- with 120 months repayment period.

| | | 2018 | 2017 |
|---|---|---|---|
| **11.** | **Bank loan interest payable** | | |
| | O/D interest payable | - | 1,453,715 |
| | Bank loan interest payable | 1,146,168 | 744,555 |
| | | 1,146,168 | 2,198,270 |
| **12.** | **Long term payables** | | |
| | Treasury advance | 492,426,190 | 492,426,190 |
| | | **492,426,190** | **492,426,190** |
| **13.** | **Retirement benefit obligation** | | |
| | Opening Balance of Provision for Retirement Gratuity | 3,795,861 | 3,297,663 |
| | Deduction of loan made during the year | (105,556) | - |
| | Payment made during the year | - | (603,540) |
| | Balance provision available as at end of the year | 3,690,305 | 2,694,123 |
| | Provision for the year | 322,533 | 331,100 |
| | Provision entitlement as at end of the year | **4,012,838** | **3,795,861** |
| **14.** | **Trade & other payables** | | |
| | Trade creditors | 3,090,311 | 3,644,844 |
| | Advance for cements | 1,079,410 | 1,079,410 |
| | Accrued expenses | 3,816,615 | 4,092,771 |
| | Rent payables to B.C.C. | 766,150 | 766,150 |
| | Rent payables to S.E.C. | 6,322,724 | 8,322,724 |
| | Deposit refundable | 1,329,176 | 1,285,626 |
| | ESC payable | 126,756 | 126,756 |
| | NBT payable | 1,946,818 | 8,410,618 |
| | Payroll control account | 140,754 | 177,656 |
| | Unpaid Salaries | 51,645 | 53,070 |
| | Retained Coins | 468 | 468 |
| | EPF payable | 104,484 | 97,515 |
| | ETF payable | 14,354 | 13,404 |
| | Director remuneration payable | 31,631 | 8,182 |
| | Income tax payable | 5,217,349 | 1,355,144 |
| | PAYE tax payables | 3,445 | 27,782 |
| | VAT payable | 12,773,488 | 12,854,883 |
| | WHT payable | 8,415 | - |
| | | **36,823,993** | **42,317,003** |

**Accounting policies and explanatory notes to the financial statements**
**For the year ended 31 December 2018**

| | | 2018 | 2017 |
|---|---|---|---|
| **15.** | **Revenue** | **Rs.** | **Rs.** |
| | Sales of cement | - | 14,144,593 |
| | Sales of concrete poles | 579,569 | 1,150,847 |
| | Lease of lime stone quarry land | 31,703,734 | 30,377,665 |
| | Income from Premises | 4,503,870 | 3,960,618 |
| | (-) NBT | (722,503) | (164,876) |
| | | **36,064,670** | **49,468,847** |
| **16.** | **Other income** | | |
| | Interest on employees loans | 143,481 | 110,676 |
| | Interest on deposits | 1,618,681 | 1,549,315 |
| | Interest on treasury bills | 473,744 | 501,660 |
| | Profit for the disposed fixed assets | - | 673,005 |
| | Sundry income | 25 | 177,765 |
| | Land access fees | 3,074,000 | 3,060,000 |
| | Bank loan interest waiver of (over provision) | 10,065,512 | 16,144,188 |
| | | **15,375,443** | **22,216,609** |
| **17.** | **Finance costs** | | |
| | Bank Overdraft interest | 6,559 | 2,267,504 |
| | Bank loan interest | 14,645,742 | 14,233,098 |
| | | **14,652,301** | **16,500,602** |
| **18.** | **Profit before tax** | | |
| | The following items have been recognized as expenses (income) in determining profit before tax: | | |
| | Staff costs | 8,860,320 | 7,555,455 |
| | Directors remunerations | 3,463,365 | 3,368,225 |
| | Depreciation | 132,216 | 173,873 |
| | Audit Fees | 520,000 | 150,000 |
| | Gratuity provision | 322,533 | 331,100 |
| **19.** | **Other comprehensive income/(expenses)** | | |
| | Profit for the disposed locomotive engine | - | 585,513 |
| | | **-** | **585,513** |

| | | | |
|---|---|---|---|
| **20.** | **Prior years adjustments to Retained earning** | | **Rs.** |
| | **Retained earnings balance as at 31/12/2017** | | (663,541,968) |
| | Trade payable - Director remuneration | 29,873 | |
| | Trade payable - Accrued expenses | (486,949) | |
| | Trade payable - ESC payable | (79,440) | |
| | Trade payable - Income tax payable | (479,435) | |
| | Bank loan interest payable | 744,555 | |
| | | | (271,396) |
| | | | **(663,813,364)** |

These financial statements were approved by the board of directors and authorized for issue on 20th February, 2019.

**SRI LANKA CEMENT CORPORATION**

**Statement of detailed comprehensive income**

**For the year ended 31 December 2018**

| | Ref. | 2018<br>Rs. | 2017<br>Rs. |
|---|---|---|---|
| Revenue | | 36,064,670 | 49,468,847 |
| Cost of sales | **A** | (316,271) | (16,215,007) |
| **Gross profit** | | **35,748,399** | **33,253,841** |
| Other income | **B** | 15,375,443 | 22,216,609 |
| Distribution expenses | **C** | - | (271,560) |
| Administrative expenses | **D** | (16,882,861) | (20,523,572) |
| **Profit before finance costs** | | **34,240,981** | **34,675,318** |

**SRI LANKA CEMENT CORPORATION**

**Statements to the detailed comprehensive income**

**For the year ended 31 December 2018**

| | **2018** | **2017** |
|---|---|---|
| **A. Cost of sales** | **Rs.** | **Rs.** |
| **Sales of cement bags** | | |
| Opening stock | - | - |
| Purchase & other direct costs | - | 14,325,075 |
| Less : Closing stock | - | - |
| | - | 14,325,075 |
| **Sales of concrete products** | | |
| Opening stock | 1,003,501 | 3,097,767 |
| Purchase & Direct expenses | - | 32,011 |
| Less : Closing stock | (687,230) | (1,239,846) |
| | 316,271 | 1,889,932 |
| | **316,271** | **16,215,007** |
| **B. Other income** | | |
| Interest on employees loans | 143,481 | 110,676 |
| Interest on deposits | 1,618,681 | 1,549,315 |
| Interest on treasury bill | 473,744 | 501,660 |
| Disposal Profit of fixed assets | - | 673,005 |
| Sundry income | 25 | 177,765 |
| Gate Access fees | 3,074,000 | 3,060,000 |
| Bank loan interest waiver of | 10,065,512 | 16,144,188 |
| | **15,375,443** | **22,216,609** |
| **C. Distribution expenses** | | |
| Depreciation for Motor Vehicle | - | 44,560 |
| Advertising & Exhibitions | - | 227,000 |
| | **-** | **271,560** |
| **D. Administrative Expenses** | | |
| Salary & wages | 6,376,038 | 6,230,565 |
| Overtimes | 225,133 | 193,208 |
| E.P.F. | 709,680 | 623,168 |
| E.T.F | 177,420 | 155,792 |
| Encashment of Medical Leave | 362,611 | 352,722 |
| Directors ruminations | 3,463,365 | 3,368,225 |
| Audit committee meeting fees | 196,000 | 128,000 |
| Annual Bonus | 189,900 | 211,950 |
| Medical Scheme | 72,082 | 43,412 |
| Free Tea | 157,838 | 67,400 |
| | 11,930,067 | 11,374,442 |

**SRI LANKA CEMENT CORPORATION**

**Statements to the detailed comprehensive income**

**For the year ended 31 December 2018**

| | 2018 | 2018 |
|---|---|---|
| | **Rs.** | **Rs.** |
| ***Conti……………*** | **11,930,067** | **11,374,442** |
| Food Substitute | 366,300 | 354,840 |
| Welfare Expenses | 404,233 | 339,741 |
| Housing Loan Interest | 8,985 | 12,297 |
| Depreciation -Office Furniture &Equipment | 129,346 | 103,743 |
| Depreciation-Tools &Mobile Equipment | 2,870 | 25,570 |
| Rent | 1,009,800 | 1,009,366 |
| Electricity Expenses | 176,872 | 275,152 |
| Postage & Telephone Charges | 227,296 | 349,807 |
| Printing &Stationery | 285,882 | 230,061 |
| Rate & Taxes | 7,700 | 9,533 |
| General Expenses | 378,567 | 319,311 |
| Travelling Expenses | 89,979 | 156,052 |
| Land visit & other expenses | - | 1,559,880 |
| Motor Vehicle Expenses | 266,686 | 327,219 |
| Secretarial fees | 90,204 | 87,068 |
| Repair of Office Furniture | 80,360 | 80,748 |
| Periodical &Publications | 10,730 | 31,590 |
| Audit Fees | 520,000 | 150,000 |
| Valuation charges | - | 1,736,300 |
| Gratuity provision | 322,533 | 331,100 |
| Water | 52,469 | 88,422 |
| Bank charges | 63,298 | 53,857 |
| Security expenses | - | 512,151 |
| Repair & maintenance | - | 38,765 |
| Office renovation | 39,000 | - |
| Legal & Professional Expenses | 5,000 | 28,000 |
| Temporary Staff Allowances | 414,684 | 938,557 |
| | **16,882,861** | **20,523,572** |

## Computation of Income Tax

### Year of Assessment 2018

| | Reference | | +Rs. | -Rs. |
|---|---|---|---|---|
| Profit for the year 2018 | **P & L** | | 19,588,680 | |
| Interest on deposits | **P & L** | | | 1,618,681 |
| Interest on treasury bills | **P & L** | | | 473,744 |
| Capital Allowance | **Sch. I** | | | 97,000 |
| Depreciation | **P & L** | | 132,216 | |
| Gratuity provision | **P & L** | | 322,533 | |
| Gratuity payment | **P & L** | | | - |
| | | | **20,043,429** | **2,189,425** |
| **Adjusted loss for the year** | | | | **17,854,004** |
| Interest income | | | | 2,092,425 |
| **Total statutory income** | | | | **19,946,429** |
| **Assessable income** | | | | **19,946,429** |
| Less : | | | | |
| Loss b/f from 2017 | | 97,032,957 | | |
| Loss for this year (2018) | | - | | |
| 35% of Total Statutory income | | (6,981,250) | | **(6,981,250)** |
| Loss c/f to 2019 | | **90,051,707** | | |
| **Taxable income** | | | | **12,965,179** |
| **Total Tax Payable** | | 12,965,179 | 28% | 3,630,250 |
| WHT paid | 247,480 | | | |
| ESC deduction | - | | | |
| ESC expense | - | | | |
| | **247,480** | | | (247,480) |
| **Balance Tax Payable** | | | | **3,382,770** |

**Computation of Income Tax**

**Year of Assessment - 2018**

**Schedule I - Capital allowance**

| | | Rate % | Cost | Allowance Claimed 2018 |
|---|---|---|---|---|
| **Current year - 2018** | | | | **Nil** |
| **Prior Years up to 2012** | | | | |
| Buildings | | 6.67% | 395,981 | 26,412 |
| Motor Vehicles | Leased Veh. | 20% | 6,650,714 | - |
| Furniture, fixture & fitting | | 20% | 546,564 | - |
| Tools & Mobile equipment | | 12.5% | 47,330 | 5,916 |
| | | | | **32,328** |
| **Year - 2017** | | | | |
| Furniture, fixture & fitting | | 20% | 140,561 | 9,375 |
| Tools & Mobile equipment | | 12.5% | 7,750 | 517 |
| | | | | **9,892** |
| **Year - 2016** | | | | |
| Furniture, fixture & fitting | | 20% | 91,497 | 18,299 |
| Tools & Mobile equipment | | 12.5% | 30,255 | 3,782 |
| | | | | **22,081** |
| **Year - 2015** | | | | |
| Tools & Mobile equipment | | 12.5% | 18,180 | 2,273 |
| | | | | **2,273** |
| **Year - 2014** | | | | |
| Furniture, fixture & fitting | | 20% | 135,727 | 27,145 |
| Tools & Mobile equipment | | 12.5% | 26,245 | 3,281 |
| | | | | **30,426** |
| **Capital allowance for 2018** | | | | **97,000** |

**The comments of the board of directors regarding the Financial statements for the year ended 31st December, 2018 and requirements of other legal & regulatory in paragraph no.12 of the National Audit Act No.19 of 2018 of the Sri Lanka Cement Corporation**

## 1. Financial statements

### 1.2. Basis for the Qualified Opinion

#### 1.2.1. Accounting Deficiencies

a. We will be taken the action to value these two nos of oil tanks belongings to the Sri Lanka Cement Corporation and record it in the accounts.

b. We accept the comment and it will be corrected. The Department of Valuation had been valued this land in 2016 as per the request made by the corporation. They informed us to pay the valuation fee of Rs.22,985,800/- for that land. The corporation had not been taken the valuation report due to the financial limitation.

c. The proposal had been obtained to proceed development project for the land situated at Palavi, Puttalam then it presented under investment property in the accounts.

#### 1.2.2. Sri Lanka Accounting and financial reporting standards

a. Sri Lanka Accounting standard No.07 (LKAS 07)

We will take action to identify the incomes as per the provisions indicate in the standard.

b. Sri Lanka Accounting Standard No.40 (LKAS 40)

The previous values of the investment properties had been continued in the financial statements due to the lack of the sufficient financial allocations for the assets revaluation.

c. Sri Lanka Financial Reporting Standard No.05 (SLFRs 05)

We accept the comment. We will take action to identify non-current assets correctly as per the provisions given in the standard.

#### 1.2.3. Lack of the evidence for audit

a. Trade & other receivable balances

The balance confirmation letters had been sent to the relevant organizations by registered post and copies of those letters submitted to the audit. We had not received confirmation or remonstrance from those institutions against the balance receivables.

b. Trade & other payable balances

The balance confirmation letters had been sent to the relevant organizations by registered post and copies of those letters submitted to the audit. We had not received confirmation or remonstrance from those institutions against the balance payables.

### 1.2.4. Unbalanced control accounts

We had been updated the fixed assets register and it prepared in 2016. We had been recorded only the identified costs of those assets.

### 1.2.5. Preparation of consolidated financial statements

The Sri Lanka Cement Corporation should be presented consolidated financial statements for the audit. But, we had not been presented consolidated financial statements due to the reason of unpresented situation of financial statements by the subsidiary company of M/s. Lanka Cement PLC for the year 2018.

## 2. The report of other legal & regulatory requirements

### 2.1 Laws, Rules / Directions

i. Financial regulation no.135

The action had been taken to assigned duties of the financial control with the approval of the board of directors.

ii. Financial regulation no.757 (4)

The board of survey report for the year 2018 had been prepared and submitted for the approval of the board of directors.
We will take action to complete these report & take the approvals with in the given time.

### 2.2. Authorities, duties and functions

Paragraph No.12 (g) in the National Audit Act No.19 of 2018.

i. Sri Lanka Cement Corporation had been stopped importation and sales of cement since 30th August, 2017.
ii. We had not been sold those stocked concrete based poles at the expected price.

Paragraph No.12 (h) in the National Audit Act No.19 of 2018.

a. The decision had been taken to liquidate the subsidiary company of M/s. Lanka Cement PLC of the corporation. They informed us to settle this loan amount with the funds receivable from sales of remaining iron and other metals at cement factory, Kankasanthurei belonging to that company.

b. The action had been taken to give the land at Aruwakkalu only for the technical studies to the private company and they paid US $20,000/- for it to the corporation.

c. The action will be continued to take the receivable balance of rental for the oil tanks at Kankasanthurei with the intercession of our line ministry.

d. We had been taken the balance confirmation letters from the bank including the payable balance of bank loan interest as at 31.12.2018. We paid the loan interest monthly in the year 2018. We identified the waiver of balance of loan interest considering the paid amount of the loan interest during the year and balance payable to the bank.

e. We accept the comment.

f. We accept the comment.

## 3. Other audit observations

We will take the action to establish the internal audit section and recruit the employee to it.